

# **Cottage Cove Urban Ministries**

Financial Statements  
For the Year Ended December 31, 2021

**Cottage Cove Urban Ministries**  
Financial Statements  
For the Year Ended December 31, 2021

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## **Independent Auditor's Report**

Board of Directors  
Cottage Cove Urban Ministries

### **Opinion**

We have audited the financial statements of Cottage Cove Urban Ministries (the Organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cottage Cove Urban Ministries as of December 31, 2021, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable), for 12 months beyond the date of the financial statements, or other period as defined by law, regulation, or other applicable financial reporting framework.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts, and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
June 27, 2022

## Cottage Cove Urban Ministries

### Statement of Financial Position

December 31, 2021

#### Assets

Cash	\$ 553,847
Cash, designated for long term assets	139,201
Fixed assets	
Land	186,639
Buildings	704,918
Equipment	182,917
Total fixed assets	1,074,474
Less: accumulated depreciation	(178,117)
Total fixed assets, net	896,357
Total assets	<b>\$ 1,589,405</b>

#### Net Assets

Without donor restrictions	\$ 1,545,223
With donor restrictions	44,182
Total net assets	<b>\$ 1,589,405</b>

**Cottage Cove Urban Ministries**  
Statement of Activities  
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
<b>Support and Revenues</b>			
Individual contributions	\$ 351,604	\$ -	\$ 351,604
Foundation contributions	47,164	44,182	91,346
Special events	76,409	-	76,409
PPP forgiveness	22,932	-	22,932
Interest income	34	-	34
Program service revenue	3,736	-	3,736
United Way	706	-	706
Other income	60	-	60
Total support and revenues	<u>502,645</u>	<u>44,182</u>	<u>546,827</u>
<b>Expenses</b>			
Program expenses			
Daily program	256,732	-	256,732
Summer day camp	8,784	-	8,784
DTI Missions	1,229	-	1,229
Christmas with Dignity	9,119	-	9,119
Total program expenses	<u>275,864</u>	<u>-</u>	<u>275,864</u>
Management and general	23,973	-	23,973
Fundraising	8,682	-	8,682
Total expenses	<u>308,518</u>	<u>-</u>	<u>308,518</u>
Change in net assets	194,127	44,182	238,309
Net assets, beginning of year	1,351,096	-	1,351,096
Net assets, end of year	<u>\$ 1,545,223</u>	<u>\$ 44,182</u>	<u>\$ 1,589,405</u>

**Cottage Cove Urban Ministries**  
Statement of Functional Expenses  
For the Year Ended December 31, 2021

	Program services					Management and general	Fundraising	Total
	Daily program	Summer day camp	DTI missions	Christmas with Dignity				
Contract employees	\$ 1,280	\$ -	\$ 1,229	\$ -	\$ -	\$ -	\$ -	\$ 2,509
Professional services	-	-	-	-	100	-	-	100
Advertising	803	-	-	-	-	-	642	1,445
Supplies	7,492	274	-	9,119	324	5,775	-	22,984
Occupancy	46,494	514	-	-	2,804	234	-	50,046
Travel	9,290	284	-	-	1,321	-	-	10,895
Conferences, conventions, and meetings	113	-	-	-	15	-	-	128
Bank fees	2,254	-	-	-	751	-	-	3,005
Depreciation	31,727	-	-	-	1,322	-	-	33,049
Printing and publication	2,410	-	-	-	817	511	-	3,738
Insurance	11,311	1,101	-	-	653	-	-	13,065
Staff development	837	-	-	-	73	-	-	910
Web hosting and email	430	-	-	-	143	143	-	716
Miscellaneous	1,770	-	-	-	430	-	-	2,200
Dues and subscriptions	45	-	-	-	99	-	-	144
Payroll	140,476	6,611	-	-	15,121	1,377	-	163,585
	\$ 256,732	\$ 8,784	\$ 1,229	\$ 9,119	\$ 23,973	\$ 8,682	\$ -	\$ 308,518

**Cottage Cove Urban Ministries**  
Statement of Cash Flows  
For the Year Ended December 31, 2021

Cash, beginning of year	\$ 504,167
<b>Cash flows from operating activities</b>	
Change in net assets	238,309
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	33,049
Contributions restricted for long-term investment	(44,182)
Net cash provided (used) by operating activities	<u>227,176</u>
<b>Cash flows from investing activities</b>	
Purchase of fixed assets	(82,477)
<b>Cash flows from financing activities</b>	
Collections of contributions restricted for long-term investment	44,182
Net change in cash	<u>188,881</u>
Cash, end of year	<b>\$ 693,048</b>
<b>Reconciliation of Cash to Statement of Financial Position</b>	
Cash	\$ 553,847
Cash, designated for long term assets	139,201
	<b>\$ 693,048</b>



**Cottage Cove Urban Ministries**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

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**Note 1. Organization and Nature of Activities**

Cottage Cove Co., dba Cottage Cove Urban Ministries (the Organization), exists to provide opportunities and training in the arts through the power and in the name of Jesus Christ. The Organization operates in Nashville, Tennessee.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

**Financial Statement Presentation**

The financial statements are reported in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) for *Presentation of Financial Statements, Not-For-Profit Entities*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Cash**

The Organization's cash consists of cash on deposit with financial institutions. Restricted cash consists of funds designated by the Board for building improvements.

**Fixed Assets and Depreciation**

Equipment is recorded at cost or at the estimated fair market value at the date of donation for items greater than \$2,500. Depreciation is calculated using the straight-line method over an estimated useful life of 5 – 30 years. Expenditures for repairs and maintenance are expensed as incurred. Donations of property are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Cottage Cove Urban Ministries**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

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**Note 2. Summary of Significant Accounting Policies**

**Revenue Recognition**

Contributions are received and recorded as with or without donor restrictions depending on the existence of any donor restrictions. Contributions received and unconditional promises to give are measured at their estimated fair values and are reported as an increase in net assets. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction is satisfied in the reporting period in which the contribution is recognized. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed goods and assets are recorded at estimated fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulations, contributions of goods and assets are recorded as without donor restrictions. Contributed services are reflected in the financial statements at the estimated fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by donation.

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

**Income Taxes**

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

**Cottage Cove Urban Ministries**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

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**Note 2. Summary of Significant Accounting Policies**

**Program and Supporting Services**

The following program and supporting services are reported as expenses in the accompanying statement of activities:

*Program services*

Daily program - A program provided at no cost to children and includes education (homework help, tutoring, and reading) and related field trips, arts and life-skills classes, and biblically based character and spiritual instruction.

Summer day camp - An extended program provided during summer week and includes expanded aspects of the daily program, plus extra field trips and meals.

DTI missions - hosting and facilitating short term missions trips and gatherings for teens and adults. This program is focused on training participants in discipleship, apologetics and hermeneutics, character development, and specifics of working with inner-city children and teens.

Christmas with Dignity - Yearly program provided to community family members to provide low-cost Christmas gifts.

*Management and general*

Includes costs related to administering the day-to-day activities of the Organization. These costs include bookkeeping, management, and governance.

*Fundraising*

Includes costs related to an appeal for financial support or for a contribution to the Organization. These costs are typically related to a fundraising event or solicitation of donations.

**PPP Loan**

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loans as debt and forgiveness as income when discharged.

**Allocation of Functional Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

**Cottage Cove Urban Ministries**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

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**Note 3. Liquidity and Availability**

The following represents the Organization's financial assets as of December 31, 2021:

Financial assets	
Cash	\$ 553,847
Cash, designated for long term assets	<u>139,201</u>
Total financial assets	693,048
Less: amounts not available to be used within one year	
Net assets with donor restrictions	44,182
Net assets with board designations	95,019
Less: net assets with purpose restrictions to be met in one year	<u>(139,201)</u>
	<u>-</u>
Financial assets available to meet expenditures within one year	<b>\$ 693,048</b>

As part of its liquidity plan, the Organization has a policy to structure its financial assets in order to have the funds available to meet its general expenditures, liabilities, and other obligations as they come due.

**Note 4. Concentrations**

The Organization maintains its cash in bank accounts that may at times exceed federally insured limits; however, the Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk regarding cash balances. Uninsured balances as of December 31, 2021 totaled approximately \$330,000.

**Note 6. Board Designated Net Assets**

Board designated net assets consist of \$95,019 for the purchase and improvement of assets and is reflected in non-current cash and net assets without donor restrictions.

**Note 7. Net Assets with Donor Restrictions**

Net assets with donor restrictions consists of \$44,182 for purchase and improvement of assets and is reflected in non-current cash and net assets with donor restrictions.

**Note 8. PPP Loan**

On March 11, 2021, the Organization received a loan in the amount of \$22,932 in accordance with the PPP section of the CARES Act.

The Organization was notified of full forgiveness of the loan during 2021 and accordingly has recognized as income in the accompanying statement of activities.

**Note 9. Subsequent Events**

Management has evaluated subsequent events through June 27, 2022, the date on which the financial statements were available for issuance.