THE THRIFT ALLIANCE

D/B/A THRIFTSMART

FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2015

THE THRIFT ALLIANCE
D/B/A THRIFTSMART
Financial Statements

TABLE OF CONTENTS

TERRY PAGE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Thrift Alliance d/b/a ThriftSmart
Franklin, Tennessee 37064

We have audited the accompanying financial statements of The Thrift Alliance d/b/a ThriftSmart (a nonprofit organization) which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Thrift Alliance d/b/a ThriftSmart as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Terry Page & Associates

Nashville, Tennessee
November 13, 2015

THE THRIFT ALLIANCE
D/B/A THRIFTSMART
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS:			
Cash		$	96,773
Prepaid rent deposits			22,500
Property and equipment	410,396		
Less: accumulated depreciation	(238,048)		
Property and equipment, net			172,348
Other assets			20,220
Total assets		$	311,841
LIABILITIES:			
Accounts payable		$	4,410
Accrued expenses			12,130
Accrued payroll			35,219
Sales tax payable			6,463
Note payables			500,015
Total liabilities			558,237
NET ASSETS			
Unrestricted net assets (deficit)			(246,396)
Total liabilities and net assets		$	311,841

The accompanying notes are an integral part of these financial statements.

THE THRIFT ALLIANCE

D/B/A THRIFTSMART

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2015

Support and revenue		
Contributions	$	6,210
Thrift store sales		1,767,157
Total support and revenue		1,773,367
Program expenses:		
Grants		101,000
Officer compensation		58,723
Salaries and wages		692,172
Employee benefits		29,109
Payroll taxes		62,012
Advertising		54,142
Office expenses		9,034
Information technology		22,527
Occupancy and facilities		455,284
Interest expense - general		23,825
Depreciation and amortization		39,962
Insurance		22,660
Retail operations		123,621
Dues and subsciptions		2,153
Personal property taxes		1,078
Total program expenses		1,697,302
Management and general expenses		
Management		43,423
Accounting		15,256
Payroll administration		9,109
Office expense		11,002
Travel		3,737
Entertainment		1,402
Dues and subscriptions		2,153
Total management and general expenses		86,082
Total expenses		1,783,384
Change in net assets		(10,017)
Net assets (deficit) - beginning of year, unrestricted		(236,379)
Net assets (deficit) - end of year, unrestricted	$	(246,396)

The accompanying notes are an integral part of these financial statements.

THE THRIFT ALLIANCE
D/B/A THRIFTSMART
STATEMENT OF CASH FLOWS
For the fiscal year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$	(10,016)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization		1,267
Depreciation		38,695
Changes in operating assets and liabilities		
Accounts payable		(2,373)
Accrued expenses		(2,178)
Accrued payroll		35,219
Sales tax payable		2,072
Net cash provided by operating activities		62,686
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets		(146,408)
Net cash provided by investing activities		(146,408)
CASH FLOWS FROM FINANCING ACTIVTIES		
Repayment of interest payable		(98,755)
Repayment of notes payable		(311,719)
Borrowings of notes payable		545,199
Net cash provided by financing activities		134,725
NET CASH INCREASE (DECREASE) IN CASH (includes petty cash)		51,003
CASH, BEGINNING OF YEAR		45,770
CASH, END OF YEAR	$	96,773

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Thrift Alliance d/b/a ThriftSmart was incorporated on September 1, 2004, in accordance with the Tennessee General Corporation Act. The Organization is a 501(C) 3 corporation organized to create a chain of thrift stores in Middle Tennessee for the purpose of generating profits to benefit community development ministries and create jobs. The stores are operated under the name: **ThriftSmart**.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Following Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC) guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

In accordance with accounting principles generally accepted in the United States of America for nonprofit organizations, unconditional contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets at June 30, 2015.
>
> Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of one year or less to be cash equivalents.

Income Taxes

The Organization is a not-for-profit organization that is exempt from Federal and state income taxes under Internal Revenue Code Section 501(c)(3).

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes.* There was no effect on the financial positions or cumulative adjustment to beginning net assets as a result of the implementation. Management has evaluated its tax positions taken and believes that the total amount of unrecognized tax benefits is not material to the financial statements as a whole. Therefore, no tax liability has been recorded.

The Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended June 30, 2011 through June 30, 2015.

Advertising Expenses

Costs related to advertising are expensed as incurred. The Organization incurred advertising costs amounting to $49,762 for the fiscal year ended June 30, 2015.

Property and Equipment

Property and equipment are recorded at cost when purchased or, if received as in-kind contributions, at fair market value at the date of the donation, if readily determinable. Management has adopted a policy to capitalize items over $500. Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 15 years.

Donated Services and Merchandise

Donated services and merchandise are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require the specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No values of in-kind amount for such services have been included in the financial statements since the recognition criteria under SFAS No. 116 have not been met. The donations are provided for sale by the stores to generate funds for the mission points supported by the Organization.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – INVENTORY

Inventory is stated at the lower of cost or market, with the cost determined by the first-in, first-out (FIFO) method. While the Organization maintains a vast inventory, its cost in the inventory is $0, and is therefore not reflected on the financial statements in accordance with generally accepted accounting principles. However, the inventory of the Organization is indeed an asset, even though the theoretical cost basis would be considered to be zero, since most of the inventory is donated. Some inventory is purchased and that inventory is represented in the period cost of sales, but there is no segregation of purchased inventory that would allow accountability in the population of total inventory to accommodate an inventory value. For informational purposes only, management has estimated the value of inventory on June 30, 2015 at $300,000 to $400,000.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2015:

Machinery and equipment	$	242,630
Furnitures and fixtures		57,527
Vehicles		69,855
Leasehold improvements		40,384
		410,396
Less accumulated depreciation		(238,048)
	$	172,348

NOTE 4 – OPERATING LEASES

The Organization has entered into 5 year operating leases for its retail stores. The rent for the Nolensville location is $17,550 per month and the rent for the Franklin location is $11,750 per month. The leases are renewable for 5 years as follows with incremental increases for

NOTE 4 – OPERATING LEASES (Cont'd)

common area maintenance and regular lease percentage increases. The total lease obligations for the next five years are:

FYE June 30, 2016	$ 351,600
FYE June 30, 2017	351,600
FYE June 30, 2018	228,750
FYE June 30, 2019	141,000
FYE June 30, 2020	23.500
	$1,096,450

NOTE 5 – NOTE PAYABLES

At June 30, 2015, long-term debt consisted of the following:

Promissory note payable to BancorpSouth Bank bearing interest at 5% per annum with monthly installments of $4,795 principal and interest. The note is amortized over 10 years maturing July 2019	$ 421,087
Promisorry note payable to Isuzu Finance bearing interest at 3.29% per annum with monthly installments of $768 principal and interest. The note is amortized over 60 months maturing June 2019	$ 35,171
Note payable with Cisco Equipment Lease with monthly installments of $1,533 principal and interest The lease is for 36 months, maturing November 2017	$ 43,757

Future maturities of long-term liabilities

FYE June 30, 2016	$ 62,752
FYE June 30, 2017	65,098
FYE June 30, 2018	58,984
FYE June 30, 2019	52,319
FYE June 30, 2020	45,285
Thereafter	215.577
	$ 500,015

NOTE 6 – SUBSEQENT EVENTS

The Organization evaluated subsequent events through November 13, 2015, when these financial statements were available to be issued. The Organization's management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 7 – GOING CONCERN

Management is aware of the technical insolvency created by liabilities exceeding assets. Management has taken steps to drastically reduce overhead costs and improve operational performance. Management believes the costs of startup and the additional assets required to open the Franklin location will begin to produce increased revenues and increase net assets in future years.