The Thrift Alliance
d/b/a ThriftSmart
Financial Statements
for the Year Ended June 30, 2018
and Auditor's Report thereon

THE THRIFT ALLIANCE
d/b/a THRIFTSMART
(A Tennessee Not-For-Profit Organization)

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INDEPENDENT AUDITORS REPORT

To the Board of Directors of
The Thrift Alliance
d/b/a ThriftSmart
4890 Nolensville Road
Nashville, Tennessee 37211

I have audited the accompanying financial statements of The Thrift Alliance d/b/a ThriftSmart (a Tennessee nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017 and the related statements of activities and cash flows for the years 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I expressed 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board of Directors of
The Thrift Alliance
d/b/a ThriftSmart
(continued)

Opinion

In my 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, 2018 and 2017, 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.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The financial statements presented for the prior period were audited by a predecessor auditor, Hopkins – Page, who in their independent auditor's report dated November 1, 2017 issued an unmodified opinion that the financial statements for the year ended June 30, 2017 presented fairly, in all material respects, the financial position of The Thrift Alliance d/b/a ThriftSmart.

James L. Barber, CPA

Franklin, Tennessee
October 2, 2018

The Thrift Alliance
d/b/a ThriftSmart
Statement of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017
Current assets		
Cash	$ 18,124	$ 60,549
Prepaid expenses	22,500	22,500
	40,624	83,049
Fixed assets		
Property and equipment	351,397	454,873
Accumulated depreciation	(298,796)	(315,635)
	52,601	139,238
Other assets		
Other assets	3,001	17,311
	3,001	17,311
Total Assets	$ 96,226	$ 239,598

Liabilities

	2018	2017
Current liabilities		
Accounts payable	$ 45,120	$ 3,421
Notes payable - current portion	52,159	56,520
Accrued liabilities	17,136	22,535
Other current liabilities	5,172	6,901
	119,587	89,377
Long term liabilities		
Notes payable	261,823	312,991
Total Long term liabilities	261,823	312,991
Total Liabilities	$ 381,410	$ 402,368

Net Assets

	2018	2017
Unrestricted net assets (deficit)	(285,184)	(162,770)
Total net assets (deficit)	$ (285,184)	$ (162,770)
Total Liabilities and Net Assets	$ 96,226	$ 239,598

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

The Thrift Alliance
Statement of Activities and Changes in Net Assets
d/b/a ThriftSmart
Years Ended June 30, 2018 and 2017

	2018	2017
Unrestricted Net Assets		
Support and Revenue		
Thrift store sales	$ 1,556,359	$ 1,731,425
Contributions	7,966	95,152
Donated services	-	22,548
Other income	3,400	3,000
Total Support and Revenue	1,567,725	1,852,125
Expenses		
Program Expenses	1,549,710	1,611,729
Management and General Expenses	68,634	110,992
Total Expenses	1,618,344	1,722,721
Income from Operations	(50,619)	129,404
Other Changes in Net Assets		
Loss on asset disposals	(71,795)	-
Total	(71,795)	-
Change in net assets	(122,414)	$ 129,404
Unrestricted net assets (deficit), begnning of year	(162,770)	(292,174)
Unrestricted net assets (deficit), end of year	$ (285,184)	$ (162,770)

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

The Thrift Alliance
d/b/a ThriftSmart
Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (122,414)	$ 129,404
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:		
Depreciation and amortization	(16,839)	40,571
(Increase) decrease in other assets	14,310	(1)
Increase (decrease) in accounts payable	41,699	(69,034)
Increase (decrease) in accrued expenses	(5,399)	(9,625)
Increase (decrease) in other liabilities	(1,729)	(2,528)
Total Adjustments	32,042	(40,617)
Net cash provided by (used in) operating activities	(90,372)	88,787
Cash flows from investing activities		
Proceeds from the sale of property	(103,476)	-
Net cash provided by (used in) investing activities	(103,476)	-
Cash flows from financing activities		
Principal payments on long-term debt	(55,529)	(66,785)
Net cash provided by (used in) financing activities	(55,529)	(66,785)
Net increase (decrease) in cash and cash equivalents	(42,425)	22,002
Cash and cash equivalents at beginning of year	60,549	38,547
Cash and cash equivalents at end of year	$ 18,124	$ 60,549

The Thrift Alliance
d/b/a ThriftSmart
Schedule of Functional Expenses
Years Ended June 30, 2018 and 2017

	Program Services	Support Services: Management and General	Support Services: Fundraising	Support Services: Total Support Services	Total Expenses	Last Year
Expenses						
Officer compensation	$ 75,000	$ -	$ -	$ -	$ 75,000	$ 72,115
Salaries and wages	634,352	-	-	-	634,352	664,777
Employee benefits	33,341	-	-	-	33,341	36,002
Payroll taxes	55,749	-	-	-	55,749	68,196
Payroll administration	-	11,084	-	11,084	11,084	19,696
Management fees	-	34,543	-	34,543	34,543	59,204
Legal expense	-	4,457	-	4,457	4,457	297
Accounting and auditing	-	17,358	-	17,358	17,358	19,279
Advertising	41,378	-	-	-	41,378	38,388
Offices expenses	16,118	-	-	-	16,118	14,368
Information technology	24,684	-	-	-	24,684	27,024
Occupancy and facilities	464,646	-	-	-	464,646	474,637
Interest expense - general	18,190	-	-	-	18,190	18,584
Depreciation and amortization	32,259	-	-	-	32,259	40,571
Insurance	20,201	-	-	-	20,201	22,493
Retail operations	125,962	-	-	-	125,962	137,809
Travel and entertainment	-	1,192	-	1,192	1,192	2,143
Dues and subscriptions	6,330	-	-	-	6,330	3,762
Personal property taxes	1,500	-	-	-	1,500	2,068
Other expense	-	-	-	-	-	1,308
Total Expenses	$ 1,549,710	$ 68,634	$ -	$ 68,634	$ 1,618,344	$ 1,722,721

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

Note A – 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) organization and was 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 trade 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 United States of America for nonprofit organizations, unconditional contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions and the nature of said restrictions. Under these provisions, net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and recorded as follows:

> Unrestricted net assets - net assets that are not subject to any 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 or the passage of time or a combination of both. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and recorded in the statement activities as net assets released from restrictions. The organization had no temporarily restricted assets at June 30, 2018 or 2017.
>
> Permanently restricted net assets - net assets subject to donor 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, 2018 or 2017.

Note A – Summary of Significant Accounting Policies (continued)

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 income taxes under Internal Revenue Code Section 501(c)(3).

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty and 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, 2014 through June 30, 2018.

Advertising Expenses

Costs related to advertising are expensed as incurred. The Organization incurred advertising costs amounting to $41,378 for the fiscal year ended at June 30, 2018 and $38,388 for the fiscal year ended June 30, 2017.

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 using the straight-line method over the estimated useful lives of the assets. Estimated useful lives ranged from 3 to 15 years. Depreciation expense equaled $31,365 for 2018 and $39,117 for 2017.

Donated Merchandise and Services

Donated merchandise and services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made.*

Donated merchandise is recognized at its fair value except in cases where uncertainty as to value exists.

Donated services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Note A – Summary of Significant Accounting Policies (continued)

Donated Services and Merchandise (continued)

During the year ended June 30, 2018, no services meeting the above stipulations were donated to the Organization. During the year ended June 30, 2017 services meeting the above stipulations and valued at $22,548 were donated to the Organization. The financial statements for that year reflect the value of the services as donated services and a corresponding management fee expense.

In accordance with SFAS No. 116, due to major uncertainty as to the value of donated merchandise at the time of the donation, no value for said merchandise has been included in the financial statements. Merchandise donated to the Organization is provided for sale to the public and is intended to generate funds for the missions supported by the Organization.

Estimates

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

Note B - Inventory

The Organization receives contributions of goods and materials and processes these contributions as merchandise available for sale in its retail thrift store. Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or decreases of expenses, depending on the form of the benefits received, and that they be measured at their fair value.

Management believes that the contributed goods and materials do not possess attributes that are easily measurable or verifiable with sufficient reliability to determine value at the time of the donation. Management asserts that it is through the value-adding process of preparing the contributed goods and materials for sale that the donated goods and materials obtain value. Accordingly, although the Organization maintains a vast inventory, its cost is valued at zero prior to being offered for sale and is therefore not reflected on the financial statements in accordance with generally accepted accounting principles. Some inventory is purchased and that inventory is represented in the period cost of sales, however there is no segregation of purchased inventory that would allow accountability in the population of total inventory to accommodate an inventory value.

Note C-Property and Equipment

Property and equipment consists of the following as of June 30, 2018 and 2017:

	2018	2017
Machinery and equipment	$ 218,773	$ 287,106
Furniture and fixtures	22,384	57,528
Vehicles	69,855	69,855
Leasehold improvements	40,384	40,384
	351,396	454,873
Less accumulated depreciation	(298,796)	(315,635)
	$ 52,600	$ 139,238

Note D – Operating Leases

The Organization has entered into ten 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 an additional ten years with incremental increases for common area maintenance and regular lease percentage increases. However, with regard to the Franklin location lease, an amendment was executed prior to the balance sheet date. See Note G. The total lease obligations for the next five years are:

Fiscal year ended June 30, 2019	$ 260,477
Fiscal year ended June 30, 2020	214,575
Fiscal year ended June 30, 2021	226,500
Fiscal year ended June 30, 2022	226,500
Fiscal year ended June 30, 2023	226,500
Thereafter	$ 455,025

Note E – Notes Payable

At June 30, 2018 and 2017 long-term debt consisted of the following:

	2018	2017
Promissory note payable to BancorpSouth Bank bearing interest at five percent per annum with monthly installments of $4,795 principal and interest. The note is amortized over ten years maturing in July 2024.	$ 304,168	$ 345,147

Note E – Notes Payable (continued)

		2018		2017
Promissory note payable to Isuzu Finance bearing interest at 3.29 percent per annum with monthly installments of $768 principal and interest. The note is amortized over 60 months maturing June 2019.	$	9,814	$	17,772
Promissory note payable with Cisco Equipment Lease with monthly installments of $1,533 principal and interest. The lease is amortized over 36 months maturing November 2017.		0		6,592
Total debt		313,982		369,511
Less current maturities		(52,158)		(56,520)
Long-term debt	$	261,824	$	312,991

Future maturities of long-term liabilities:

Fiscal year ended June 30, 2020		46,504
Fiscal year ended June 30, 2021		48,707
Fiscal year ended June 30, 2022		51,181
Fiscal year ended June 30, 2023		53,781
Fiscal year ended June 30, 2024		56,014
Thereafter		5,637
	$	261,824

Note F – Subsequent Events

The Organization evaluated subsequent events through October 2, 2018, when these financial statements were available to be issued. The Organizations management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the issuance of this report that would have a material impact on the financial statements.

Note G – Going Concern

Management is aware of the technical insolvency created by liabilities exceeding assets. Management has taken steps to drastically reduce costs and during the year ended June 30, 2018 ceased operations at the

Note G – Going Concern (continued)

Franklin, Tennessee location that included executing an amendment to the existing lease agreement dated February 26, 2013. Said amendment provided for the termination of the original lease as of the end of the month that all Certificates of Occupancy are issued by the City of Franklin authorizing the occupancy of the premises by new tenants. The amendment provides for the parties, as of the lease termination, reconcile any rent and deposit obligations. The final Certificate of Occupancy was issued on October 1, 2018, subsequent to the balance sheet date.

Management believes that the steps that it has taken will produce increased net revenues and net assets in future years.