



**Thrift Alliance D/B/A ThriftSmart
Audited Financial Statements
for the fiscal year ended
June 30, 2012**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Thrift Alliance: a community partnership
d/b/a **ThriftSmart**
Nashville, Tennessee 37211

We have audited the accompanying statement of financial position of **ThriftSmart** (a nonprofit organization) as of June 30, 2012 and the related statements of activities and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Organization's management. 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 issued by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, **ThriftSmart** prepares its financial statements on the basis of cash receipts and disbursements except that the statements include a provision for depreciation of buildings and equipment and receivables. This basis is a comprehensive basis of accounting other than generally accepted accounting principles (OCBOA), but it is a common practice among not-for-profit organizations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **ThriftSmart** as of June 30, 2012, and the changes in its net assets and its cash flows for the fiscal year then ended, on the basis of accounting described in Note 1.

Wilson & Wilson, PC
September 30, 2012

Thrift Alliance d/b/a Thriftsmart
Statement of Financial Position
As of June 30, 2012

ASSETS

Current Assets

Checking/Savings

1st Bank Operating \$ 65,110.57

First Tennessee 80.00

FirstBank Reserve Account 5,367.23

Total Checking/Savings \$ 70,557.80

Other Current Assets

Petty Cash Nolensville Rd \$ 40.00

Prepaid Expense 12,500.00

Total Other Current Assets \$ 12,540.00

Total Current Assets 83,097.80

Fixed Assets

Equipment

Computers and Electrical \$ 5,113.98

Equipment 126,601.07

Leasehold Improvements 40,383.92

Signage 20,554.00

Vehicles 13,788.45

Total Equipment \$ 206,441.42

Accumulated Depreciation

Computers and Electrical \$ (2,810.00)

Equipment (104,781.00)

Leasehold Improvements (26,114.00)

Signage (20,554.00)

Vehicles (10,314.00)

Total Accumulated Depreciation \$ (164,573.00)

Total Fixed Assets \$ 41,868.42

TOTAL ASSETS \$ **124,966.22**

Thrift Alliance d/b/a Thriftsmart
Statement of Financial Position
As of June 30, 2012

LIABILITIES & NET ASSETS

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable

\$ 1,912.41

Total Accounts Payable

1,912.41

Other Current Liabilities

Interest Payable-Current

\$ 272.97

Audit & Tax Return Exp Accrual

5,500.00

Payable to Thrift Management

6,005.55

Accrued Payroll

27,200.75

Sales Tax Payable

4,234.00

Current Portion Long Term Notes

60,000.00

Store Credits

400.00

Total Other Current Liabilities

\$ 103,613.27

Total Current Liabilities

\$ 105,525.68

Long Term Liabilities

Interest Payable-Long Term

\$ 98,219.22

Notes Payable

430,274.02

Less: Current Portion

(60,000.00)

Total Long Term Liabilities

\$ 468,493.24

Total Liabilities

\$ 574,018.92

Net Assets

Cumulative Net Assets

\$ (588,999.72)

Increase in Net Assets

139,947.02

Total Net Assets

\$ (449,052.70)

TOTAL LIABILITIES & NET ASSETS

\$ 124,966.22

Thrift Alliance d/b/a Thriftsmart

Statement of Activities

July 2011 through June 2012

Ordinary Income/Expense

Income

Department Revenue	\$	1,342,015.19
Total Income	\$	<u>1,342,015.19</u>

Cost of Goods Sold

Collection Expense	\$	554.00
Merchandise Pickup/Transport		13,270.71
Merchandise Purchases		8,221.52
Merchant Account Fees		21,615.23
Total Cost of Goods Sold	\$	<u>43,661.46</u>

Gross Profit	\$	1,298,353.73
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Expense

Business Expenses	\$	66,791.82
Contract Labor		4,965.00
Contract Services		19,506.00
Facilities and Equipment		318,181.69
Operations		118,312.35
Payroll Expenses		564,169.40
Travel and Meetings		2,308.68
Total Expense	\$	<u>1,094,234.94</u>

Net Ordinary Income	\$	204,118.79
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Thrift Alliance d/b/a Thriftsmart

Statement of Activities

July 2011 through June 2012

Other Income/Expense		
Other Income		
Gift Income	\$	58,778.89
Interest Income		11.41
Total Other Income	\$	<u>58,790.30</u>
Other Expense		
Depreciation	\$	16,581.00
Donations		72,000.00
Interest Expense - General		33,597.24
Property Taxes		783.83
Total Other Expense	\$	<u>122,962.07</u>
Net Other Income		<u>(64,171.77)</u>
Net Income	\$	<u><u>139,947.02</u></u>

Thrift Alliance d/b/a Thriftsmart

Statement of Cash Flows

July 2011 through June 2012

OPERATING ACTIVITIES

Net Income	\$	139,947.02
Adjustments to reconcile Net Income to net cash provided by operations:		
Accounts Payable		757.60
Interest Payable-Current		272.97
Audit & Tax Return Exp Accrual		924.00
Payable to Thrift Management		(14,421.20)
Payroll Liabilities:Payroll Accrued		11,886.46
Sales Tax Payable		1,049.70
Store Credits		1,268.02
Net cash provided by Operating Activities	\$	<u>141,684.57</u>

INVESTING ACTIVITIES

Equipment	\$	(2,160.00)
Computer and Electrical		1,078.00
Accumulated Depreciation		15,503.00
Net cash provided by Investing Activities	\$	<u>14,421.00</u>

FINANCING ACTIVITIES

Interest Payable-Long Term	\$	4,198.14
Notes Payable		(32,523.29)
Notes Payable:Bank Loan- Firstbank		(55,000.00)
Notes Payable:Bank Loan- Pinnacle		(31,000.00)
Notes Payable:Truck Loan		(8,317.55)
Net cash provided by Financing Activities	\$	<u>(122,642.70)</u>

Net cash increase for period	\$	33,462.87
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Cash at beginning of period		<u>37,094.93</u>
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Cash at end of period	\$	<u><u>70,557.80</u></u>
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ThriftSmart
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Thrift Alliance was incorporated on September 1, 2004, in accordance with the Tennessee General Corporation Act. **ThriftSmart** 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 will be operated under the name: **ThriftSmart**.

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual method [modified cash basis], which is a comprehensive basis of accounting other than generally accepted accounting principles, but generally accepted and employed by not-for-profit organizations. Modifications to the cash basis of accounting include recording depreciation on equipment and recording receivables and payables.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to imposed stipulations.

Temporarily Restricted Net Assets

Net assets are subject to 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, 2012.

Permanently Restricted Net Assets

Net assets subject to imposed stipulations that they be maintained permanently by the Organization. Generally, these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2012.

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 Tax Status

ThriftSmart, in accordance with the Department of the Treasury, Internal Revenue Service is recognized as exempt from federal income tax. ThriftSmart is exempt under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been recorded.

NOTE 2 – 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. There is no stated policy regarding capitalization of items costing in excess of \$500. Policy is pending on that and other issues.

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.

A summary of property and equipment at June 30, 2012, is presented in the Statement of Assets, Liabilities and Net Assets.

NOTE 3 – 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 4 – ESTIMATES

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, and reported revenue and expenses. Actual results could differ from these estimates.

NOTE 5 – INVENTORY

Principles of accounting impose an ultra-conservative valuation of inventory. By principle, all inventory is valued at cost or market, whichever is lower. This organization maintains a vast inventory which, by conventional rules can not be stated on the books in accordance with Generally Accepted Accounting Principles. However, the inventory of this organization is indeed an asset, even though the cost basis is considered to be zero, since most of the inventory is donated. Management has determined that its donated inventory, valued on the ultra conservative valuation method used to determine the salvage or thrift-store value, is approximately \$150,000 to \$175,000.

NOTE 6 – LEGAL MATTERS AND SUBSEQUENT EVENTS

According to the organization's attorneys, Cameron Worley, P.C., there are no pending lawsuits or other subsequent events of a legal substance at September 30, 2012.

NOTE 7 – GOING CONCERN CONCEPT

Management is aware of the technical insolvency created by liabilities exceeding assets. Management has taken steps to drastically reduce overhead costs as evidence by the gain in net assets for the current fiscal year. .