



**The Thrift Alliance  
d/b/a ThriftSmart  
Financial Statements  
for the Years Ended June 30, 2019 and 2018  
and Auditor's Report thereon**

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

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**JAMES I. BARBER**

CERTIFIED PUBLIC ACCOUNTANT

POST OFFICE BOX 1548  
FRANKLIN, TENNESSEE 37065-1548

## **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, 2019 and 2018 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.

Member

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

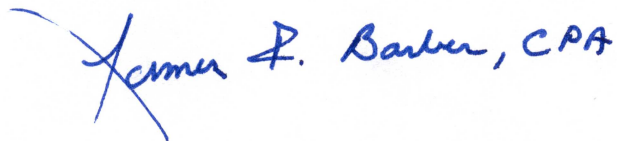
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### **Opinion**

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, 2019 and 2018, 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.

James F. Barber, CPA

Franklin, Tennessee  
October 21, 2019

**The Thrift Alliance  
d/b/a ThriftSmart  
Statement of Financial Position  
June 30, 2019 and 2018**

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<b><u>Assets</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>Current assets</u></b>		
Cash	\$ 134,228	\$ 18,124
Prepaid expenses	12,500	22,500
	<hr/> 146,728	<hr/> 40,624
<b><u>Fixed assets</u></b>		
Property and equipment	353,997	351,397
Accumulated depreciation	(322,724)	(298,796)
	<hr/> 31,273	<hr/> 52,601
<b><u>Other assets</u></b>		
Other assets, net of accumulated amortization	2,668	3,001
	<hr/> 2,668	<hr/> 3,001
Total Assets	<hr/> <hr/> \$ 180,669	<hr/> <hr/> \$ 96,226
<b><u>Liabilities</u></b>		
<b><u>Current liabilities</u></b>		
Accounts payable	\$ 19,313	\$ 45,120
Notes payable - current portion	29,524	52,159
Accrued liabilities	18,614	17,136
Other current liabilities	6,225	5,172
	<hr/> 73,676	<hr/> 119,587
<b><u>Long term liabilities</u></b>		
Notes payable	246,617	261,823
Total Long term liabilities	<hr/> 246,617	<hr/> 261,823
Total Liabilities	<hr/> 320,293	<hr/> 381,410
<b><u>Net Assets</u></b>		
Net assets (deficit)	(139,624)	(285,184)
Total net assets (deficit)	<hr/> (139,624)	<hr/> (285,184)
Total Liabilities and Net Assets	<hr/> <hr/> \$ 180,669	<hr/> <hr/> \$ 96,226

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, 2019 and 2018**

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	<u><b>2019</b></u>	<u><b>2018</b></u>
<b><u>Unrestricted Net Assets</u></b>		
<b>Support and Revenue</b>		
Thrift store sales	\$ 1,469,337	\$ 1,556,359
Contributions	11,138	7,966
Advertising Revenue	7,956	-
Other income	2,405	3,400
	<hr/>	<hr/>
Total Support and Revenue	1,490,836	1,567,725
	<hr/>	<hr/>
<b><u>Expenses</u></b>		
Program Expenses	1,281,732	1,549,710
Management and General Expenses	63,544	68,634
	<hr/>	<hr/>
Total Expenses	1,345,276	1,618,344
	<hr/>	<hr/>
Income from Operations	145,560	(50,619)
	<hr/>	<hr/>
<b><u>Other Changes in Net Assets</u></b>		
Loss on asset disposals	-	71,795
	<hr/>	<hr/>
Total	-	(71,795)
	<hr/>	<hr/>
Change in net assets	145,560	\$ (122,414)
Net assets (deficit), beginning of year	(285,184)	(162,770)
	<hr/>	<hr/>
Net assets (deficit), end of year	<u><u>\$ (139,624)</u></u>	<u><u>\$ (285,184)</u></u>

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, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 145,560	\$ (122,414)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation and amortization	24,261	(16,839)
Decrease in prepaid expense	10,000	-
Decrease in other assets	-	14,310
Increase (decrease) in accounts payable	(25,807)	41,699
Increase (decrease) in accrued expenses	1,478	(5,399)
Increase (decrease) in other liabilities	1,052	(1,729)
Total adjustments	10,984	32,042
Net cash provided by (used in) operating activities	156,544	(90,372)
<b>Cash flows from investing activities</b>		
Proceeds from the sale of property	(2,600)	103,476
Net cash provided by investing activities	(2,600)	103,476
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(37,840)	(55,529)
Net cash used in financing activities	(37,840)	(55,529)
Net increase (decrease) in cash and cash equivalents	116,104	(42,425)
Cash and cash equivalents at beginning of year	18,124	60,549
Cash and cash equivalents at end of year	\$ 134,228	\$ 18,124
<b>Supplemental cash flow disclosures</b>		
Interest (net of amount capitalized)	\$ 12,525	\$ 18,190

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

**The Thrift Alliance  
d/b/a ThriftSmart  
Schedule of Functional Expenses  
Years Ended June 30, 2019 and 2018**

		Support Services			Total Expenses	Last Year
		Program Services	Management and General	Fundraising	Total Support Services	
<b>Expenses</b>						
Salaries and wages	632,166	-	-	-	632,166	709,352
Employee benefits	27,711	-	-	-	27,711	33,341
Payroll taxes	49,848	-	-	-	49,848	55,749
Payroll administration	-	9,860	-	9,860	9,860	11,084
Management fees	-	36,668	-	36,668	36,668	34,543
Legal expense	-	853	-	853	853	4,457
Accounting and auditing	-	15,762	-	15,762	15,762	17,358
Advertising	30,621	-	-	-	30,621	41,378
Offices expenses	12,955	-	-	-	12,955	16,118
Information technology	23,744	-	-	-	23,744	24,684
Occupancy and facilities	331,142	-	-	-	331,142	464,646
Interest expense - general	12,700	-	-	-	12,700	18,190
Depreciation and amortization	24,261	-	-	-	24,261	32,259
Insurance	17,943	-	-	-	17,943	20,201
Retail operations	111,754	-	-	-	111,754	125,962
Travel and entertainment	-	401	-	401	401	1,192
Dues and subscriptions	5,888	-	-	-	5,888	6,330
Personal property taxes	999	-	-	-	999	1,500
Total Expenses	<u>\$ 1,281,732</u>	<u>\$ 63,544</u>	<u>\$ -</u>	<u>\$ 63,544</u>	<u>\$ 1,345,276</u>	<u>\$ 1,618,344</u>

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



**The Thrift Alliance  
d/b/a Thriftsmart  
Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**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 existing store is operated under the trade name ThriftSmart.

**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.

**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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

**Contributions**

Contributions are recognized when a donor makes a gift to the Organization that it is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**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) of the Internal Revenue Code and classified by The Internal Revenue Service as other than a private foundation.

**The Thrift Alliance  
d/b/a Thriftsmart  
Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note A – Summary of Significant Accounting Policies (continued)**

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, 2015 through June 30, 2019.

**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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Advertising Expenses**

Costs related to advertising are expensed as incurred. The Organization incurred advertising costs amounting to \$30,620 for the fiscal year ended at June 30, 2019 and \$41,378 for the fiscal year ended June 30, 2018.

**Property and Equipment**

Management has adopted a policy to capitalize items over \$500. Property and equipment are recorded at cost when purchased or, if received as in-kind donations, at fair market value at the date of the donation, if readily determinable. Such donations 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. The Organization reclassifies net assets without donor restrictions at that time. 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 was \$24,573 for 2019 and \$31,365 for 2018.

**The Thrift Alliance  
d/b/a Thriftsmart  
Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note A – Summary of Significant Accounting Policies (continued)**

**Contributed Services and Merchandise**

No amounts have been reflected in the financial statements for contributed services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Contributed 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. During the year ended June 30, 2019, no services meeting the above stipulations were donated to the Organization.

In accordance with FASB ASC 958-605-25-4, a major uncertainty about the existence of value of donated merchandise at the time of the donation indicates that an item received should not be recognized. Accordingly, no value for contributed merchandise has been included in the financial statements. Clothing, furniture and other items contributed to the Organization is offered for sale to the public with the intention of generating funds for the creation of jobs and for the missions supported by the Organization.

**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. However, if the existence of value of the contribution is subject to major uncertainty, it may indicate that the contribution should not be recognized.

Management believes that the nature of the contributions of goods and materials are indeed subject to major uncertainty. 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.

**The Thrift Alliance  
d/b/a Thriftsmart  
Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note C-Property and Equipment**

Property and equipment consists of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Machinery and equipment	\$ 218,773	\$ 287,106
Furniture and fixtures	22,384	57,528
Vehicles	69,855	69,855
Leasehold improvements	42,984	40,384
	<u>353,996</u>	<u>454,873</u>
Less accumulated depreciation	(298,796)	(315,635)
	<u>\$ 55,200</u>	<u>\$ 139,238</u>

**Note D – Operating Leases**

The Organization has entered into a ten-year operating lease for its retail store. The rent for the Nolensville Road, Nashville, Tennessee location is \$17,550 per month. The lease is renewable for an additional ten years with incremental increases for common area maintenance and regular lease percentage increases. The total lease obligations, including the estimated common area maintenance costs, for the next five years are as follows:

Fiscal year ended June 30, 2020	\$ 218,535
Fiscal year ended June 30, 2021	226,500
Fiscal year ended June 30, 2022	226,500
Fiscal year ended June 30, 2023	226,500
Fiscal year ended June 30, 2024	226,500
Total	<u>\$ 1,124,535</u>

**Note E – Related Party Transactions**

The Board of Directors has contracted with the Executive Director, an officer of the Organization, to provide guidance with respect to the Organization's operational, management and financial strategies. The Executive Director is compensated for his services at the rate of two and one-half percent of the gross sales of the organization. The amount of compensation was \$27,857 in 2019 and \$0 in 2018.

**Note F – Liquidity and Availability of Financial Assets**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

**The Thrift Alliance  
d/b/a Thriftsmart  
Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note F – Liquidity and Availability of Financial Assets (continued)**

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End	\$ 121,720	\$ (4,376)
Less amounts unavailable for general expenditures within one year, due to donor restrictions.	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 121,720</u>	<u>\$ (4,376)</u>

**Note G – Notes Payable**

At June 30, 2019 and 2018 long-term debt consisted of the following:

	<u>2019</u>	<u>2018</u>
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
Promissory note payable to Cumberland Capital Partners, LLC bearing a floating interest rate at the prime rate minus 3% with monthly installments of \$2,397 of fixed principal plus accrued interest. The note is amortized over ten years maturing on January 21, 2029.	276,141	-
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 July 2019.	794	9,814
Total debt	<u>276,935</u>	<u>313,982</u>
Less current maturities	<u>(29,524)</u>	<u>(52,158)</u>
Long-term debt	<u>\$ 247,411</u>	<u>\$ 261,824</u>

**The Thrift Alliance  
d/b/a Thriftsmart  
Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note G – Notes Payable (continued)**

Future maturities of long-term liabilities are:

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
	<u>\$ 261,824</u>

**Note H – Subsequent Events**

The Organization evaluated subsequent events through October 21, 2019, 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 issuance of this report that would have a material impact on the financial statements.

**Note I – Net Asset Deficit**

Management is aware of the technical insolvency created by liabilities exceeding assets. The underlying cause of the technical insolvency was primarily an under-performing retail location. Management took measures during the years ended June 30, 2019 and 2018 to reduce operating costs, closed the under-performing retail location, and refinanced the Organization's long-term debt at a more favorable interest rate. The measures taken appear to have reduced the net asset deficit by approximately fifty-four percent as of June 30, 2019 from that as of June 30, 2018. Management believes that the steps that it has taken will continue to produce increased net revenues and reduce the net asset deficit in future years.