THE BRANCH OF NASHVILLE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Branch of Nashville, Inc.
Antioch, Tennessee

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of The Branch of Nashville, Inc., a Tennessee nonprofit (the "Organization") which comprise the statement of financial position as of December 31, 2021, and 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 The Branch of Nashville, Inc., as of December 31, 2021, and the changes in its net assets and its cash flows for the years 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 audit. 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 available to be issued.

KraftCPAs PLLC • Certified Public Accountants and Consultants
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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, internal 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.

Kraft CPAs PLLC

Nashville, Tennessee
September 2, 2022

THE BRANCH OF NASHVILLE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

Cash	$ 194,213
Contributions receivable	26,350
Employee Retention Credits receivable	81,113
Inventory	45,023
Prepaid expenses	500
Property and equipment, net	52,070
TOTAL ASSETS	$ 399,269

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	$ 2,238
TOTAL LIABILITIES	2,238
NET ASSETS	
Without donor restrictions	324,707
With donor restrictions	72,324
TOTAL NET ASSETS	397,031
TOTAL LIABILITIES AND NET ASSETS	$ 399,269

See accompanying notes to financial statements.

THE BRANCH OF NASHVILLE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and foundation grants	$ 249,077	$ 130,060	$ 379,137
Donated food revenue	2,658,141	-	2,658,141
Other gifts in kind	78,060	-	78,060
Government grant - Employee Retention Credits	81,113	-	81,113
Tuition revenue	51,330	-	51,330
Miscellaneous	863	-	863
Net assets released from restrictions	117,936	(117,936)	-
TOTAL SUPPORT AND REVENUE	3,236,520	12,124	3,248,644
EXPENSES			
Program services	2,952,387	-	2,952,387
Supporting services:			
Management and general	84,548	-	84,548
Fundraising	32,772	-	32,772
TOTAL EXPENSES	3,069,707	-	3,069,707
CHANGE IN NET ASSETS	166,813	12,124	178,937
NET ASSETS - BEGINNING OF YEAR	157,894	60,200	218,094
NET ASSETS - END OF YEAR	$ 324,707	$ 72,324	$ 397,031

See accompanying notes to financial statements.

THE BRANCH OF NASHVILLE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 178,937
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	5,904
Donated property and equipment	(28,800)
(Increase) decrease in:	
Contributions receivable	(26,017)
Employee Retention Credits receivable	(81,113)
Inventory	(44,643)
Prepaid expenses	(500)
Increase (decrease) in:	
Accounts payable and accrued expenses	2,046
TOTAL ADJUSTMENTS	(173,123)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,814
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(5,602)
NET CASH USED IN INVESTING ACTIVITIES	(5,602)
NET CHANGE IN CASH	212
CASH - BEGINNING OF YEAR	194,001
CASH - END OF YEAR	$ 194,213

See accompanying notes to financial statements.

THE BRANCH OF NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES		
	FOOD PANTRY	ESL CLASSES	AFGHAN RELIEF	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	Total
Salaries and wages	$ 102,766	$ 90,823	$ -	$ 193,589	$ 55,095	$ 11,620	$ 260,304
Payroll taxes	8,737	7,721	-	16,458	4,684	988	22,130
SALARIES AND RELATED EXPENSES	111,503	98,544	-	210,047	59,779	12,608	282,434
Food distributed	2,613,348	-	2,222	2,615,570	-	-	2,615,570
Delivery charges	26,845	-	-	26,845	-	-	26,845
Conferences and meetings	10	-	-	10	1,814	-	1,824
Depreciation	2,896	2,899	-	5,795	100	9	5,904
Direct benefits to clients	200	-	-	200	-	-	200
Event expenses	-	-	-	-	-	8,857	8,857
Facility costs	61,011	6,856	-	67,867	4,765	686	73,318
Insurance	6,201	1,018	-	7,219	574	136	7,929
Office expenses	754	2	-	756	7,584	375	8,715
Outside services	2,576	2,947	-	5,523	3,088	8,600	17,211
Supplies	4,423	6,804	-	11,227	40	1,132	12,399
Technology expenses	877	451	-	1,328	6,804	369	8,501
TOTAL EXPENSES	$ 2,830,644	$ 119,521	$ 2,222	$ 2,952,387	$ 84,548	$ 32,772	$ 3,069,707

See accompanying notes to financial statements.

NOTE 1 - GENERAL

The Branch of Nashville, Inc. (the "Organization") is a not-for-profit corporation organized in 2013, under the laws of the State of Tennessee, dedicated to nourishing, educating and equipping people in the southeast Nashville community through operating a food pantry, providing English language classes and assisting with referrals to other needed resources. The Branch is a partner agency of Second Harvest Food Bank of Middle Tennessee, a member of the Feeding America® network of food banks.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are currently no donor restrictions that are perpetual in nature.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Any gifts of equipment, facilities or materials are reported as net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Donated food received is valued at the Feeding America® rate for food-only donations (based on a study commissioned by Feeding America®), which is adjusted annually and amounted to $1.70 per pound for 2021. Amounts presented in the financial statements are net of spoilage due to the perishable nature of the products received which are unable to be utilized in the Organization's programs.

Donated Services

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Organization.

A substantial number of unpaid volunteers have contributed their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it does not meet the criteria noted above.

Inventory

Inventory consists of undistributed donated food pantry items and is valued based on the Feeding America ® rate for food-only donations.

Property and Equipment

Property and equipment are carried at cost at the date of purchase or, if donated, at the approximate fair value at the date of donation. The Organization's policy is to capitalize purchases with a cost of $1,000 or more and an estimated useful life greater than one year. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization classifies its assets measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs).

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Donated food inventory - The value of donated food is based on poundage times a standard rate. The donated food rate is updated annually based on a study commissioned by Feeding America ®, which is classified as Level 2. The inputs used in the valuation include twenty-nine product types calculating a weighted-average value for the year based on actual donated pounds by type on a national level.

No changes in the valuation methodologies have been made since the prior year.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain fair value measurements at the reporting date.

Program and Supporting Services

The following program and supporting services classifications are included in the accompanying financial statements:

Program Services:

Food Pantry - Everyone needs help sometimes, and we are here to support families in their time of need. Each month, the Pantry provides fresh, nutritious food to over 1,000 families in the Greater Nashville area, giving them the peace of mind that comes from knowing there is food for their tables. Also included in the Food Pantry program is the Older Adult Care program.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued)

English Language Program - Nashville is home to newcomers from many countries. Transitioning to a new community is difficult, and the inability to communicate makes it even harder. Our ESL program teaches adult learners to speak and write competently in English, so they can be confident when seeking employment, helping their children in school, and performing daily chores in their new homeland. Day and evening classes are held online and in person throughout the week.

Afghan Relief - Many Afghan refugees have been resettled in the Nashville area starting in the fall of 2021. When The Branch discovered in December 2021 that these refugees were not getting enough food, the Organization started a one-year project to purchase and deliver culturally appropriate food to these people. The Afghan Project will conclude at the end of 2022 with Afghans becoming food pantry clients in 2023. The Branch will also provide English Language Learning classes free of charge to the Afghan refugees into 2023.

Supporting Services:

Management and General - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the agency. Specific activities include agency oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. The expenses that are allocated include salaries and related taxes and benefits and depreciation, which are allocated on the basis of estimates of time expended on those resources.

Income Taxes

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

The Organization files a U.S. Federal Form 990 for organizations exempt from income tax.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Authoritative Guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of activities for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard will be effective for the Organization on July 1, 2022. The adoption of this guidance is not expected to have a material impact on the financial statements.

Recent Authoritative Guidance (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. The adoption of ASU 2020-07 is not expected to have a significant impact on the Organization's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2021 and September 2, 2022, the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - LIQUIDITY

The following represents the Organization's financial assets available to meet general expenditures over the next twelve months at December 31, 2021:

Financial assets at year end:	
Cash	$ 194,213
Contributions receivable	26,350
Employee Retention Credits receivable	81,113
Less amounts not available to be used within one year:	
Board designated for emergencies	(3,000)
Net assets with donor restrictions	(72,324)
Financial assets available to meet general expenditures over the next twelve months	$ 226,352

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, donated food revenue and contributions receivable.

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

The Organization received approximately 26% of its donated food directly from Second Harvest Food Bank and 63% from Second Harvest Food Bank Meal Connect partners. Additionally, the Organization received equipment valued at $28,800 from Second Harvest Food Bank in 2021.

At December 31, 2021, 95% of contributions receivable is from two donors.

NOTE 5 - FAIR VALUE MEASUREMENTS

Financial assets measured at fair value on a recurring basis consisted of the following at December 31, 2021:

	Fair Value	Level 1	Level 2	Level 3
Inventory:				
Donated food	$ 45,023	$ -	$ 45,023	$ -

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2021:

Office equipment	$ 12,995
Warehouse equipment	55,791
	68,786
Less: accumulated depreciation	(16,716)
	$ 52,070

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2021:

Specific purpose:	
Food pantry program	$ 14,983
Van purchase	30,000
Older Adult Care program	22,144
English language program	4,000
Afghan Relief program	1,197
Total net assets with donor restrictions	$ 72,324

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31, 2021:

Board designated for emergencies	$	3,000
Net investment in equipment		52,070
Undistributed food inventory		45,023
Undesignated		224,614
Total net assets without donor restrictions	$	324,707

NOTE 9 - EMPLOYEE RETENTION CREDITS

During 2021, the Organization filed amended Form 941s to apply for Employee Retention Credits ("ERC") relating to its 2nd and 3rd quarter 2021 payroll that met the criteria for refundable tax credits. The ERC was originally created as part of the CARES Act in 2020 for businesses to help retain their workforces and avoid layoffs during the coronavirus pandemic and was modified, expanded and extended by the 2021 Consolidated Appropriations Act ("CAA") and subsequently extended again by the American Rescue Plan Act ("ARPA"). The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages. These retention credits are reported as a government grant in the statement of activities. Subsequent to year end, the Organization received the full amount ERCs requested.