

**BRIGHTSTONE, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## Independent Auditors' Report

To the Board of Directors  
BrightStone, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of BrightStone, Inc. (a Tennessee not-for-profit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

### Auditors' 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 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 auditors' 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 BrightStone, Inc. as of December 31, 2019 and 2018, 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 blue ink that reads "Blankenship CPA Group, PLLC". The signature is written in a cursive, flowing style.

Blankenship CPA Group, PLLC  
Brentwood, Tennessee  
April 24, 2020

**BRIGHTSTONE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

**ASSETS**

	<b>2019</b>	<b>2018</b>
Cash	\$ 889,068	\$ 566,588
Contributions receivable	932,379	607,916
Accounts receivable	1,684	2,861
Prepaid expenses	5,200	4,928
Cash restricted or designated for long term use	1,584,033	621,669
Property held for development	3,128,435	2,997,701
Property and equipment, net	<u>1,926,248</u>	<u>1,331,732</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,467,047</u></u>	<u><u>\$ 6,133,395</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Payroll liabilities	\$ 7,880	\$ 1,587
Accounts payable	55,467	9,966
Deferred revenues	<u>12,386</u>	<u>55,593</u>
<b>Total Liabilities</b>	<u>75,733</u>	<u>67,146</u>
<b>NET ASSETS</b>		
Without donor restrictions	6,060,860	5,026,798
With donor restrictions	<u>2,330,454</u>	<u>1,039,451</u>
<b>Total Net Assets</b>	<u>8,391,314</u>	<u>6,066,249</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 8,467,047</u></u>	<u><u>\$ 6,133,395</u></u>

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

**BRIGHTSTONE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenues		
Contributions	\$ 628,915	\$ 577,359
Special events (net of direct benefits to donors of \$61,115 and \$54,536 for 2019 and 2018, respectively)	427,324	328,198
Tuition	315,924	324,575
Fees	33,222	34,258
Product sales (net of direct costs of \$23,768 and \$18,768 for 2019 and 2018, respectively)	14,208	23,333
Other income	37,208	36,750
Interest income	3,364	2,415
	<hr/>	<hr/>
Total revenues without donor restrictions	1,460,165	1,326,888
	<hr/>	<hr/>
Net assets released from restrictions	961,238	2,012,491
	<hr/>	<hr/>
Total revenues and other support without donor restrictions	2,421,403	3,339,379
	<hr/>	<hr/>
Expenses		
Program services		
Educational services	680,800	678,725
Campus development	189,869	146,919
Supporting services		
Management and general	150,525	164,063
Fundraising	366,147	329,051
	<hr/>	<hr/>
Total expenses	1,387,341	1,318,758
	<hr/>	<hr/>
Increase in net assets without donor restrictions	1,034,062	2,020,621
	<hr/>	<hr/>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	2,252,241	612,117
Net assets released from restrictions	(961,238)	(2,012,491)
	<hr/>	<hr/>
Increase (decrease) in net assets with donor restrictions	1,291,003	(1,400,374)
	<hr/>	<hr/>
INCREASE IN NET ASSETS	2,325,065	620,247
	<hr/>	<hr/>
NET ASSETS - BEGINNING OF YEAR	6,066,249	5,446,002
	<hr/>	<hr/>
NET ASSETS - END OF YEAR	\$ 8,391,314	\$ 6,066,249
	<hr/>	<hr/>

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

**BRIGHTSTONE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Educational Services</u>	<u>Campus Development</u>	<u>Management and General</u>	<u>Fund-raising</u>	
Compensation and related costs					
Compensation	\$ 449,394	\$ 54,527	\$ 83,252	\$ 191,506	\$ 778,679
Payroll taxes and other benefits	65,496	8,522	16,868	26,602	117,488
	<u>514,890</u>	<u>63,049</u>	<u>100,120</u>	<u>218,108</u>	<u>896,167</u>
Facilities	42,339	109,305	2,570	3,246	157,460
Community relations and development	-	-	-	100,121	100,121
Depreciation	50,454	17,489	3,911	4,183	76,037
Professional services	-	-	28,203	7,970	36,173
Office	8,325	26	10,186	8,850	27,387
Scholarships	19,263	-	-	-	19,263
Banking fees	-	-	5,306	12,240	17,546
Transportation	15,437	-	-	283	15,720
Lunches	13,606	-	-	-	13,606
Teaching supplies and materials	11,181	-	-	-	11,181
Student activities	4,360	-	-	-	4,360
Capital campaign and development	-	-	-	3,112	3,112
Training	945	-	229	150	1,324
	<u>680,800</u>	<u>189,869</u>	<u>150,525</u>	<u>358,263</u>	<u>1,379,457</u>
Total expenses before special events direct costs					
Special events direct costs	-	-	-	57,755	57,755
Donated items for special events	-	-	-	11,244	11,244
Less direct benefits to donors	-	-	-	(61,115)	(61,115)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,884</u>	<u>7,884</u>
Total special events direct costs					
Total functional expenses	<u>\$ 680,800</u>	<u>\$ 189,869</u>	<u>\$ 150,525</u>	<u>\$ 366,147</u>	<u>\$ 1,387,341</u>

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

**BRIGHTSTONE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Educational Services</u>	<u>Campus Development</u>	<u>Management and General</u>	<u>Fund-raising</u>	
Compensation and related costs					
Compensation	\$ 425,218	\$ 26,300	\$ 102,124	\$ 169,101	\$ 722,743
Payroll taxes and other benefits	78,182	4,518	21,597	24,609	128,906
	<u>503,400</u>	<u>30,818</u>	<u>123,721</u>	<u>193,710</u>	<u>851,649</u>
Facilities	37,975	71,872	2,245	2,653	114,745
Community relations and development	-	-	-	74,978	74,978
Depreciation	47,205	5,990	3,988	4,260	61,443
Professional services	-	-	8,213	28,126	36,339
Office	10,025	-	9,079	8,207	27,311
Scholarships	26,520	-	-	-	26,520
Banking fees	-	-	13,486	-	13,486
Transportation	19,110	-	-	1,227	20,337
Lunches	13,076	-	-	-	13,076
Teaching supplies and materials	10,222	-	-	-	10,222
Student activities	4,375	-	-	-	4,375
Capital campaign and development	-	-	-	4,029	4,029
Training	24	1,300	2,906	240	4,470
Interest	6,793	36,939	425	502	44,659
	<u>678,725</u>	<u>146,919</u>	<u>164,063</u>	<u>317,932</u>	<u>1,307,639</u>
Total expenses before special events direct costs					
Special events direct costs	-	-	-	51,493	51,493
Donated items for special events	-	-	-	14,162	14,162
Less direct benefits to donors	-	-	-	(54,536)	(54,536)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,119</u>	<u>11,119</u>
Total special events direct costs					
Total expenses	<u>\$ 678,725</u>	<u>\$ 146,919</u>	<u>\$ 164,063</u>	<u>\$ 329,051</u>	<u>\$ 1,318,758</u>

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

**BRIGHTSTONE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 2,325,065	\$ 620,247
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	76,037	61,443
Amortization of loan fees	-	2,073
Donated equipment and furnishings	(85,800)	(4,698)
Donated services for property held for development	(35,869)	(80,295)
Cash received for long term assets	(1,694,891)	(2,045,725)
Decrease (increase) in operating assets		
Contributions receivable	(324,463)	1,532,038
Accounts receivable	1,177	(25)
Prepaid expenses	(272)	(3,108)
Increase (decrease) in operating liabilities		
Payroll liabilities	6,293	(1,628)
Accrued interest	-	(5,697)
Accounts payable	45,501	(20,815)
Deferred revenues	(43,207)	48,534
Net Cash Provided By Operating Activities	<u>269,571</u>	<u>102,344</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property held for development	(94,865)	(23,465)
Payments for property and equipment	(584,753)	(44,977)
Net Cash Provided By Investing Activities	<u>(679,618)</u>	<u>(68,442)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received for long term assets	1,694,891	2,045,725
Payments on note payable	-	(1,855,000)
Net Cash Used In Financing Activities	<u>1,694,891</u>	<u>190,725</u>
Net Increase in Cash	1,284,844	249,515
CASH - BEGINNING OF YEAR	1,188,257	938,742
CASH - END OF YEAR	<u>\$ 2,473,101</u>	<u>\$ 1,188,257</u>
<b>RECONCILIATION OF CASH TO STATEMENTS OF FINANCIAL POSITION</b>		
Cash	\$ 889,068	\$ 566,588
Cash restricted or designated for long term use	1,584,033	621,669
	<u>\$ 2,473,101</u>	<u>\$ 1,188,257</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash payments for interest	<u>\$ -</u>	<u>\$ 48,283</u>

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



**BRIGHTSTONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

BrightStone, Inc. (the "Organization") is a Tennessee not-for-profit corporation that provides a comprehensive work, educational, and social support community for adults with special needs, expanding their potential and helping them develop mentally, physically, emotionally, socially, and spiritually. The purpose is to provide lifelong education that enables individuals to learn and work at job skills which contribute to society and to their personal fulfillment; develop meaningful job skills and productive work habits; eventually provide housing with assistance as needed, while teaching living skills toward social, emotional, and spiritual growth; provide opportunities for a richer, more fulfilling life through learning, experiencing, and enjoying mental, physical, and recreational skills; inspire others to provide similar opportunities in other communities; and to serve as a research center to improve the training and education of functionally disabled adults. The Organization's support consists of funds received from individuals and foundations. The Organization's revenues consist primarily of tuition paid by the students attending the Organization's work and educational programs.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US 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.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment

It is the Organization's policy to capitalize all property and equipment over \$500. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from three to 39 years and is computed on a straight-line method.

Investments

The Organization's policy is to liquidate investments as soon as practical after the donation of investment securities is received. Occasionally, the Organization will have investment securities on the statements of financial position that have not been liquidated at year end. These investments, if any, are stated in the aggregate at estimated fair market value and are considered Level 1 securities.

**BRIGHTSTONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions 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 contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributed property and equipment are recorded at estimated fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Revenue Recognition and Deferred Revenues

Tuition revenue is collected and recognized for the educational services provided to the adult students during the week. Tuition received in advance is recorded as deferred revenues and recognized as revenue in the month in which it is earned.

Revenue from product sales is substantially recognized when sold.

Amounts received in advance for the Organization's Writer's Night fundraiser are recorded as deferred revenues until the year of the event.

In-kind Donations

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are not reflected in the financial statements because the activities do not meet the necessary criteria for recognition under US GAAP. Property, equipment, materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of contribution based upon information provided by third-party providers.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Compensation	Time and effort
Payroll taxes and other benefits	Time and effort
Facilities	Facility square footage
Interest	Time and effort
Depreciation	Facility square footage
Office	Time and effort
Training	Time and effort

**BRIGHTSTONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

**NOTE 3 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at December 31:

	<b>2019</b>	<b>2018</b>
Financial assets at year end:		
Cash	\$ 2,473,101	\$ 1,188,257
Contributions receivable	932,379	607,916
Accounts receivable	<u>1,684</u>	<u>2,861</u>
Total financial assets	3,407,164	1,799,034
Less amounts not available to be used within one year:		
Cash restricted for long term purposes	1,584,033	621,669
Contributions receivable restricted for long term purposes	<u>932,379</u>	<u>603,916</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 890,752</u>	<u>\$ 573,449</u>

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization receives year-round donations from supporters and makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the board of directors.

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consists primarily of pledges made for the Organization's capital campaign. Scheduled expected collections of contributions receivable are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 707,479
2021	100,000
2022	74,900
2023	<u>50,000</u>
	<u>\$ 932,379</u>

**NOTE 5 - PROPERTY HELD FOR DEVELOPMENT**

During 2015, the Organization purchased approximately 140 acres for the future development of a post-secondary educational and residential facility. Currently, the project is in the stage of infrastructure development with construction to begin in summer of 2020. The results of future fundraising efforts will determine the timing of the next stage of this project.

**BRIGHTSTONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>2019</b>	<b>2018</b>
Land and improvements	\$ 392,840	\$ 320,600
Building and improvements	1,764,525	1,231,579
Transportation vehicles	246,874	214,501
Office equipment	32,300	33,257
Facility equipment	62,638	43,993
Classroom equipment	47,527	45,777
Furniture	<u>25,472</u>	<u>19,472</u>
	2,572,176	1,909,179
Accumulated depreciation	<u>(645,928)</u>	<u>(577,447)</u>
	<u><b>\$ 1,926,248</b></u>	<u><b>\$ 1,331,732</b></u>

Depreciation expense was \$76,037 and \$61,443 for 2019 and 2018, respectively.

**NOTE 7 - LONG-TERM NOTE PAYABLE**

In September 2015, the Organization entered into a note payable with a local bank to purchase property for future development (Note 5) and to refinance its current facility. The note required interest only payments at an interest rate of 3.25%. On December 20, 2018, the Organization paid off the outstanding balance.

**NOTE 8 - NET ASSETS**

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

	<b>2019</b>	<b>2018</b>
Undesignated net assets without donor restrictions	\$ 5,845,588	\$ 4,812,276
Designated for construction of a future home at new campus	<u>215,272</u>	<u>214,522</u>
	<u><b>\$ 6,060,860</b></u>	<u><b>\$ 5,026,798</b></u>

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<b>2019</b>	<b>2018</b>
Capital campaign	\$ 2,301,140	\$ 1,011,063
Programming and improvement grants	23,401	22,277
Music fund	<u>5,913</u>	<u>6,111</u>
	<u><b>\$ 2,330,454</b></u>	<u><b>\$ 1,039,451</b></u>

**BRIGHTSTONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 - IN-KIND CONTRIBUTIONS**

The following in-kind contributions have been included in assets, revenues and expenses in the financial statements for the years ended December 31:

	<b>2019</b>	<b>2018</b>
Restricted contributions/assets		
Road construction materials	\$ 75,300	\$ -
Development costs	35,869	80,295
Equipment	8,500	-
Unrestricted contributions/expenses		
Supplies and services	28,870	25,350
Special events/expenses		
Prizes, fees and materials	11,244	14,162
Unrestricted contributions/assets		
Equipment and furnishings	<u>2,000</u>	<u>4,698</u>
	<u>\$ 161,783</u>	<u>\$ 124,505</u>

**NOTE 10 - CONCENTRATIONS**

Of the Organization's total revenues for 2019, approximately 27% represents funds received from one donor.

The Organization has cash balances in banks in excess of amounts federally insured. The uninsured balances totaled approximately \$1,249,000 and \$146,000 at December 31, 2019 and 2018, respectively. The Organization maintains its cash with high quality financial institutions which the Organization believes limits these risks.

**NOTE 11 - RETIREMENT PLAN**

The Organization offers a 403(b) retirement plan for all full time and permanent part time employees. Employees are 100% vested in all employee contributions and related earnings. The plan allows for discretionary matching of employee contributions by the Organization. The Organization made no discretionary match during 2019 or 2018.

**NOTE 12 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through April 24, 2020 which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization is experiencing a decline in its revenues and its ability to perform activities at its normal pace. The Organization filed for assistance under the CARES Act, Paycheck Protection Program and received a relief loan totaling \$155,616 on April 16, 2020.