

HEAVEN SOUTH, INC.
(d/b/a THE STORE)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2023 AND 2022

HEAVEN SOUTH, INC.
(d/b/a THE STORE)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Heaven South, Inc.
Nashville, Tennessee

OPINION

We have audited the accompanying financial statements of Heaven South, Inc. d/b/a The Store ("The Store"), a Tennessee nonprofit, which comprise the statement of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Store and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 The Store's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITOR'S 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, internal 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.

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 The Store'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 The Store'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.

Kraft CPAs PLLC

Nashville, Tennessee

June 24, 2024

HEAVEN SOUTH, INC.

(d/b/a THE STORE)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 402,343	\$ 533,111
Contributions, grants and other receivables	51,398	85,560
Inventory	46,431	36,964
Investments - unrestricted	2,085,277	1,702,560
Property and equipment, net	1,520,927	1,573,799
Investments - restricted for endowment	<u>1,542,097</u>	<u>1,358,726</u>
 TOTAL ASSETS	 <u>\$ 5,648,473</u>	 <u>\$ 5,290,720</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 37,907	\$ 22,322
Accrued expenses	<u>-</u>	<u>291</u>
 TOTAL LIABILITIES	 <u>37,907</u>	 <u>22,613</u>
 <u>NET ASSETS</u>		
Without donor restrictions	4,068,469	3,909,381
With donor restrictions	<u>1,542,097</u>	<u>1,358,726</u>
 TOTAL NET ASSETS	 <u>5,610,566</u>	 <u>5,268,107</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,648,473</u>	 <u>\$ 5,290,720</u>

See accompanying notes to financial statements.

HEAVEN SOUTH, INC.
(d/b/a THE STORE)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Corporate and foundation contributions	\$ 649,357	\$ -	\$ 649,357
Individual contributions	271,550	-	271,550
In-kind contributions	213,629	-	213,629
Investment income, net	239,315	183,371	422,686
Net assets released from restrictions	-	-	-
TOTAL REVENUES AND SUPPORT	<u>1,373,851</u>	<u>183,371</u>	<u>1,557,222</u>
EXPENSES			
Program services	1,028,641	-	1,028,641
Supporting services:			
Management and general	115,280	-	115,280
Fundraising	70,842	-	70,842
TOTAL EXPENSES	<u>1,214,763</u>	<u>-</u>	<u>1,214,763</u>
CHANGE IN NET ASSETS	159,088	183,371	342,459
NET ASSETS - BEGINNING OF YEAR	<u>3,909,381</u>	<u>1,358,726</u>	<u>5,268,107</u>
NET ASSETS - END OF YEAR	<u>\$ 4,068,469</u>	<u>\$ 1,542,097</u>	<u>\$ 5,610,566</u>

See accompanying notes to financial statements.

HEAVEN SOUTH, INC.
(d/b/a THE STORE)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Corporate and foundation contributions	\$ 886,459	\$ -	\$ 886,459
Individual contributions	354,945	-	354,945
In-kind contributions	184,462	-	184,462
Investment income (loss), net	(194,883)	(228,393)	(423,276)
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>1,230,983</u>	<u>(228,393)</u>	<u>1,002,590</u>
EXPENSES			
Program services	887,932	-	887,932
Supporting services:			
Management and general	59,178	-	59,178
Fundraising	<u>48,909</u>	<u>-</u>	<u>48,909</u>
TOTAL EXPENSES	<u>996,019</u>	<u>-</u>	<u>996,019</u>
CHANGE IN NET ASSETS	234,964	(228,393)	6,571
NET ASSETS - BEGINNING OF YEAR	<u>3,674,417</u>	<u>1,587,119</u>	<u>5,261,536</u>
NET ASSETS - END OF YEAR	<u>\$ 3,909,381</u>	<u>\$ 1,358,726</u>	<u>\$ 5,268,107</u>

See accompanying notes to financial statements.

HEAVEN SOUTH, INC.
(d/b/a THE STORE)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 231,555	\$ 37,908	\$ 27,704	\$ 65,612	\$ 297,167
Payroll taxes and employee benefits	53,056	8,686	6,348	15,034	68,090
Bank charges	-	-	6,639	6,639	6,639
Contract labor	32,450	-	7,000	7,000	39,450
Cost of food distributed	346,386	-	-	-	346,386
Depreciation	50,228	1,322	1,322	2,644	52,872
Donated food distributed	78,676	-	-	-	78,676
Dues and subscriptions	-	15,046	-	15,046	15,046
Event Expenses	-	-	13,981	13,981	13,981
Insurance	11,597	305	305	610	12,207
Legal fees	-	2,975	-	2,975	2,975
Marketing	-	-	4,578	4,578	4,578
Miscellaneous	-	3,569	-	3,569	3,569
Other non-cash items distributed	134,953	-	-	-	134,953
Postage	-	2,440	-	2,440	2,440
Printing and copying	-	-	534	534	534
Professional fees	1,804	40,947	1,577	42,524	44,328
Equipment, repairs and maintenance	21,588	-	-	-	21,588
Supplies	47,755	-	-	-	47,755
Travel	-	1,593	-	1,593	1,593
Utilities	18,593	489	490	979	19,572
Website	-	-	364	364	364
TOTAL EXPENSES	<u>\$ 1,028,641</u>	<u>\$ 115,280</u>	<u>\$ 70,842</u>	<u>\$ 186,122</u>	<u>\$ 1,214,763</u>

See accompanying notes to financial statements.

HEAVEN SOUTH, INC.
(d/b/a THE STORE)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 205,555	\$ 11,104	\$ 14,183	\$ 25,287	\$ 230,842
Payroll taxes and employee benefits	46,579	2,517	3,214	5,731	52,310
Bank charges	-	-	6,245	6,245	6,245
Contract labor	16,125	-	-	-	16,125
Cost of food distributed	492,967	-	-	-	492,967
Depreciation	50,255	1,322	1,322	2,644	52,899
Dues and subscriptions	7,281	-	-	-	7,281
In-kind expense	-	-	19,202	19,202	19,202
Insurance	9,746	256	256	512	10,258
Marketing	-	-	2,921	2,921	2,921
Miscellaneous	574	-	-	-	574
Postage	-	2,590	-	2,590	2,590
Printing and copying	-	-	493	493	493
Professional fees	-	40,623	-	40,623	40,623
Equipment, repairs and maintenance	8,050	-	-	-	8,050
Supplies	34,373	-	-	-	34,373
Travel	-	334	-	334	334
Utilities	16,427	432	432	864	17,291
Website	-	-	641	641	641
TOTAL EXPENSES	<u>\$ 887,932</u>	<u>\$ 59,178</u>	<u>\$ 48,909</u>	<u>\$ 108,087</u>	<u>\$ 996,019</u>

See accompanying notes to financial statements.

HEAVEN SOUTH, INC.

(d/b/a THE STORE)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 342,459	\$ 6,571
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	52,872	52,899
Net realized and unrealized (gains) losses on investments	(297,197)	511,699
(Increase) decrease in:		
Contributions, grants and other receivables	34,162	18,669
Inventory	(9,467)	(12,107)
Increase (decrease) in:		
Accounts payable	15,585	15,291
Accrued expenses	(291)	92
TOTAL ADJUSTMENTS	<u>(204,336)</u>	<u>586,543</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>138,123</u>	<u>593,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturity of investments	185,280	236,000
Purchases of investments	(454,171)	(625,133)
NET CASH USED IN INVESTING ACTIVITIES	<u>(268,891)</u>	<u>(389,133)</u>
NET INCREASE (DECREASE) IN CASH	(130,768)	203,981
CASH - BEGINING OF YEAR	<u>533,111</u>	<u>329,130</u>
CASH - END OF YEAR	<u>\$ 402,343</u>	<u>\$ 533,111</u>

See accompanying notes to financial statements.

HEAVEN SOUTH, INC
(d/b/a THE STORE)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 1 - GENERAL

Heaven South, Inc. (“The Store”) is a not-for-profit organization formed in 2016. 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. There is no charge to those referred or to the people and agencies that send them. They may shop for food to supplement their income during times of crisis and as they work toward self-sufficiency.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of The Store have been prepared in accordance with generally accepted accounting principles (“GAAP”), which require The Store 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 Store’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 Store or by the passage of time.

The Store reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

HEAVEN SOUTH, INC
(d/b/a THE STORE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions - Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are 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 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.

Government grants and contracts - A portion of The Store's revenue is derived from cost reimbursable grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when The Store has incurred expenditures in compliance with specific contract or grant provisions. Amounts received in advance of the expenditure are recorded as deferred revenue. Additionally, certain grants qualify as exchange transactions. The Store recognizes grant revenue for exchange transactions at the time the services are provided.

Contributions of Nonfinancial Assets

The Store reports any gifts of property, equipment, or materials at the estimated fair value at the date of gift as support 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 support with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service. Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by The Store if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

The Store receives donations of food, other household items and toys available for participant shopping from local farmers, vendors and grocery stores. These items are used in The Store's programs and are valued at fair value of comparable items if purchased.

A substantial number of unpaid volunteers have made contributions of their time to serve The Store. This amount has not been recorded in the accompanying financial statements as it does not meet GAAP recognition criteria.

HEAVEN SOUTH, INC
(d/b/a THE STORE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

The Store's cash consists of checking and money market accounts with financial institutions. Cash included in investment portfolios are included as part of the related investment balance.

Contributions, Grants and Other Receivables

Unconditional contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Other receivables consist of donations made through the Organization's online platform that have not been processed by and received from the merchant vendor. 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.

An allowance for credit losses is provided based on management's estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. In management's opinion, no allowance for credit losses was necessary as of December 31, 2023 and 2022.

Inventory

Inventory consists of 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 recorded at average cost, which approximates the lower of cost or net realizable value. Donated and purchased items are recognized as program service expenses when distributed. Provision is made to reduce any excess, obsolete or slow-moving inventory to net realizable value.

Investments

Investments consist of cash and mutual funds. Mutual funds are carried at their quoted market value on the last business day of the reporting period. Interest and dividends, as well as changes in unrealized gains and losses, are recognized currently in the statement of activities.

HEAVEN SOUTH, INC
(d/b/a THE STORE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Store classifies its assets based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs).

An asset or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

Investments - Mutual funds are classified within Level 1 where quoted market prices are available in an active market for identical assets. If quoted market prices are unavailable, fair value is estimated using quoted market prices of investments with similar characteristics, and the investments are classified within Level 2. Bonds are valued on the basis of information provided by pricing services that employ valuation matrices that may incorporate both broker/dealer-supplied valuations as well as valuation models reflecting factors such as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements, and are classified within Level 2 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at December 31, 2023 or 2022.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while The Store believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Property and Equipment

Property and equipment are recorded at cost at the date of purchase, or at estimated fair value at the date of gift. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are depreciated over the shorter of their estimated useful lives or the expected lease term.

HEAVEN SOUTH, INC
(d/b/a THE STORE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds

The Store's endowment fund (the "Fund") was established to be held in perpetuity, including gifts requiring that the principal be invested, and the income or specific portions thereof be used to provide long-term stability for The Store. The Store's endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA").

Interpretation of applicable law - The board of directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Store classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) 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.

Spending policy - The board of directors has formally adopted an endowment spending policy. The 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 Store has set a targeted annual distribution from the fund of 5% of the portfolio value as of December 31 of the prior year. There were no distributions made from the donor restricted endowment in 2023 or 2022.

Investment policy - The primary long-term objective of the Fund is to increase the real value of the portfolio, maintain purchasing power and exceed The Store'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 Store. The Store has set a targeted annual percentage draw from endowment funds that is intended to allow them to grow in value, while also supporting the organization's general purposes and objectives.

Income Taxes

The Store qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

HEAVEN SOUTH, INC
(d/b/a THE STORE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing The Store's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - The Store operates as a year-round free grocery store allowing people to shop for their basic needs. There is no charge to those referred or to the people and agencies that send them. They may shop for food to supplement their income during times of crisis and as they work toward self-sufficiency. During 2023 and 2022, The Store served a maximum of 416 and 350 households, respectively, by providing bi-weekly shopping where customers may shop for their own grocery items. Shoppers can expect to find items such as: fresh produce, milk, meats, eggs, and dietary friendly options. Additionally, The Store receives some household items and in 2023 offered a holiday toy store for participants. The Store also has a children's area where children can play and read while caregivers shop.

A philosophy of community empowerment means we aim to solve hunger issues in our community by developing programs to meet the needs of the community, including partnering with other organizations on issues of food security. The Store partners with the Belmont Family Wellbeing Program which offers families services, programming, and support to help reduce stress. Services are offered by Belmont University faculty, staff, students, and other qualified practitioners at the Belmont Ministry Center which is located directly next to The Store.

Supporting Services

Management and General relates to the overall direction of The Store. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to The Store. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

HEAVEN SOUTH, INC
(d/b/a THE STORE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued)

Supporting Services (continued)

Fundraising includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related payroll taxes which are allocated on the basis of estimates of time and effort and depreciation, insurance and utilities which are estimated on the basis of square footage.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Events Occurring After Reporting Date

The Store has evaluated events and transactions that occurred between December 31, 2023 and June 24, 2024, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

HEAVEN SOUTH, INC
(d/b/a THE STORE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY

The following reflects The Store's financial assets at December 31, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash	\$ 402,343	\$ 533,111
Contributions, grants and other receivables	51,398	85,560
Investments	<u>3,627,374</u>	<u>3,061,286</u>
Total financial assets	4,081,115	3,679,957
Less amounts unavailable for general expenditure:		
Endowment net assets	<u>(1,542,097)</u>	<u>(1,358,726)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,539,018</u>	<u>\$ 2,321,231</u>

NOTE 4 - CONTRIBUTIONS, GRANTS AND OTHER RECEIVABLES

Contributions, grants and other receivables consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 1,077	\$ 34,433
Grants receivable	<u>50,321</u>	<u>51,127</u>
	<u>\$ 51,398</u>	<u>\$ 85,560</u>

HEAVEN SOUTH, INC
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 5 - INVESTMENTS AND FAIR VALUE

Investments consisted of the following at December 31:

<u>2023</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total Value</u>
Cash	\$ 228,081	\$ -	\$ -	\$ 228,081
Mutual funds	<u>3,399,293</u>	<u>-</u>	<u>-</u>	<u>3,399,293</u>
	<u>\$ 3,627,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,627,374</u>
<u>2022</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total Value</u>
Cash	\$ 364,971	\$ -	\$ -	\$ 364,971
Mutual funds	<u>2,696,315</u>	<u>-</u>	<u>-</u>	<u>2,696,315</u>
	<u>\$ 3,061,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,061,286</u>

Investments are broken into the following components in the statements of financial position:

	<u>2023</u>	<u>2022</u>
Investments - unrestricted	\$ 2,085,277	\$ 1,702,560
Investments - restricted for endowment	<u>1,542,097</u>	<u>1,358,726</u>
	<u>\$ 3,627,374</u>	<u>\$ 3,061,286</u>

HEAVEN SOUTH, INC
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Computers and software	\$ 16,275	\$ 16,275
Website	1,000	1,000
Building improvements	1,665,376	1,665,376
Vehicles	21,308	21,308
Equipment	<u>16,571</u>	<u>16,571</u>
	1,720,530	1,720,530
Less: Accumulated depreciation	<u>(199,603)</u>	<u>(146,731)</u>
	<u>\$ 1,520,927</u>	<u>\$ 1,573,799</u>

In connection with The Store's partnership with Belmont, the land the building occupies is leased for \$1 per year, through February 2044. The value of this promise is not recorded as it was made in connection with the partnership. This lease is not subject to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases*.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
<i>Temporary in nature - endowment:</i>		
Unappropriated endowment earnings	\$ 242,097	\$ 58,726
<i>Perpetual in nature - endowment:</i>		
Endowment corpus	<u>1,300,000</u>	<u>1,300,000</u>
	<u>\$ 1,542,097</u>	<u>\$ 1,358,726</u>

HEAVEN SOUTH, INC
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 8 - ENDOWMENT FUNDS

The endowment fund at December 31, 2023 and 2022 is entirely donor restricted.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Store has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. There were no underwater endowments as of December 31, 2023 or 2022.

A summary of changes in endowment fund follows for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 1,358,726	\$ 1,587,119
Contributions	-	-
Investment income, net	48,586	39,816
Unrealized gain (loss)	134,785	(268,209)
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 1,542,097</u>	<u>\$ 1,358,726</u>

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject The Store to concentrations of credit risk consist principally of cash, investments, and various contributions, grants, contracts and related receivables. The Store maintains cash and cash equivalents and investments in certificates of deposit at reputable financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Store's balances may, at times, exceed statutory limits. The Store has not experienced any losses in these accounts and management considers this to be a normal business risk.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of The Store's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to \$500,000, including up to \$250,000 in cash. The SIPC does not insure against market risk.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 10 - RELATED PARTIES

The Store receives support from and, at times, purchase goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors. For the year ended December 31, 2023 and 2022, accounting services were performed by a company owned by a member of the board of directors amounting to \$30,000 per year.