

# **Brightstone, Inc.**

Financial Statements  
For the Years Ended December 31, 2020 and 2019

**Brightstone, Inc.**  
Financial Statements  
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## Independent Auditor's Report

Board of Directors  
Brightstone, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Brightstone, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 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 Brightstone, Inc. as of December 31, 2020 and 2019, and the results of its operations 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".

Blankenship CPA Group, PLLC  
Brentwood, Tennessee  
April 8, 2021

**Brightstone, Inc.**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash	\$ 1,417,526	\$ 889,068
Investments	359,367	-
Contributions receivable	856,355	932,379
Accounts receivable	1,626	1,684
Prepaid expenses	4,100	5,200
Cash restricted or designated for long-term use	2,030,435	1,584,033
Property and equipment, net	1,949,165	1,926,248
Property held for development	<u>3,667,135</u>	<u>3,128,435</u>
Total assets	<b>\$ 10,285,709</b>	<b>\$ 8,467,047</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 168,494	\$ 55,467
Payroll liabilities	-	7,880
Deferred revenues	32,156	12,386
PPP loan	<u>155,616</u>	<u>-</u>
Total liabilities	356,266	75,733
Net assets		
Without donor restrictions	6,970,254	6,060,860
With donor restrictions	<u>2,959,189</u>	<u>2,330,454</u>
Total net assets	<u>9,929,443</u>	<u>8,391,314</u>
Total liabilities and net assets	<b>\$ 10,285,709</b>	<b>\$ 8,467,047</b>

**Brightstone, Inc.**  
Statement of Activities  
For the Year Ended December 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
Contributions	\$ 835,708	\$ 1,532,976	\$ 2,368,684
Special events (net of direct benefits to donors of \$14,711)	249,357	-	249,357
Tuition	123,878	-	123,878
Fees	6,145	-	6,145
Product sales (net of direct costs of \$9,425)	19,103	-	19,103
Other income	91,860	-	91,860
Interest income	5,199	-	5,199
Net assets released from restrictions	<u>904,241</u>	<u>(904,241)</u>	<u>-</u>
Total support and revenues	2,235,491	628,735	2,864,226
<b>Expenses</b>			
Program services	937,344	-	937,344
Management and general	122,606	-	122,606
Fundraising	<u>266,147</u>	<u>-</u>	<u>266,147</u>
Total expenses	1,326,097	-	1,326,097
Change in net assets	909,394	628,735	1,538,129
Net assets, beginning of year	<u>6,060,860</u>	<u>2,330,454</u>	<u>8,391,314</u>
Net assets, end of year	<b>\$ 6,970,254</b>	<b>\$ 2,959,189</b>	<b>\$ 9,929,443</b>

**Brightstone, Inc.**  
Statement of Activities  
For the Year Ended December 31, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
Contributions	\$ 628,915	\$ 2,252,241	\$ 2,881,156
Special events (net of direct benefits to donors of \$61,115)	427,324	-	427,324
Tuition	315,924	-	315,924
Fees	33,222	-	33,222
Product sales (net of direct costs of \$23,768)	14,208	-	14,208
Other income	37,208	-	37,208
Interest income	3,364	-	3,364
Net assets released from restrictions	<u>961,238</u>	<u>(961,238)</u>	<u>-</u>
Total support and revenues	2,421,403	1,291,003	3,712,406
<b>Expenses</b>			
Program services	870,669	-	870,669
Management and general	150,525	-	150,525
Fundraising	<u>366,147</u>	<u>-</u>	<u>366,147</u>
Total expenses	1,387,341	-	1,387,341
Change in net assets	1,034,062	1,291,003	2,325,065
Net assets, beginning of year	<u>5,026,798</u>	<u>1,039,451</u>	<u>6,066,249</u>
Net assets, end of year	<b>\$ 6,060,860</b>	<b>\$ 2,330,454</b>	<b>\$ 8,391,314</b>

**Brightstone, Inc.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	<u>Program Services</u>				
	<u>Educational Services</u>	<u>Campus Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related costs					
Compensation	\$ 468,303	\$ 78,125	\$ 75,727	\$ 159,854	\$ 782,009
Payroll taxes and other benefits	76,448	12,251	17,881	21,685	128,265
	<u>544,751</u>	<u>90,376</u>	<u>93,608</u>	<u>181,539</u>	<u>910,274</u>
Capital campaign and development					
Community relations and development	-	-	-	6,140	6,140
Depreciation	-	-	-	44,590	44,590
Facilities	58,621	40,879	3,742	4,015	107,257
Lunches	37,306	111,029	2,332	2,755	153,422
Office	6,117	-	-	-	6,117
Professional services	5,056	-	10,315	3,944	19,315
Scholarships	-	-	7,853	-	7,853
Student activities	6,889	-	-	-	6,889
Teaching supplies and materials	1,205	-	-	-	1,205
Training	22,472	-	-	-	22,472
Transportation	351	-	27	11	389
Banking fees	12,292	-	-	-	12,292
	<u>-</u>	<u>-</u>	<u>4,729</u>	<u>14,965</u>	<u>19,694</u>
Total expenses before special events direct costs	695,060	242,284	122,606	257,959	1,317,909
Special events direct costs					
Donated items for special events	-	-	-	21,369	21,369
Less direct benefits to donors	-	-	-	1,530	1,530
Total special events direct costs	-	-	-	(14,711)	(14,711)
Total expenses	<u>\$ 695,060</u>	<u>\$ 242,284</u>	<u>\$ 122,606</u>	<u>\$ 266,147</u>	<u>\$ 1,326,097</u>

See notes to financial statements

**Brightstone, Inc.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2019

	<u>Program Services</u>				
	<u>Educational Services</u>	<u>Campus Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</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>
Capital campaign and development					
Community relations and development	-	-	-	3,112	3,112
Depreciation	-	-	-	100,121	100,121
Facilities	50,454	17,489	3,911	4,183	76,037
Lunches	42,339	109,305	2,570	3,246	157,460
Office	13,606	-	-	-	13,606
Professional services	8,325	26	10,186	8,850	27,387
Scholarships	-	-	28,203	7,970	36,173
Student activities	19,263	-	-	-	19,263
Teaching supplies and materials	4,360	-	-	-	4,360
Training	11,181	-	-	-	11,181
Transportation	945	-	229	150	1,324
Banking fees	15,437	-	-	283	15,720
	<u>-</u>	<u>-</u>	<u>5,306</u>	<u>12,240</u>	<u>17,546</u>
Total expenses before special events direct costs	680,800	189,869	150,525	358,263	1,379,457
Special events direct costs					
Donated items for special events	-	-	-	57,755	57,755
Less direct benefits to donors	-	-	-	11,244	11,244
Total special events direct costs	-	-	-	(61,115)	(61,115)
Total functional expenses	<u>\$ 680,800</u>	<u>\$ 189,869</u>	<u>\$ 150,525</u>	<u>\$ 366,147</u>	<u>\$ 1,387,341</u>
				<u>7,884</u>	<u>7,884</u>

See notes to financial statements



**Brightstone, Inc.**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
Cash, beginning of year	\$ 2,473,101	\$ 1,188,257
<b>Cash flows from operating activities</b>		
Change in net assets	1,538,129	2,325,065
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	107,257	76,037
Donated property and equipment	(18,184)	(85,800)
Donated services for property held for development	-	(35,869)
Cash received for long-term assets	(1,378,346)	(1,694,891)
Donation of investments	(359,367)	-
Change in:		
Contributions receivable	76,024	(324,463)
Accounts receivable	58	1,177
Prepaid expenses	1,100	(272)
Payroll liabilities	(7,880)	6,293
Accounts payable	113,027	45,501
Deferred revenues	19,770	(43,207)
Net cash provided (used) by operating activities	<u>91,588</u>	<u>269,571</u>
<b>Cash flows from investing activities</b>		
Payments for property held for development	(538,700)	(94,865)
Payments for property and equipment	(111,990)	(584,753)
Net cash provided (used) by investing activities	<u>(650,690)</u>	<u>(679,618)</u>
<b>Cash flows from financing activities</b>		
Cash received for long-term assets	1,378,346	1,694,891
Cash received from PPP loan	155,616	-
Net cash provided (used) by financing activities	<u>1,533,962</u>	<u>1,694,891</u>
Net change in cash	<u>974,860</u>	<u>1,284,844</u>
Cash, end of year	<b>\$ 3,447,961</b>	<b>\$ 2,473,101</b>
<b>Reconciliation of cash to statements of financial position</b>		
Cash	\$ 1,417,526	\$ 889,068
Cash restricted or designated for long-term use	<u>2,030,435</u>	<u>1,584,033</u>
	<b>\$ 3,447,961</b>	<b>\$ 2,473,101</b>

**Brightstone, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2020 and 2019

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**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 life-long education that enables individuals to learn and work with 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 accounting principles generally accepted in the United States of America (US GAAP), which principles 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**

The Organization's policy is 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 3 to 39 years and is computed on the straight-line method.

**Brightstone, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2020 and 2019

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**Note 2. Summary of Significant Accounting Policies**

**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 consist of equity securities and are stated in the aggregate at fair market value and are considered Level 1 securities.

**PPP Loan**

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

**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 are 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.

Revenues from product sales are 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.

**Brightstone, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2020 and 2019

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**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 services and supporting services 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:

	<b>Method of allocation</b>
Compensation	Time and effort
Payroll taxes and other benefits	Time and effort
Facilities	Square footage
Interest	Time and effort
Depreciation	Square footage
Office	Time and effort
Training	Time and effort

**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>2020</b>	<b>2019</b>
Financial assets		
Cash	\$ 3,447,961	\$ 2,473,101
Investments	359,367	-
Contributions receivable	856,355	932,379
Accounts receivable	<u>1,626</u>	<u>1,684</u>
Total financial assets at year-end	4,665,309	3,407,164
Less amounts not available to be used within one year		
Cash restricted for long-term purposes	(2,030,435)	(1,584,033)
Contributions receivable restricted for long-term purposes	<u>(748,383)</u>	<u>(932,379)</u>
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 1,886,491</b>	<b>\$ 890,752</b>

**Brightstone, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2020 and 2019

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**Note 3. Availability and Liquidity**

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

<b>Year ended December 31,</b>		
2021	\$	731,455
2022		74,900
2023		<u>50,000</u>
Total	\$	<b>856,355</b>

**Note 5. Property Held for Development**

During 2015, the Organization purchased approximately 140 acres for the development of a post-secondary educational and residential facility. Currently, the project is in the stage of infrastructure development (see note 11 for construction commitments). The results of future fundraising efforts will determine the timing of the next stage of this project.

**Note 6. Property and Equipment**

Property and equipment consist of the following:

	<b>2020</b>	<b>2019</b>
Land and improvements	\$ 392,840	\$ 392,840
Building and improvements	1,858,120	1,764,525
Transportation vehicles	250,374	246,874
Office equipment	24,709	32,300
Facility equipment	70,047	62,638
Classroom equipment	72,151	47,527
Furniture	25,472	25,472
Less: accumulated depreciation	<u>(744,548)</u>	<u>(645,928)</u>
Property and equipment, net	<b>\$ 1,949,165</b>	<b>\$ 1,926,248</b>

Depreciation expense was \$107,257 and \$76,037 for 2020 and 2019, respectively.

**Brightstone, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2020 and 2019

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**Note 7. PPP Loan**

On April 12, 2020, the Organization received a loan in the amount of \$155,616 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of December 31, 2020, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended all the funds on potential qualifying costs as defined by the legislation. The unsecured note bears interest at the rate of 1.00% and matures on April 12, 2022. The Organization has filed the application for loan forgiveness and expects the loan to be fully forgiven. If the loan is fully forgiven, the Organization will not be responsible for any payments.

**Note 8. Net Assets**

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

	<b>2020</b>	<b>2019</b>
Undesignated net assets without donor restrictions	\$ 6,754,432	\$ 5,845,588
Designated for construction of a future home at new campus	<u>215,822</u>	<u>215,272</u>
	<b>\$ 6,970,254</b>	<b>\$ 6,060,860</b>

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

	<b>2020</b>	<b>2019</b>
Capital campaign	\$ 2,922,363	\$ 2,301,140
Programming and improvement grants	17,080	23,401
Scholarship fund	13,833	-
Music fund	<u>5,913</u>	<u>5,913</u>
	<b>\$ 2,959,189</b>	<b>\$ 2,330,454</b>

**Brightstone, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2020 and 2019

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**Note 9. In-kind Contributions**

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

	<b>2020</b>	<b>2019</b>
Restricted contributions/assets		
Road construction materials	\$ -	\$ 75,300
Development costs	17,234	35,869
Equipment	-	8,500
Unrestricted contributions/expenses		
Supplies and services	7,843	28,870
Special events/expenses		
Prizes, fees, and materials	1,530	11,244
Unrestricted contributions/assets		
Transportation equipment	3,500	-
Equipment and furnishings	-	2,000
	<u>\$ 30,107</u>	<u>\$ 161,783</u>

**Note 10. Concentrations**

Of the Organization's total revenues, approximately 36% and 27% represent funds received from a donor (unique in each year) in 2020 and 2019, respectively.

**Note 11. Commitments**

The Organization has entered into construction contacts with two entities for a total of \$5,160,289 for work to begin in early 2021. The Organization is currently in negotiations with banks to secure additional financing for the project.

**Note 12. 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 2020 and 2019.

**Note 13. Subsequent Events**

The Organization has evaluated subsequent events through April 8, 2021 the date on which the financial statements were available to be issued.