

**PRESTON TAYLOR MINISTRIES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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Independent Auditors' Report

To the Board of Directors
Preston Taylor Ministries, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Preston Taylor Ministries, Inc. (a Tennessee not-for-profit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preston Taylor Ministries, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC". The signature is written in a cursive, flowing style.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
July 17, 2020

PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	ASSETS	
	2019	2018
Cash	\$ 416,886	\$ 466,992
Contributions receivable	2,500	-
Certificate of deposit	77,623	76,198
Investments	-	34,764
Prepaid expenses	3,949	3,187
Cash - designated for long term purposes	113,210	113,210
Property and equipment, net	<u>804,174</u>	<u>825,129</u>
 TOTAL ASSETS	 <u><u>\$ 1,418,342</u></u>	 <u><u>\$ 1,519,480</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 785	\$ 4,627
Accrued payroll and taxes	7,705	20,624
Note payable	<u>145,540</u>	<u>154,681</u>
 Total Liabilities	 <u>154,030</u>	 <u>179,932</u>
NET ASSETS		
Without donor restrictions	1,260,812	1,228,673
With donor restrictions	<u>3,500</u>	<u>110,875</u>
 Total Net Assets	 <u>1,264,312</u>	 <u>1,339,548</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,418,342</u></u>	 <u><u>\$ 1,519,480</u></u>

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions		
Revenues:		
Contributions		
Individuals	\$ 748,805	\$ 697,929
Foundations/corporate	367,448	216,102
In-kind	123,194	108,229
Churches	129,329	89,419
Special events (net of direct benefit to donors of \$16,095 and \$14,246 for 2019 and 2018, respectively)	55,962	48,160
T-shirt sales	1,280	940
Interest	6,269	4,008
Loss on disposal of property and equipment	(8,533)	(2,184)
	1,423,754	1,162,603
Total revenues		
Net assets released from restrictions	110,875	84,382
Total revenues and other support without donor restrictions	1,534,629	1,246,985
Expenses:		
Program services	1,269,482	1,087,806
Supporting services		
Management and general	117,314	105,713
Fundraising	115,694	110,806
	1,502,490	1,304,325
Total expenses		
Increase (decrease) in net assets without donor restrictions	32,139	(57,340)
Changes in Net Assets With Donor Restrictions		
Foundations/corporate contributions	3,500	94,750
Net assets released from restrictions	(110,875)	(84,382)
(Decrease) increase in net assets with donor restrictions	(107,375)	10,368
DECREASE IN NET ASSETS	(75,236)	(46,972)
NET ASSETS - BEGINNING OF YEAR	1,339,548	1,386,520
NET ASSETS - END OF YEAR	\$ 1,264,312	\$ 1,339,548

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Personnel	\$ 922,563	\$ 52,260	\$ 97,583	\$ 1,072,406
Programing supplies and fees	94,256	-	-	94,256
Facility rent	85,224	-	-	85,224
Depreciation	43,570	11,618	2,905	58,093
Transportation	36,687	-	-	36,687
Outings and retreats	30,758	-	-	30,758
Professional fees	1,535	21,500	-	23,035
Utilities and telephone	17,834	3,836	650	22,320
Special events	-	-	20,418	20,418
Facility maintenance	8,128	7,314	812	16,254
Insurance	4,911	5,507	-	10,418
Office supplies	4,160	4,741	925	9,826
Travel, meals and meetings	7,096	2,548	33	9,677
Printing and postage	854	7,255	1,260	9,369
Interest	7,526	-	-	7,526
Bank merchant fees	-	133	4,215	4,348
Volunteer training/appreciation	3,939	-	-	3,939
Development	-	-	2,898	2,898
Training	441	602	90	1,133
Total expenses before direct benefit to donors	1,269,482	117,314	131,789	1,518,585
Direct benefit to donors			(16,095)	(16,095)
Total Expenses	\$ 1,269,482	\$ 117,314	\$ 115,694	\$ 1,502,490

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Personnel	\$ 794,155	\$ 53,306	\$ 82,231	\$ 929,692
Programing supplies and fees	73,670	-	-	73,670
Facility rent	54,904	-	-	54,904
Depreciation	38,195	10,185	2,547	50,927
Transportation	28,539	-	-	28,539
Outings and retreats	32,157	-	-	32,157
Professional fees	-	12,286	-	12,286
Utilities and telephone	17,584	3,863	2,384	23,831
Special events	-	-	17,506	17,506
Facility maintenance	15,489	13,940	1,548	30,977
Insurance	10,754	2,689	-	13,443
Office supplies	4,686	5,340	1,042	11,068
Travel, meals and meetings	6,489	721	-	7,210
Printing and postage	289	1,148	4,307	5,744
Interest	7,971	-	-	7,971
Bank merchant fees	-	499	4,493	4,992
Volunteer training/appreciation	2,731	-	-	2,731
Development	-	-	8,994	8,994
Training	193	1,736	-	1,929
Total expenses before direct benefit to donors	1,087,806	105,713	125,052	1,318,571
Direct benefit to donors			(14,246)	(14,246)
Total Expenses	\$ 1,087,806	\$ 105,713	\$ 110,806	\$ 1,304,325

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (75,236)	\$ (46,972)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	58,093	50,927
Amortization of discount on note payable	7,526	7,971
Contribution of investments	-	(34,764)
In-kind contribution of property and equipment	(11,570)	(26,323)
Loss on disposal of property and equipment	8,533	2,184
Increase in contributions receivable	(2,500)	-
(Increase) decrease in prepaid expenses	(762)	8,448
(Decrease) increase in accounts payable	(3,842)	4,627
(Decrease) Increase in accrued payroll	(12,919)	13,104
	<u>(32,677)</u>	<u>(20,798)</u>
Net Cash Used In Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	34,764	-
Additions to certificate of deposit	(1,425)	(84)
Proceeds from the disposal of property and equipment	1,100	400
Payments for property and equipment	(35,201)	-
	<u>(762)</u>	<u>316</u>
Net Cash (Used In) Provided By Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(16,667)	(16,667)
	<u>(16,667)</u>	<u>(16,667)</u>
Net Cash Used In Financing Activities		
NET DECREASE IN CASH	(50,106)	(37,149)
CASH - BEGINNING OF YEAR	580,202	617,351
CASH - END OF YEAR	<u>\$ 530,096</u>	<u>\$ 580,202</u>
Reconciliation of cash to statements of financial position:		
Cash	\$ 416,886	\$ 466,992
Cash - designated for long term purposes	113,210	113,210
	<u>\$ 530,096</u>	<u>\$ 580,202</u>

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

PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - MINISTRY AND NATURE OF ACTIVITIES

Preston Taylor Ministries, Inc. (the Ministry) is a Tennessee not-for-profit corporation that empowers Preston Taylor children and youth to discover and live their God-inspired dreams, develop a love for learning, and build joy-filled friendships that glorify Christ Jesus. The Ministry was founded in 1998 to confront many of the problems present in the Preston Taylor public housing area, problems like drug use, gang involvements, teenage pregnancy, illiteracy, poor school performance and crime. The Ministry is supported by grants and contributions from foundations, individuals, churches, and other ministries.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Ministry have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Ministry 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 Ministry. These net assets may be used at the discretion of the Ministry'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 Ministry 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.

Cash and Certificate of Deposit

Cash includes checking and money market deposits held by financial institutions. The certificate of deposit has an original maturity date in excess of three months.

Property and Equipment and Depreciation

The Ministry follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as net assets without donor restrictions 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 life of the asset which ranges from two to 40 years and is computed on the straight-line method.

Investments

The Ministry's policy is to liquidate investments as soon as practical after the donation of investment securities is received. Occasionally, the Ministry will have equity investment securities on the statements of financial position that have not been liquidated at year end. These investments, if any, are stated in the aggregate at estimated fair market value based on Level 1 inputs which is valued by quoted market prices in active markets for identical assets.

PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

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

Contributed Goods and Services

Various volunteers donate many hours to the Ministry's program services. These contributed services are only reflected in the financial statements when the services require specialized skills that would otherwise need to be purchased. Property, equipment, materials and other assets received as donations are recorded and reflected in the accompanying statements of financial position at their estimated fair values at the date of the receipt.

Income Taxes

The Ministry 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.

Functional Expenses

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

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Depreciation	Facility square footage
Utilities and telephone	Facility square footage and time and effort
Facility maintenance	Facility square footage
Insurance	Time and effort
Office supplies	Time and effort
Travel, meals and meetings	Time and effort
Printing and postage	Time and effort
Bank merchant fees	Time and effort
Training	Time and effort

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. The total assets, liabilities, net assets, and change in net assets are unchanged due to these reclassifications.

PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - AVAILABILITY AND LIQUIDITY

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

	2019	2018
Financial assets at year end:		
Cash	\$ 530,096	\$ 580,202
Contributions receivable	2,500	-
Certificate of deposit	77,623	76,198
Investments	<u>-</u>	<u>34,764</u>
Total financial assets	610,219	691,164
Less amounts not available to be used within one year:		
Maintenance reserve	<u>113,210</u>	<u>113,210</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 497,009</u>	<u>\$ 577,954</u>

As part of its liquidity plan, the Ministry has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Ministry receives year-round donations from individuals, foundations, and churches and the Ministry 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, the finance committee and the board of directors.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2019	2018
Land	\$ 142,290	\$ 142,290
Building and improvements	797,982	792,680
Transportation vehicles	106,085	83,835
Computers and software	51,517	43,772
Furniture and equipment	<u>31,079</u>	<u>31,079</u>
	1,128,953	1,093,656
Accumulated depreciation	<u>(324,779)</u>	<u>(268,527)</u>
	<u>\$ 804,174</u>	<u>\$ 825,129</u>

Depreciation expense was \$58,093 and \$50,927 for the years ended December 31, 2019 and 2018, respectively.

PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 - NOTE PAYABLE - RELATED PARTY

In 2016, the Ministry entered into a \$250,000 note payable with a member of the board of directors that was used to purchase a facility for ministry use. The note calls for monthly payments of \$1,389 with a stated interest rate of zero percent and an imputed rate 5.0%. The note matures in July 2031. Interest expense related to the note payable totaled \$7,526 and \$7,971 for 2019 and 2018, respectively. The note is collateralized by the property which was purchased with the proceeds.

A schedule of expected future payments as of December 31, 2019 are as follows:

Year ending December 31,	
2020	\$ 16,667
2021	16,667
2022	16,667
2023	16,667
2024	16,667
Thereafter	<u>108,333</u>
Total payments	191,668
Less: interest imputed at 5.0%	(<u>46,128</u>)
	<u>\$ 145,540</u>

NOTE 6 - NET ASSETS

Net assets with donor restrictions represent contributions received that are primarily restricted for specific programs.

NOTE 7 - IN-KIND CONTRIBUTIONS

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

	2019	2018
Expenses - facility rent	\$ 81,624	\$ 51,904
Expenses - community outreach supplies	30,000	30,000
Assets - property and equipment	<u>11,570</u>	<u>26,325</u>
	<u>\$ 123,194</u>	<u>\$ 108,229</u>

NOTE 8 - LEASING ARRANGEMENTS

The Ministry provides programming at nine (seven in 2018) locations for which the ministry space is provided free of charge. In-kind contributions and rent expense has been recorded on the statements of activities for this rent (see Note 7). Eight (six in 2018) of the leases are informal arrangements that are recorded on a month-to-month basis. One of the leases contains a yearly renewal option that can be cancelled by either the lessor or lessee with a 60 day notice.

PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8 - LEASING ARRANGEMENTS (CONTINUED)

The Ministry also has entered an operating lease for office equipment. A schedule of future minimum lease payments under this operating lease is as follows for the years ending December 31:

2020	\$ 2,832
2021	2,832
2022	2,832
2023	<u>1,416</u>
	<u>\$ 9,912</u>

Rent expense was \$88,807 and \$58,825 for 2019 and 2018, respectively.

NOTE 9 - CONCENTRATIONS

The Ministry has cash balances and a certificate of deposit in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$6,500 and \$50,000 at December 31, 2019 and 2018, respectively. The Ministry maintains its cash and certificate of deposit with high quality financial institutions which the Ministry believes limits these risks.

NOTE 10 - SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through July 17, 2020 which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Ministry declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Ministry operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Ministry, to date, the Ministry is experiencing a decline in its revenues and its ability to perform activities at its normal pace. The Ministry filed for assistance under the CARES Act, Paycheck Protection Program and received a relief loan totaling \$202,615 on April 14, 2020.