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Heaven South, Inc.

(A Nonprofit Corporation)

Financial Statements

With Independent Auditors' Report Thereon

For the Years Ended December 31, 2020 and 2019

H A Beasley & Company, PLLC

Certified Public Accountants

Murfreesboro, Tennessee

INDEPENDENT AUDITORS' REPORT



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To the Board of Directors and Management of
Heaven South, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Heaven South, 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.

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 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 Heaven South, 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.

Emphasis of Matter

As discussed in Note B to the financial statements, in the year ended December 31, 2020, the entity adopted *FASB ASU No. 2020-03, Codification Improvements to Financial Instruments*, which provides clarity on certain accounting standards for financial instruments and *FASB ASU No. 2018-13 Fair Value Measurements (Topic 820), Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement*, which amends certain disclosures related to fair value measurements. Our opinion is not modified with respect to these matters.

H A Beasley & Company, PLLC
August 15, 2021

HEAVEN SOUTH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019



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	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 264,094	\$ 212,977
Other receivables	65,739	5,924
Inventories	50,306	-
Prepaid expenses	2,500	-
Investments	951,260	-
Deposits	240	19,745
Total current assets	1,334,139	238,646
PROPERTY AND EQUIPMENT, NET	1,658,409	1,538,359
OTHER ASSETS		
Assets restricted for donor endowment	1,358,718	1,200,053
Total other assets	1,358,718	1,200,053
TOTAL ASSETS	\$ 4,351,266	\$ 2,977,058
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 26,224	988
Accrued expenses	146	91
Deferred revenue	-	120,500
Total current liabilities	26,370	121,579
TOTAL LIABILITIES	26,370	121,579
NET ASSETS		
Without donor restrictions	2,966,178	1,188,348
With donor restrictions	1,358,718	1,667,131
TOTAL NET ASSETS	4,324,896	2,855,479
TOTAL LIABILITIES AND NET ASSETS	\$ 4,351,266	\$ 2,977,058

See accompanying notes to financial statements and independent auditors' report.

HEAVEN SOUTH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



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	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue, Gains and Other Support						
Individual donations	\$ 918,255	\$ 50,000	\$ 968,255	\$ 620,964	\$ 706,931	\$ 1,327,895
Fundraising event contributions	-	-	-	54,956	-	54,956
Other gifts and grants	785,603	-	785,603	182,728	700,000	882,728
Investment income, net	9,532	32,410	41,942	-	-	-
Unrealized gain on investments	28,967	138,753	167,720	-	-	-
In-kind contributions	164,213	-	164,213	18,000	80,000	98,000
Total	1,906,570	221,163	2,127,733	876,648	1,486,931	2,363,579
Fundraising event dinner sales	-	-	-	10,555	-	10,555
Less: Cost of direct benefit to donors	-	-	-	(10,555)	-	(10,555)
Net revenue from fundraising event	-	-	-	-	-	-
Total	1,906,570	221,163	2,127,733	876,648	1,486,931	2,363,579
Net assets released from restrictions:						
Satisfaction of donor restrictions - long- lived assets placed in service	467,131	(467,131)	-	-	-	-
Appropriation from donor endowment	62,445	(62,445)	-	-	-	-
Total net assets released from restrictions	529,576	(529,576)	-	-	-	-
Total revenue and support	2,436,146	(308,413)	2,127,733	876,648	1,486,931	2,363,579
Expenses						
Program services	406,019	-	406,019	16,110	-	16,110
Supporting services						
Management and general	233,456	-	233,456	58,825	-	58,825
Fundraising	19,517	-	19,517	38,412	-	38,412
Total expenses	658,992	-	658,992	113,347	-	113,347
Other income						
Interest and dividend income	667	-	667	7,095	-	7,095
Other income	9	-	9	-	-	-
Total other income	676	-	676	7,095	-	7,095
CHANGE IN NET ASSETS	1,777,830	(308,413)	1,469,417	770,396	1,486,931	2,257,327
NET ASSETS AT BEGINNING OF YEAR	1,188,348	1,667,131	2,855,479	417,952	180,200	598,152
NET ASSETS AT END OF YEAR	<u>\$ 2,966,178</u>	<u>\$ 1,358,718</u>	<u>\$ 4,324,896</u>	<u>\$ 1,188,348</u>	<u>\$ 1,667,131</u>	<u>\$ 2,855,479</u>


See accompanying notes to financial statements and independent auditors' report.

HEAVEN SOUTH, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



	2020				2019			
	Program Services	Supporting Services Management and General	Fund- raising	Totals	Program Services	Supporting Services Management and General	Fund- raising	Totals
Compensation and related expenses:								
Wages	\$ 81,820	\$ 51,323	\$ 6,000	\$ 139,143	\$ 11,986	\$ 23,438	\$ 23,438	\$ 58,862
Payroll taxes	6,260	4,211	459	10,930	926	1,813	1,813	4,552
Employee benefits	-	8,931	-	8,931	-	-	-	-
Total compensation and related expenses	88,080	64,465	6,459	159,004	12,912	25,251	25,251	63,414
Professional fees	-	39,040	-	39,040	-	19,600	-	19,600
Depreciation and amortization	-	40,669	-	40,669	-	327	-	327
Contract labor	-	59,887	-	59,887	-	4,000	5,400	9,400
Bank charges	-	-	7,060	7,060	-	-	6,134	6,134
Travel, meals and entertainment	-	1,240	-	1,240	-	790	-	790
Food distributed to clients	221,048	-	-	221,048	-	-	-	-
Postage	-	1,905	-	1,905	-	252	-	252
Consulting	-	-	-	-	-	-	1,500	1,500
Supplies	18,268	-	-	18,268	361	-	-	361
Repairs and maintenance	-	6,418	-	6,418	-	-	-	-
Insurance	-	13,889	-	13,889	-	915	-	915
Website maintenance	-	1,480	-	1,480	-	240	-	240
Dues and subscriptions	3,589	4,380	-	7,969	-	3,840	-	3,840
Marketing	-	-	5,635	5,635	-	2,120	127	2,247
Equipment expense	5,676	-	-	5,676	54	-	-	54
Other expense	-	83	-	83	-	1,490	-	1,490
In-kind expenses	53,585	-	-	53,585	-	-	-	-
Printing and copying	-	-	363	363	-	-	-	-
Utilities	15,773	-	-	15,773	2,783	-	-	2,783
Total functional expenses	<u>\$ 406,019</u>	<u>\$ 233,456</u>	<u>\$ 19,517</u>	<u>\$ 658,992</u>	<u>\$ 16,110</u>	<u>\$ 58,825</u>	<u>\$ 38,412</u>	<u>\$ 113,347</u>

See accompanying notes to financial statements and independent auditors' report.

HEAVEN SOUTH, INC.  **DRAFT**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,469,417	\$ 2,257,327
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	40,669	327
Noncash contribution of equipment	(5,000)	-
Unrealized gain on investments	(167,720)	-
Investment income, net	(9,532)	-
(Increase) decrease in operating assets:		
Accounts receivable, net	(59,815)	(5,924)
Inventories	(50,306)	-
Prepaid expenses	(2,500)	-
Deposits	19,505	(19,745)
Increase (decrease) in operating liabilities:		
Accounts payable	25,236	493
Accrued expenses	55	91
Deferred revenue	(120,500)	120,500
Net cash provided by operating activities	1,139,509	2,353,069
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(499,531)	-
Purchase of property and equipment	(155,719)	(1,535,986)
Net cash used in investing activities	(655,250)	(1,535,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in perpetual endowment	(50,000)	(1,200,053)
Investment income, net, on investments in perpetual endowment	(32,410)	-
Net cash used for financing activities	(82,410)	(1,200,053)
Net increase (decrease) in cash and equivalents, cash included in investments and cash restricted for donor endowment	401,849	(382,970)
Beginning cash and equivalents, cash included in investments and cash restricted for donor endowment	212,977	595,947
Ending cash and equivalents, cash included in investments and cash restricted for donor endowment	\$ 614,826	\$ 212,977

See accompanying notes to financial statements and independent auditors' report.

HEAVEN SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



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NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Heaven South, Inc. (the “Organization”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is located in Nashville, Tennessee operating under the name The Store. Working with other local agencies, the mission of The Store community is to empower and dignify individuals and families who are seeking self-sufficiency by providing choices for healthy food. The Store operates as a year-round free grocery store allowing people to shop for their basic needs at no charge to those individuals referred to The Store or to the people and agencies that refer them. They may shop for food to supplement their income during times of crisis and as they work toward self-sufficiency.

Basis of Accounting

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

Basis of Presentation

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

Net Assets Without Donor Restrictions

Net assets without donor restrictions 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 with donor restrictions consist of 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.

Amounts restricted by donors for a specific purpose are deemed to be earned and reported as revenue with 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 “net assets released from donor restrictions.” Net assets with donor restrictions whose restrictions are met in the period the contributions are received are reported as net assets without donor restrictions.

Use of Estimates

The preparation of the 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 amount of revenue and other support and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

HEAVEN SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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



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Cash and Equivalents

Cash and equivalents include cash and short-term investments with an initial maturity date of three months or less. Cash and equivalents as of December 31, 2020 and 2019 that were permanently restricted by donors for endowment purposes totaled \$60,498 and \$500,024, respectively. Since these funds are not available for current operations, they are included in the non-current asset, assets restricted for endowment, in the statement of financial position.

Inventories

Food inventories include donated and purchased food. Donated food received from food companies, grocery stores and food drives are valued at the estimated fair value of the items donated at the date of the gift. Purchased inventory is reported at average cost which approximates the lower of cost or net realizable value. The donated and purchased items are recognized as program service expenses when distributed.

Investments

Investments consist of equity funds including mutual funds. Investments in marketable securities with readily determinable fair values and all investments in equity securities are reported at their fair values as of the last business day of the reporting period in the statements of financial position.

The Organization classifies its investments at fair value based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority and are based on significant unobservable inputs.

The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

Interest and dividends, as well as unrealized gains and losses are recognized currently and are included in the change in net assets without donor restrictions in the statements of activities.

Other Receivables

Other receivables consist of donations made through the Organization's online platform that have not been processed by and received from the merchant vendor and amounts earned but not yet received from a granting agency under a reimbursable grant. The merchant vendor typically releases the donations to the Organization within one week of the donation date. The other receivables are stated at the amount management expects to collect from balances outstanding at year-end. The Organization has estimated the allowance for doubtful accounts as of both December 31, 2020 and 2019 to be \$-0-.

Property and Equipment, Net

The Organization capitalizes all property and equipment expenditures with a cost of \$500 or more and having an estimated useful life of more than one year. Property and equipment are recorded at cost or, for donated items, at fair value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred. 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.

HEAVEN SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Property and Equipment, Net (continued)

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, based on the Organization's depreciation policy, as follows:

Building and improvements	39 years
Equipment	5 – 7 years
Computers and Software	5 years
Vehicles	5 years
Website	3 years

Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in 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. When restrictions are considered met, an appropriate amount is reclassified to net assets without donor restrictions. The expiration of donor restrictions is recognized when the donated or acquired long-lived assets are placed in service.

For the years ended December 31, 2020 and 2019, the Organization received the contribution of in-kind equipment donations for use in operating The Store with an estimated fair value of \$5,000 and \$80,000, respectively.

Revenue and Support

ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made requires three classifications of contributions received: conditional, unconditional with donor restrictions, or unconditional without donor restrictions.

Conditional contributions, including conditional promises to give, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional contributions, including unconditional promises to give, are recognized as revenue in the period 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 a 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.

Grants awarded by various agencies are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the statements of financial position.

A summary of these classifications as they relate to grants received as of December 31, 2020 and 2019 is as follows:

	2020	2019
Conditional	\$ -	\$ 120,500
Unconditional with donor restrictions	\$ -	\$ 800,000
Unconditional without donor restrictions	\$ 785,603	\$ 82,728

HEAVEN SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



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

Revenue and Support (continued)

The conditional contributions reflected in the deferred revenue on the statements of financial position as of December 31, 2020 and 2019 totaled \$-0- and \$120,500, respectively.

Restricted contributions whose restrictions are met or accrued in the period the contributions are received are reported as contributions without donor restrictions. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of assets and specialized services are recorded at their estimated fair value. Donated services are recognized if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Organization. Contributions of professional accounting and bookkeeping services used in conjunction with general operations of the Organization and recognized as income and expense for the years ended December 31, 2020 and 2019 totaled \$30,000 and \$18,000, respectively.

The Organization holds fundraising events where tickets to an event are sold at a predetermined price and attendees receive certain benefits at the event including items such as meals, drinks and entertainment. Attendees make payment for the ticket either before or at the time of the event. A portion of the ticket sales will generally be considered a contribution while the portion that is considered payment for tangible benefits received by the attendee are considered an exchange transaction (a contract with a customer) under *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")*. The Organization meets its performance obligations, and therefore recognizes revenue, related to these benefits at the point in time when the event occurs. The contracts with customers related to the fundraising events do not have a significant financing component, and there were no uncompleted contracts with customers as of both December 31, 2020 and 2019 that would result in a contract asset or liability. The Organization does not have any other revenue streams that are considered exchange transactions under *ASU 2014-09*.

The Organization did not hold any events in 2020 due to the ongoing COVID-19 pandemic. For the year ended December 31, 2019, the Organization held one event, Bourbon and Blue Jeans, and the total revenue from the event was \$65,511. Of this amount, \$10,555 was recognized as an exchange transaction for the purchase of a meal, drinks and entertainment, and \$54,956 was received as contributions or sponsorships. There was no contract asset, liability or receivable created as a result of this event.

Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in statements of activities. Accordingly, certain costs have been allocated among the program services, management and general and fundraising functional categories. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management. Some expenses are allocated based on time and effort of the people working in the program.

HEAVEN SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



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

Functional Expenses (continued)

Program expenses were mainly related to the operation of The Store as a free grocery store to its referred clients in need of food security. Management and general expenses relate to the overall direction of the Organization and are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Organization including management, recordkeeping, budgeting, finance and other administrative activities. Fundraising included costs of activities directed toward appeals for financial support, including special events.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) whereby only unrelated business income, as defined in Section 512(a)(1) of the Code, is subject to federal income tax. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017, and to state tax authorities for years before 2015.

The Organization has evaluated its tax positions for all open tax years. Based on this evaluation, management believes all tax positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain positions has been recorded for the years ended December 31, 2020 and 2019.

Advertising Costs

The Organization expenses the cost of non-direct responsive advertising as incurred. For the years ended December 31, 2020 and 2019, advertising costs totaled \$5,635 and \$2,247, respectively.

NOTE B – NEW AUTHORITATIVE ACCOUNTING GUIDANCE

ASU 2020-03

As a result of updates to the Accounting Standards Codification, during the year ended December 31, 2020, the Organization adopted *FASB ASU No. 2020-03, Codification Improvements to Financial Instruments*, which relates to the accounting disclosure requirements for financial instruments.

ASU 2020-03: Issue One clarifies guidance in *ASC Subtopic 825-10, Financial Instruments – Disclosure– Fair Value Option* related to the disclosure requirements for financial instruments valued using the fair value option. The Organization did apply this new standard prospectively but did not have any of these specific transactions thus there was no material impact on the Organization's results of operations, financial condition, or cash flows upon adoption of the new standard.

ASU 2020-03: Issue Four clarifies the guidance provided in *ASC Subtopic 470-50, Debt – Derecognition – General* related to the accounting for lender fees and third-party costs directly related to exchanges or modifications of debt instruments, line-of-credit and revolving-debt arrangements. The Organization applied this new standard retrospectively. The Organization does not have any long-term debt thus there was no cumulative effect of applying this change to all prior periods presented, and there was no material impact on the Organization's results of operations, financial condition, or cash flows upon adoption of the new standard.

HEAVEN SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



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NOTE B – NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2018-13

Due to updates to the Accounting Standards Codification, *FASB ASU 2018-13 Fair Value Measurements (Topic 820), Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement* was adopted by the Organization. This *ASU* amends the disclosures related to fair value measurements to facilitate clear communication of information that is important to the users of the financial statements. The Organization adopted *ASU 2018-13* retrospectively. There was no material impact on the Organization’s changes in net assets, financial position or cash flows upon adoption of this new standard.

NOTE C – OTHER RECEIVABLES

Other receivables consist of the following as of December 31, 2020 and 2019:

	2020	2019
Contributions held by third party merchant vendor	\$ 58,609	\$ 5,924
Reimbursements due from granting agency	7,130	-
Total other receivables	\$ 65,739	\$ 5,924

NOTE D – INVESTMENTS

Investments are stated at fair value and are summarized as follows as of December 31, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Equity securities - Investments	\$ 922,293	\$ 951,260	\$ -	\$ -
Equity securities - Assets restricted for donor endowment	1,219,965	1,358,718	1,200,000	1,200,000
Total investments	\$ 2,142,258	\$ 2,309,978	\$ 1,200,000	\$ 1,200,000

Investment income from interest and dividends net of expenses for the years ended December 31, 2020 and 2019 totaled \$41,942 and \$-0-, respectively. Unrealized gains totaled \$167,720 and \$-0- as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the change in unrealized gain on investments totaled \$167,720 and \$-0-, respectively.

The equity securities are shown in the statements of financial position as investments and the endowment is shown as the non-current asset, assets restricted for donor endowment.

All investments are measured under Level 1 of the fair value hierarchy as of December 31, 2020 and 2019.

HEAVEN SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE E – ASSETS RESTRICTED FOR DONOR ENDOWMENT



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As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. During the years ended December 31, 2020 and 2019, the Organization received donor gifts restricted for endowment purposes totaling \$50,000 and \$1,200,000, respectively. The assets restricted for donor endowment as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Cash	\$ 60,498	\$ 500,000
Equity securities - mutual funds	1,298,220	700,000
Total assets held for donor endowment	\$ 1,358,718	\$ 1,200,000

All of the endowment net assets are considered donor restricted. The changes in endowment net assets are as follows for the years ended December 31, 2020 and 2019.

	2020	2019
Balance, beginning of year	\$ 1,200,000	\$ -
Contributions	50,000	1,200,000
Investment income , net	32,410	-
Unrealized gains (loss) related to investments still held at the reporting date	138,753	-
Amounts appropriated for expenditure	(62,445)	-
Balance, end of year	\$ 1,358,718	\$ 1,200,000

Return objectives and risk parameters of the endowment

The Organization adopted an investment policy to establish objectives and guidelines that assist the Board of Directors and the Finance Committee in supervising, monitoring, and evaluating The Store Investment Fund (the "Fund"). The primary long-term objective of the Fund is to increase the real value of the portfolio, maintain purchasing power and exceed The Organization's funding requirements plus long-term inflation (as indicated by the Consumer Price Index) plus management and administrative costs. The short to medium term objective is to increase the real value of the Fund while allowing for the appropriate distributions consistent with the spending policies of the Organization. The Organization has set a targeted annual percentage draw from endowment funds that is intended to allow them to grow in value, while also supporting the general purposes and objectives of the Organization.

Strategies employed for achieving objectives

The Board of Directors prefers a moderate total return approach to investment and portfolio management to mitigate cyclicity and to provide investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization has set a targeted asset mix to meet the long-term objectives that includes cash, fixed income and equity securities.

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NOTE E – ASSETS RESTRICTED FOR DONOR ENDOWMENT (CONTINUED)

Spending practice and how the investment objectives relate to spending practice

The Organization’s endowment policy sets a draw from endowment funds appropriate for distribution in subsequent fiscal years as needed by the Organization to meet its needs in order to prudently preserve capital in a difficult economic environment. The Organization has set a targeted annual distribution from the fund of 5% of the portfolio value as of December 31 of the prior year. The distributions that were made during the years ended December 31, 2020 and 2019 totaled \$62,445 and \$-0-, respectively.

Interpretation of relevant law in relation to the agency endowment

The Organization has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original donations. As a result of this interpretation, the Organization classifies as net assets with donor restrictions at (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) The investment policies of the Organization

The contribution and distribution activity in the endowment during the years ended December 31, 2020 and 2019 and the balance as of December 31, 2020 and 2019 are as follows:

Balance as of December 31, 2018	\$	-
Contributions		1,200,000
Balance as of December 31, 2019		1,200,000
Contributions		50,000
Balance as of December 31, 2020	\$	1,250,000

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NOTE F – PROPERTY AND EQUIPMENT, NET

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

	2020	2019
Computers and software	\$ 16,275	\$ 1,275
Website	1,000	1,000
Building and improvements	1,644,251	-
Vehicles	21,308	-
Equipment	16,571	-
Construction in progress	-	1,536,411
Totals	1,699,405	1,538,686
Less: Accumulated depreciation and amortization	(40,996)	(327)
Total property and equipment, net	\$ 1,658,409	\$ 1,538,359

For the years ended December 31, 2020 and 2019, depreciation and amortization expenses totaled \$40,669 and \$327, respectively.

NOTE G – ACCRUED EXPENSES

Accrued expenses are composed of \$146 and \$91 in payroll tax withholdings as of December 31, 2020 and 2019.

NOTE H – OPERATING LEASE

The Organization leases land from Belmont University, which is where The Store is located. The lease, which expires February 2044, requires annual payments of \$1.

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets that were permanently restricted by donors for endowment purposes totaled \$1,358,718 and \$1,200,000 as of December 31, 2020 and 2019, respectively.

Net assets that were restricted by donors for the construction of the facilities to be used as the grocery store totaled \$0- and \$467,131 as of December 31, 2020 and 2019. These amounts were all expended as of December 31, 2019 but were not released from restrictions until 2020 when the building was placed in service.

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is supported in part by restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, some financial assets may not be available for general expenditure within one year.

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NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

The following reflects the Organization’s financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position:

	2020	2019
Financial assets as of year-end:		
Cash and equivalents	\$ 264,094	\$ 212,977
Other receivables	65,739	5,924
Investments	951,260	-
Assets restricted for donor endowment	1,358,718	1,200,053
Deposits	240	19,745
Total financial assets as of year-end	2,640,051	1,438,699
Less those unavailable for general expenditures within one year due to:		
Contractual or Donor-imposed restrictions:		
Net assets with donor imposed restrictions	(1,358,718)	(1,667,131)
Less: Net assets for long-lived assets purchased but not placed in service	-	467,131
Net assets with donor imposed restrictions	(1,358,718)	(1,200,000)
Total financial assets available for general expenditures within one year	\$ 1,281,333	\$ 238,699

NOTE K - CONCENTRATION OF RISK

At times throughout the year, the Organization may maintain cash balances in certain accounts in excess of the Federal Deposit Insurance Corporation (“FDIC”) limit of \$250,000 for substantially all depository accounts. As of December 31, 2020 and 2019, the Organization had \$177,946 and \$250,024, respectively, in savings deposits that were in excess of the FDIC limit.

There is a concentration in the donor base of the Organization, as approximately 20% and 72% of total revenue and support received in the years ended December 31, 2020 and 2019, respectively, was from the top five donors. An additional 16% and 0%, respectively, was received from two grants during the years ended December 31, 2020 and 2019.

There is a concentration in the supply source for the Organization’s programs as one supplier provided 49% of the food purchased for distribution in the year ended December 31, 2020. An alternate source could be available, but the Organization might not receive the favorable pricing they are receiving from the current vendor.

NOTE L – CASH FLOW INFORMATION

During the years ended December 31, 2020 and 2019, there were no cash payments of interest or income taxes.

During the years ended December 31, 2020 and 2019, non-cash investing activities excluded from the statements of cash flows include in-kind donations of property and equipment totaling \$5,000 and \$-0-, respectively.

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NOTE L – CASH FLOW INFORMATION (CONTINUED)

Reconciliations of cash and equivalents and restricted cash reported within the statements of financial position to the total of the same amounts shown in the statements of cash flows are as follows as of December 31, 2020 and 2019:

	2020	2019
Cash and equivalents	\$ 264,094	\$ 212,977
Cash included in investments	350,732	-
Total cash and equivalents, cash included in investments and cash restricted for donor endowment	\$ 614,826	\$ 212,977

NOTE M - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 15, 2021, which is the date the financial statements were available to be issued.

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position, results of its operations and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

There have been no adjustments to the financial statements to include any subsequent transactions or events.