



The Thrift Alliance d/b/a ThriftSmart

**Financial Statements
for the Year Ended June 30, 2022**

and Auditor's Report thereon

THE THRIFT ALLIANCE
d/b/a THRIFTS MART
(A Tennessee Nonprofit Corporation)

Table of Contents

Independent Auditor's Report	2
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8



JAMES I. BARBER

CERTIFIED PUBLIC ACCOUNTANT

POST OFFICE BOX 1548

FRANKLIN, TENNESSEE 37065-1548

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Thrift Alliance
4890 Nolensville Road
Nashville, Tennessee 37211

Opinion

I have audited the accompanying financial statements of The Thrift Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Thrift Alliance as of June 30, 2022, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of ABC Organization and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Thrift Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 generally accepted auditing standards 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,

Member

American Institute of Certified Public Accountants

AICPA Not-for-Profit Section

Tennessee Society of Certified Public Accountants

Sage Accountants Network

Associate

Association of Certified Fraud Examiners

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 generally accepted auditing standards, I:

- 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 Thrift Alliance'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Thrift Alliance's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

A handwritten signature in blue ink that reads "James P. Barber, CPA". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Franklin, Tennessee
January 24, 2023

The Thrift Alliance
Statement of Financial Position
June 30, 2022

<u>Assets</u>	
<u>Current assets</u>	
Cash	\$ 482,589
Prepaid expenses	2,196
	484,785
<u>Fixed assets</u>	
Property and equipment	644,972
Accumulated depreciation	(374,162)
	270,810
<u>Other assets</u>	
Website development costs, net of accumulated amortization	1,669
Real property lease deposits	12,500
	14,169
Total Assets	\$ 769,764
<u>Liabilities</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 19,422
Notes payable - current portion	41,927
Accrued liabilities	116,312
Other current liabilities	8,956
	186,617
<u>Long term liabilities</u>	
Notes payable	231,687
Total Long term liabilities	231,687
Total Liabilities	418,304
<u>Net Assets</u>	
Net assets	351,460
Total net assets (deficit)	351,460
Total Liabilities and Net Assets	\$ 769,764

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

The Thrift Alliance
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

Net Assets Without Donor Restrictions

Support and Revenue

Thrift store sales	\$ 2,613,171
Contributions	282
Total Support and Revenue	<u>2,613,453</u>

Expenses

Program Expenses	2,305,589
Management and General Expenses	<u>224,556</u>
Total Expenses	<u>2,530,145</u>

Change in net assets from operations	83,308
--------------------------------------	--------

Other Changes in Net Assets

Gain on extinguishment of debt	<u>142,815</u>
Total change in net assets	226,123

Net assets (deficit), beginning of year	<u>125,337</u>
---	----------------

Net assets (deficit), end of year	<u><u>\$ 351,460</u></u>
-----------------------------------	--------------------------

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

The Thrift Alliance
Statement of Functional Expenses
Year Ended June 30, 2022

		Supporting Services	
	Program Services	Management and General	Totals
<u>Expenses</u>			
Grants to Charitable Organizations	\$ 416,000	\$ -	\$ 416,000
Salaries and wages	1,034,152	114,906	1,149,058
Employee benefits	25,098	15,642	40,740
Payroll taxes	71,664	7,963	79,627
Payroll administration	13,265	1,474	14,739
Management fees	-	65,354	65,354
Accounting and auditing	-	17,107	17,107
Advertising	43,549	-	43,549
Contract services - other	32,042	-	32,042
Offices expenses	28,925	-	28,925
Information technology	35,108	-	35,108
Occupancy and facilities	349,843	-	349,843
Depreciation and amortization	30,075	-	30,075
Insurance	24,667	1,932	26,599
Retail operations	191,573	-	191,573
Travel and entertainment	-	178	178
Dues and subscriptions	8,181	-	8,181
Personal property taxes	1,447	-	1,447
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ 2,305,589	\$ 224,556	\$ 2,530,145
	<u> </u>	<u> </u>	<u> </u>

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

The Thrift Alliance
Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities

Increase or (decrease) in net assets	\$ 226,123
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:	
Depreciation and amortization	30,075
(Increase) decrease in prepaid expense	(2,196)
Increase (decrease) in accounts payable	729
Increase (decrease) in accrued expenses	84,985
Increase (decrease) in current maturities - long-term debt	3
Increase (decrease) in other liabilities	1,237
Effect of rounding	(1)
	<hr/>
Total Adjustments	114,832
	<hr/>
Net cash provided by (used in) operating activities	340,955
	<hr/>

Cash flows from investing activities

Payments for the purchase of property	(66,908)
	<hr/>
Net cash provided by (used in) investing activities	(66,908)
	<hr/>

Cash flows from financing activities

Principal payments on long-term debt	(184,752)
	<hr/>
Net cash provided by (used in) financing activities	(184,752)
	<hr/>
Net increase (decrease) in cash and cash equivalents	89,295
Cash and cash equivalents at beginning of year	393,294
	<hr/>
Cash and cash equivalents at end of year	\$ 482,589
	<hr/> <hr/>

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

The Thrift Alliance
Notes to Financial Statements
For the Year Ended June 30, 2022

Note A – Organization

The Thrift Alliance 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.

Note B – Summary of Significant Accounting Policies

Financial Statement Presentation – The Organization presents its financial statements in accordance with standards of accounting and reporting prescribed for nonprofit organizations. Under these standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets presented as follows:

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. Net assets with donor restrictions represent amounts available for various programs. At June 30, 2022 the Organization had no *Net Assets With Donor Restrictions*.

Contributions – While the primary source of support and revenue for the Organization is the operation of a retail thrift store, it does account for any contributions received in accordance with standards of accounting and reporting prescribed for nonprofit organizations. Under these standards, contributions received are recorded as without donor restrictions or with donor restrictions, depending on the stipulations of the donor.

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.

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.

The Thrift Alliance
Notes to Financial Statements
For the Year Ended June 30, 2022

Note B –Summary of Significant Accounting Policies - continued

Management believes that the nature of the contributions of goods and materials are indeed subject to substantial uncertainty. Management asserts that it is through the value-adding process of preparing the contributed goods and materials for sale that the contributed 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.

Property and Equipment – Management has adopted a policy to capitalize items over \$500. Property and equipment are recorded at cost if purchased or estimated fair value if contributed. 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 \$30,075 for the fiscal year ended June 30, 2022.

Contributed Services – The Organization receives a significant amount of contributed time from volunteers that does not meet the recognition criteria for contributed professional services; accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

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 is classified by The Internal Revenue Service as other than a private foundation.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in United States of America ("U.S. GAAP) 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.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis based primarily on time and effort.

The Thrift Alliance
Notes to Financial Statements
For the Year Ended June 30, 2022

Note B – Summary of Significant Accounting Policies - continued

Advertising Expenses – Costs related to advertising are expensed as incurred. The Organization incurred advertising costs amounting to \$43,549 for the fiscal year ended June 30, 2022.

Subsequent Events – The Organization evaluated subsequent events through January 24, 2023, when the financial statements were available to be issued.

Note C – Liquidity and availability of resources

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

	<u>2022</u>
Financial assets at year-end:	
Cash and cash equivalents	<u>\$ 482,590</u>
Total financial assets	482,590
Less amounts not available to be used within one year:	
Donor restricted amounts and net assets subject to designation	<u>-</u>
Financial assets not available to be used within one year	<u>-</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 482,590</u></u>

The Thrift Alliance
Notes to Financial Statements
For the Year Ended June 30, 2022

Note D – Property and Equipment

Property and equipment consist of the following as of June 30, 2022:

	<u>2022</u>
Machinery and equipment	\$ 308,024
Furniture and fixtures	38,761
Vehicles	108,539
Leasehold improvements	<u>189,648</u>
	644,972
Less accumulated depreciation	<u>(374,162)</u>
	<u><u>\$ 270,810</u></u>

Note E – Operating Leases

The Organization entered into a modification of the existing operating lease for its retail store located on Nolensville Road in Nashville, Tennessee. Under the modification the rent is set at \$17,550 per month, including estimated common area maintenance fees, through March of 2025. Said lease is extendable for three additional five-year terms with set increases for monthly rent and common area maintenance fees. The minimum lease obligation, assuming only the execution of the first-five-year extension in April 2025 and including estimated common area maintenance costs are as follows:

Fiscal year ended June 30, 2023	\$ 210,600
Fiscal year ended June 30, 2024	210,600
Fiscal year ended June 30, 2025	214,575
Fiscal year ended June 30, 2026	226,500
Fiscal year ended June 30, 2027	226,500
Thereafter	<u>622,875</u>
Total	<u><u>\$ 1,711,650</u></u>

Note F – 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 \$63,354 for the year ended June 30, 2022.

The Thrift Alliance
Notes to Financial Statements
For the Year Ended June 30, 2022

Note G – Long-Term Debt

At June 30, 2022 long-term debt consisted of the following:

	<u>2022</u>
Promissory note payable to Cumberland Capital Partners, LLC bearing an interest rate of .75% with monthly payments of \$3,494 of fixed principal. The note is amortized over ten years maturing on January 21, 2029.	\$ 273,614
Paycheck Protection Program Promissory notes payable to First Freedom Bank bearing interest at 1% per annum. Subsequent to the June 30, 2021 balance sheet date the Organization was notified that the balance of the loan had been forgiven.	
Total debt	273,614
Less current maturities	(41,928)
	<u>\$ 231,686</u>

Future maturities of long-term debt are:

Fiscal year ended June 30, 2023	\$ 41,928
Fiscal year ended June 30, 2024	41,928
Fiscal year ended June 30, 2025	41,928
Fiscal year ended June 30, 2026	41,928
Fiscal year ended June 30, 2027	41,928
Thereafter	63,979
Total	<u>\$ 273,619</u>

The Thrift Alliance
Notes to Financial Statements
For the Year Ended June 30, 2022

Note G – Financial instruments and concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk are primarily cash and cash equivalents.

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. Cash balances may at times exceed federally insured limits. For the year ended June 30, 2022 there was approximately \$225,748 of cash and cash equivalent balances in excess of federally insured limits.

Note H – Employee benefit plans

The Organization makes contributions to a 401(k) plan up to five percent (5%) of an eligible employee's annual salary or wages. Additionally, the Organization pays health and dental insurance costs, matches Health Savings Account contributions up to certain limits, reimburses the cost of deductibles above \$2,500 and subsidizes dependent health insurance costs up to certain limits for the dependents of eligible employees.

Total employee benefit expense for the year ended June 30, 2022 totaled \$40,741.

Note I – Paycheck Protection Program

On February 1, 2021 the Organization received loan proceeds in the amount of \$142,816 under the Paycheck Protection Program ("PPP") administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the United States Government. The Organization was eligible for loan forgiveness upon meeting certain requirements. Subsequent to the June 30, 2021 balance sheet date the Organization was notified that those requirements had been satisfactorily met and that the PPP loan had been forgiven.