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Heaven South, Inc.

(A Nonprofit Corporation)

Financial Statements

With Independent Auditors' Report Thereon

For the Years Ended December 31, 2021 and 2020

H A Beasley & Company, PLLC

Certified Public Accountants

Murfreesboro, Tennessee

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Heaven South, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Heaven South, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heaven South, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Heaven South, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Heaven South, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heaven South, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

H A Beasley & Company, PLLC
June 15, 2022

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HEAVEN SOUTH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	ASSETS	2021	2020
CURRENT ASSETS		<u>2021</u>	<u>2020</u>
Cash and equivalents		\$ 329,130	\$ 264,094
Other receivables		104,229	65,739
Inventories		24,857	50,306
Prepaid expenses		-	2,500
Investments		1,596,733	951,260
Deposits		-	240
Total current assets		<u>2,054,949</u>	<u>1,334,139</u>
PROPERTY AND EQUIPMENT, NET		1,626,698	1,658,409
OTHER ASSETS			
Assets restricted for donor endowment		<u>1,587,119</u>	<u>1,358,718</u>
Total other assets		<u>1,587,119</u>	<u>1,358,718</u>
TOTAL ASSETS		<u>\$ 5,268,766</u>	<u>\$ 4,351,266</u>
	LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES			
Accounts payable		\$ 7,031	\$ 26,224
Accrued expenses		<u>199</u>	<u>146</u>
Total current liabilities		<u>7,230</u>	<u>26,370</u>
TOTAL LIABILITIES		7,230	26,370
NET ASSETS			
Without donor restrictions		3,674,417	2,966,178
With donor restrictions		<u>1,587,119</u>	<u>1,358,718</u>
TOTAL NET ASSETS		<u>5,261,536</u>	<u>4,324,896</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 5,268,766</u>	<u>\$ 4,351,266</u>

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

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HEAVEN SOUTH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue, Gains and Other Support						
Individual donations	\$ 580,589	\$ 50,000	\$ 630,589	\$ 918,255	\$ 50,000	\$ 968,255
Other gifts and grants	702,249	-	702,249	785,603	-	785,603
Investment income, net	81,839	81,803	163,642	9,532	32,410	41,942
Realized and unrealized gain on investments	64,425	96,598	161,023	28,967	138,753	167,720
In-kind contributions	48,930	-	48,930	164,213	-	164,213
Total	1,478,032	228,401	1,706,433	1,906,570	221,163	2,127,733
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	1,478,032	228,401	1,706,433	2,436,146	(308,413)	2,127,733
Expenses						
Program services	492,427	-	492,427	406,019	-	406,019
Supporting services	251,092	-	251,092	233,456	-	233,456
Management and general	26,412	-	26,412	19,517	-	19,517
Fundraising	769,931	-	769,931	658,992	-	658,992
Total expenses	1,539,862	-	1,539,862	1,318,024	-	1,318,024
Other income						
Interest and dividend income	138	-	138	667	-	667
Other income	-	-	-	9	-	9
Total other income	138	-	138	676	-	676
CHANGE IN NET ASSETS	708,239	228,401	936,640	1,777,830	(308,413)	1,469,417
NET ASSETS AT BEGINNING OF YEAR	2,966,178	1,358,718	4,324,896	1,188,348	1,667,131	2,855,479
NET ASSETS AT END OF YEAR	\$ 3,674,417	\$ 1,587,119	\$ 5,261,536	\$ 2,966,178	\$ 1,358,718	\$ 4,324,896

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

HEAVEN SOUTH, INC.

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STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Program Services	Supporting Services		Program Services	Supporting Services	
		Management and General	Fund-raising		Management and General	Fund-raising
Compensation and related expenses:						
Wages	\$ 141,457	\$ 90,793	\$ 15,088	\$ 81,820	\$ 51,323	\$ 139,143
Payroll taxes	10,820	6,946	1,154	6,260	4,211	10,930
Employee benefits	-	26,646	-	-	8,931	8,931
Total compensation and related expenses	152,277	124,385	16,242	88,080	64,465	159,004
Professional fees	-	38,050	-	-	39,040	39,040
Depreciation and amortization	-	52,836	-	-	40,669	40,669
Contract labor	9,755	-	-	-	59,887	59,887
Bank charges	-	-	5,997	-	-	7,060
Travel, meals and entertainment	-	1,162	-	-	1,240	1,240
Food distributed to clients	237,783	-	-	221,048	-	221,048
Postage	-	2,338	-	-	1,905	1,905
Consulting	-	-	750	-	-	-
Supplies	18,491	345	-	18,268	-	18,268
Repairs and maintenance	-	7,606	-	-	6,418	6,418
Insurance	-	18,626	-	-	13,889	13,889
Website maintenance	-	360	-	-	1,480	1,480
Dues and subscriptions	8,684	5,339	-	3,589	4,380	7,969
Marketing	-	-	3,196	-	-	5,635
Equipment expense	-	-	-	5,676	-	5,676
Other expense	-	45	-	-	83	83
In-kind expenses	48,528	-	-	53,585	-	53,585
Printing and copying	-	-	227	-	-	363
Utilities	16,909	-	-	15,773	-	15,773
Total functional expenses	\$ 492,427	\$ 251,092	\$ 26,412	\$ 406,019	\$ 233,456	\$ 658,992

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HEAVEN SOUTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 936,640	\$ 1,469,417
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	52,836	40,669
Noncash contribution of equipment	-	(5,000)
Contributions restricted for endowment	(50,000)	(50,000)
Realized and unrealized gain on investments	(64,424)	(28,967)
Realized and unrealized gain on investments held for donor endowment	(96,599)	(138,753)
(Increase) decrease in operating assets:		
Other receivable, net	(38,490)	(59,815)
Dividend receivable for assets restricted for endowment	(993)	-
Inventories	25,449	(50,306)
Prepaid expenses	2,500	(2,500)
Deposits	240	19,505
Increase (decrease) in operating liabilities:		
Accounts payable	(19,193)	25,236
Accrued expenses	53	55
Deferred revenue	-	(120,500)
Net cash provided by operating activities	748,019	1,099,041
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(955,822)	(1,030,998)
Purchase of property and equipment	(21,125)	(155,719)
Net cash used in investing activities	(976,947)	(1,186,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in perpetual endowment	50,000	50,000
Net cash used for financing activities	50,000	50,000
Net increase (decrease) in cash and equivalents, cash included in investments and cash restricted for donor endowment	(178,928)	(37,676)
Beginning cash and equivalents, cash included in investments and cash restricted for donor endowment	675,325	713,001
Ending cash and equivalents, cash included in investments and cash restricted for donor endowment	\$ 496,397	\$ 675,325

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

HEAVEN SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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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.