

TENNESSEE PRISON OUTREACH MINISTRY, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Auditor's Report Thereon

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019



Tennessee Prison Outreach Ministry, Inc.

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Independent Auditor's Report

To the Board of Directors of
Tennessee Prison Outreach Ministry, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee Prison Outreach Ministry, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, we express 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Prison Outreach Ministry, Inc. as of December 31, 2020 and 2019, 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.

A handwritten signature in black ink, appearing to read 'S. Miller', is written over the printed name 'Miller CPA, PLLC'.

Miller CPA, PLLC
Murfreesboro, Tennessee
April 29, 2021

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019

ASSETS		2020	2019
		<u>2020</u>	<u>2019</u>
Cash and equivalents	\$	810,882	\$ 602,179
Grants receivable		17,187	22,271
Property and equipment, net		2,884,854	1,422,882
Other assets		<u>20,494</u>	<u>18,255</u>
 TOTAL ASSETS	\$	 <u>3,733,417</u>	 <u>\$ 2,065,587</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$	53,597	\$ 29,966
Notes payable		<u>1,560,747</u>	<u>242,059</u>
 TOTAL LIABILITIES		 1,614,344	 272,025
NET ASSETS			
Net assets without donor restrictions		2,105,292	1,220,447
Net assets with donor restrictions		<u>13,781</u>	<u>573,115</u>
 TOTAL NET ASSETS		 <u>2,119,073</u>	 <u>1,793,562</u>
 TOTAL LIABILITIES AND NET ASSETS	\$	 <u>3,733,417</u>	 <u>\$ 2,065,587</u>

See accompanying notes to financial statements and independent auditor's report.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020			2019		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Totals	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Totals
PUBLIC SUPPORT AND OTHER REVENUE						
Public support						
Contributions and grants	\$ 958,230	\$ 98,645	\$ 1,056,875	\$ 690,855	\$ 187,879	\$ 878,734
Special events	161,301	-	161,301	127,095	-	127,095
Total public support	1,119,531	98,645	1,218,176	817,950	187,879	1,005,829
Other revenue						
Interest income	1,562	-	1,562	3,008	-	3,008
Rent	77,554	-	77,554	77,243	-	77,243
Total other revenue	79,116	-	79,116	80,251	-	80,251
Net assets released from restrictions	657,979	(657,979)	-	43,530	(43,530)	-
Total public support and other revenue	1,856,626	(559,334)	1,297,292	941,731	144,349	1,086,080
EXPENSES						
Programs	661,055	-	661,055	580,806	-	580,806
Management and general	200,689	-	200,689	145,921	-	145,921
Fundraising	110,037	-	110,037	121,426	-	121,426
Total expenses	971,781	-	971,781	848,153	-	848,153
Increase (decrease) in net assets	884,845	(559,334)	325,511	93,578	144,349	237,927
Net assets at beginning of year	1,220,447	573,115	1,793,562	1,126,869	428,766	1,555,635
Net assets at end of year	\$ 2,105,292	\$ 13,781	\$ 2,119,073	\$ 1,220,447	\$ 573,115	\$ 1,793,562

See accompanying notes to financial statements and independent auditor's report.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020				2019			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fund- raising	Totals	Program Services	Management and General	Fund- raising	Totals
Compensation and related expenses	\$ 311,919	\$ 113,944	\$ 72,972	\$ 498,835	\$ 353,291	\$ 66,144	\$ 60,619	\$ 480,054
Youth fees	4,009	-	-	4,009	15,241	-	-	15,241
Professional fees	22,326	24,500	-	46,826	11,476	41,619	1,593	54,688
Meals and entertainment	3,168	-	-	3,168	8,001	620	-	8,621
Travel	110	2,800	-	2,910	4,357	-	2,360	6,717
Depreciation	38,135	16,591	17,697	72,423	59,421	12,918	13,779	86,118
Repairs and maintenance	74,781	4,620	2,310	81,711	22,552	-	-	22,552
Postage	3,483	1,430	715	5,628	2,530	2,856	67	5,453
Printing	14,260	3,508	1,750	19,518	12,921	4,973	1,944	19,838
Program and office supplies	85,139	376	288	85,803	20,383	1,072	134	21,589
Utilities	23,989	6,920	3,460	34,369	23,218	10,127	761	34,106
Advertising	4,852	660	430	5,942	-	-	6,037	6,037
Bank fees	1,974	2,000	-	3,974	-	2,195	-	2,195
Dues and subscriptions	9,561	700	475	10,736	6,172	815	414	7,401
Insurance	10,213	20,000	-	30,213	-	-	-	-
Miscellaneous	1,186	720	110	2,016	4,908	1,067	1,138	7,113
In-kind	42,385	-	-	42,385	11,237	-	-	11,237
Interest	216	-	-	216	9,288	-	-	9,288
Alarm and security	2,968	200	100	3,268	529	-	-	529
Charitable donations	1,062	-	-	1,062	7,301	-	-	7,301
Vehicle expense	5,319	1,720	860	7,899	7,980	1,515	391	9,886
Total expenses	661,055	200,689	101,167	962,911	580,806	145,921	89,237	815,964
Direct costs of fundraising event	-	-	8,870	8,870	-	-	32,189	32,189
Total expenses	\$ 661,055	\$ 200,689	\$ 110,037	\$ 971,781	\$ 580,806	\$ 145,921	\$ 121,426	\$ 848,153

See accompanying notes to financials statements and independent auditor's report.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 325,511	\$ 237,927
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	72,423	86,118
Forgiveness of Payment Protection Program note payable	(93,547)	-
Decrease (increase) in operating assets:		
Grants receivable	5,084	(19,763)
Other assets	(2,239)	(18,255)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	23,631	(3,913)
NET CASH PROVIDED BY OPERATING ACTIVITIES	330,863	282,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,534,395)	(153,283)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	1,336,493	-
Proceeds from Payroll Protection Program note payable	93,547	-
Principal payments of notes payable	(17,805)	(7,553)
NET CASH PROVIDED BY (USED BY) FINANCING ACTIVITIES	1,412,235	(7,553)
NET INCREASE IN CASH AND EQUIVALENTS	208,703	121,278
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	602,179	480,901
CASH AND EQUIVALENTS AT END OF YEAR	\$ 810,882	\$ 602,179

See accompanying notes to financial statements and independent auditor's report.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tennessee Prison Outreach Ministry, Inc. (the “Ministry”) is a not-for-profit Tennessee Corporation organized to conduct preventative, rehabilitative and aftercare programming for offenders and their families. The Ministry accomplishes this function through the operation of a halfway house, re-entry facility, educational programs and various programs conducted for offenders and their families. Support for the Ministry is primarily received through donor contributions, grants and church contributions.

Basis of Accounting

The financial statements of the Ministry have been prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 unrestricted revenue and support and expenses during the period. Actual results could differ from those estimates.

Financial Statement Presentation

The Ministry presents its financial statements in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Financial Statements for Not-for-Profit Organizations*. Accordingly, the Ministry reports information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Ministry.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as revenue within net assets with donor restrictions when received, and such unexpended amounts are reported as net assets with donor restrictions at year-end. When the donor restriction expires, that is, when a stipulated time 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 “released from restrictions”.

Net assets with donor restrictions also consist of donor restricted contributions, which are required to be held in perpetuity. As of December 31, 2020 and 2019, there were no net assets with donor restrictions required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Contributions and Grants

Contributions and grants are recognized as revenue when received or unconditionally pledged. All contributions and grants are available for unrestricted use unless specifically restricted by the donor. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants (continued)

All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Ministry reports gifts of land, buildings and equipment as net assets without donor restrictions at the estimated fair value. Gifts of long-lived assets with explicit restrictions that specify how the assets are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated long-lived assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service as instructed by the donor.

Cash and Equivalents

Cash and equivalents include cash on hand and short-term investments with original maturities of three months or less.

Grants Receivable

Grant reimbursement requests have been recorded as grants receivable. The grants receivable are recorded when the expense for reimbursement has been incurred. Each grant agreement defines when a particular grant is considered past due which ranges from 30 to 60 days from the invoice date. The Ministry does not charge interest or a finance charge on past due grant receivable accounts. The Ministry estimates an allowance for doubtful grants receivable based upon historical trends, contractual obligations and ability to pay. Generally, the Ministry does not require collateral or other security to support the grants receivable. As of December 31, 2020 and 2019, management estimated the allowance for doubtful grants to be \$-0-.

Property and Equipment, Net

The Ministry capitalizes all property and equipment expenditures with a cost of \$500 or more having estimated useful lives of more than one year. Property and equipment are capitalized at cost or, for donated items, at fair value as of the date received. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets as of the following:

Buildings and improvements	15 - 39.5 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program, management and general or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. The Organization has determined the allocation based on estimates of time and effort within the compensation and related expenses; which in turn created a percent allocation that was used to determine the allocation of certain expenses.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Expenses

Advertising costs include costs to promote the Ministry and specific programs are expensed as incurred on the statements of functional expenses. Advertising expense for the years ended December 31, 2020 and 2019 totaled \$5,942 and \$6,037, respectively.

Income Taxes

The Ministry is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the Ministry has made no provision for federal income taxes in the accompanying financial statements.

The Ministry has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are 2019, 2018, 2017 and 2016. Based on the evaluation of the Foundation's tax positions, management believes all tax positions taken would be upheld under an examination by the tax authorities. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2020 and 2019.

Donated Services

Contributed services are recognized if the services received create or enhance long-lived assets or required specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. The Ministry receives contributed time which does not meet the recognition criteria. Accordingly, the value of this time has not been reported within the financial statements.

NOTE B—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2020 and 2019:

	2020	2019
Land	\$ 404,454	\$ 404,454
Buildings and improvements	2,545,868	900,515
Furniture and equipment	173,466	150,700
Vehicles	34,938	34,938
Construction in process	-	133,724
	3,158,726	1,624,331
Less: Accumulated depreciation	(273,872)	(201,449)
Property and equipment, net	<u>\$ 2,884,854</u>	<u>\$ 1,422,882</u>

For the years ending December 31, 2020 and 2019 depreciation expense totaled \$72,423 and \$86,118, respectively.

As of December 31, 2019 the Organization was in the process of constructing a women's half-way house. The women's half-way house was opened in December 2020. Upon the opening of the women's half-way house the costs was classified from construction in process to buildings and improvements. Depreciation for the women's half-way house began in December 2020.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE C—AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Ministry's financial assets as December 31, 2020 and 2019, reduced by amounts not available for general use because of donor imposed restrictions within one year of December 31, 2020 and 2019:

	2020	2019
Financial assets, at year-end	\$ 810,882	\$ 602,179
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(13,781)	(573,115)
Board of Directors designated funds	(400,000)	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 397,101</u>	<u>\$ 29,064</u>

The Ministry is substantially supported by unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Ministry must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Ministry's liquidity management, it sends out cash as the restricted contributions and grants come in and maintains a level of cash related to contributions without donor restrictions.

NOTE D—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2020 and 2019:

		Net Asset		
		With Donor	Released	
	December 31, 2019	Restriction	from	December 31, 2020
		Contributions	Restrictions	
Women's half-way house	\$ 555,325	\$ 98,645	\$ (653,970)	\$ -
Youth fees	17,790	-	(4,009)	13,781
Net assets with donor restrictions	<u>\$ 573,115</u>	<u>\$ 98,645</u>	<u>\$ (657,979)</u>	<u>\$ 13,781</u>

During the years ended December 31, 2020 and 2019 net assets released from restrictions totaled \$657,979 and \$43,530, respectively. These funds were released mainly through monies spent on the women's half-way house.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE E—NET ASSETS WITHOUT DONNOR RESTRICTIONS

The Board of directors has designated net assets of \$400,000 as of December 31, 2020 to go toward capital purchases or debt reduction. The designation above is voluntary, board-approved segregations of unrestricted net assets for specific purposed and are used as an aid in future expenditures.

NOTE F—NOTES PAYABLE

A summary of notes payable as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
The Ministry has a note payable bearing an interest rate of the prime rate minus 4.0% with a floor of 0.00% requiring monthly principal and interest payments totaling \$1,382 through June 2032. The note payable is secured by certain real estate.	\$ 224,255	\$ 242,059
The Ministry has a note payable bearing an interest rate of the prime rate minus 4.0% with a floor of 0.00% requiring monthly principal and interest payments totaling \$2,222 through November 2025. The note payable is secured by certain real estate.	400,000	-
The Ministry received an Economic Injury Disaster Loan (EIDL) through the CARES Act offered by the United States federal government due to the COVID-19 pandemic for \$10,000 bearing an interest rate of 2.35%. The EIDL allows long-term payments for up to 30 years, but the Ministry anticipates paying the EIDL withing the next twelve months.	10,000	-
The Ministry has a contruction loan agreement for \$1,000,000 bearing a prime rate minus 4.0% with a floor of 0.00% requiring principal and interest payments totaling approximately \$5,100 through January 2034. The note payable is secured by certain real estate.	<u>926,492</u>	<u>-</u>
Totals	1,560,747	242,059
Less: Current maturities of notes payable	<u>(71,650)</u>	<u>(13,022)</u>
Notes payable, less current maturities	<u>\$ 1,489,097</u>	<u>\$ 229,037</u>

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE F—NOTES PAYABLE (CONTINUED)

Future maturities of the notes payable are as follows:

<u>December 31,</u>	
2021	\$ 71,650
2022	103,439
2023	103,517
2024	408,039
2025	77,007
Thereafter	<u>797,095</u>
Total	<u>\$ 1,560,747</u>

NOTE G—CONCENTRATION OF RISK

The Foundation may be subject in the future to credit risk to its cash and equivalents accounts, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation ("FDIC") offers coverage up to \$250,000 for substantially all depository accounts. As of December 31, 2020 and 2019, the Ministry had \$447,499 and \$138,652, respectively, in funds in excess of the FDIC limit.

NOTE H—CASH FLOW INFORMATION

Cash disbursements for interest during the years ended December 31, 2020 and 2019 totaled \$212 and \$9,288, respectively. There were no cash disbursements for income taxes during the years ended December 31, 2020 and 2019.

NOTE I—SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through April 29, 2021, which is the date the financial statements were available to be issued. There were no subsequent events or transactions requiring the financial statements to be adjusted.