

Brightstone, Inc.

Financial Statements
For the Years Ended December 31, 2021 and 2020

Brightstone, Inc.
Financial Statements
For the Years Ended December 31, 2021 and 2020

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9 - 15



Independent Auditor's Report

Board of Directors
Brightstone, Inc.

Opinion

We have audited the financial statements of Brightstone, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 the Organization 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

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, 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.

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 Organization'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 Organization'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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
May 3, 2022

Brightstone, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 1,614,114	\$ 1,417,526
Investments	-	359,367
Contributions receivable	1,856,565	856,355
Accounts receivable	119	1,626
Prepaid expenses	3,645	4,100
Cash restricted or designated for long-term use	3,888,467	2,030,435
Property and equipment, net	<u>9,659,905</u>	<u>5,616,300</u>
Total assets	\$ 17,022,815	\$ 10,285,709
Liabilities and Net Assets		
Liabilities		
Accounts and retainage payable	\$ 536,100	\$ 168,494
Payroll liabilities	18,639	-
Deferred revenues	27,232	32,156
PPP loan	<u>178,307</u>	<u>155,616</u>
Total liabilities	760,278	356,266
Net assets		
Without donor restrictions	11,238,372	6,970,254
With donor restrictions	<u>5,024,165</u>	<u>2,959,189</u>
Total net assets	<u>16,262,537</u>	<u>9,929,443</u>
Total liabilities and net assets	\$ 17,022,815	\$ 10,285,709

Brightstone, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 885,606	\$ 6,173,329	\$ 7,058,935
Special events (net of direct benefits to donors of \$17,942)	358,736	-	358,736
Tuition	219,733	-	219,733
Fees	19,067	-	19,067
Product sales (net of direct costs of \$20,668)	13,871	-	13,871
Other income	58,750	-	58,750
Interest income	8,740	-	8,740
Net assets released from restrictions	<u>4,108,353</u>	<u>(4,108,353)</u>	<u>-</u>
Total support and revenues	5,672,856	2,064,976	7,737,832
Expenses			
Program services	993,369	-	993,369
Management and general	139,181	-	139,181
Fundraising	<u>272,188</u>	<u>-</u>	<u>272,188</u>
Total expenses	1,404,738	-	1,404,738
Change in net assets	4,268,118	2,064,976	6,333,094
Net assets, beginning of year	<u>6,970,254</u>	<u>2,959,189</u>	<u>9,929,443</u>
Net assets, end of year	\$ 11,238,372	\$ 5,024,165	\$ 16,262,537

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

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 829,958	\$ 1,538,726	\$ 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>909,991</u>	<u>(909,991)</u>	<u>-</u>
Total support and revenues	2,235,491	628,735	2,864,226
Expenses			
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	\$ 6,970,254	\$ 2,959,189	\$ 9,929,443

Brightstone, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services				Total
	Educational services	Campus program	Management and general	Fundraising	
Compensation and related costs					
Compensation	\$ 491,752	\$ 79,253	\$ 92,314	\$ 134,120	\$ 797,439
Payroll taxes and other benefits	87,158	12,189	19,428	18,454	137,229
	578,910	91,442	111,742	152,574	934,668
Capital campaign and development					
Community relations and development	-	-	-	5,194	5,194
Depreciation	67,897	45,360	3,705	67,935	67,935
Facilities	39,877	99,567	2,495	4,030	120,992
Lunches	13,342	-	-	2,946	144,885
Office	8,182	-	13,786	-	13,342
Professional services	-	554	7,453	6,248	28,216
Scholarships	12,054	-	-	-	8,007
Student activities	3,328	-	-	-	12,054
Teaching supplies and materials	12,708	-	-	-	3,328
Training	960	-	-	119	12,708
Transportation	18,033	1,155	-	-	1,079
Banking fees	-	-	-	23,299	19,188
Total expenses before special events direct costs	755,291	238,078	139,181	262,345	1,394,895
Special events direct costs					
Donated items for special events	-	-	-	23,844	23,844
Less direct benefits to donors	-	-	-	3,941	3,941
Total special events direct costs	-	-	-	(17,942)	(17,942)
Total expenses	\$ 755,291	\$ 238,078	\$ 139,181	\$ 272,188	\$ 1,404,738

See notes to financial statements

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

	Program Services				Total
	Educational services	Campus program	Management and general	Fundraising	
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
	544,751	90,376	93,608	181,539	910,274
Capital campaign and development					
Community relations and development	-	-	-	6,140	6,140
Depreciation	58,621	40,879	3,742	44,590	107,257
Facilities	37,306	111,029	2,332	4,015	153,422
Lunches	6,117	-	-	2,755	6,117
Office	5,056	-	10,315	3,944	19,315
Professional services	-	-	7,853	-	7,853
Scholarships	6,889	-	-	-	6,889
Student activities	1,205	-	-	-	1,205
Teaching supplies and materials	22,472	-	-	-	22,472
Training	351	-	27	11	389
Transportation	12,292	-	-	-	12,292
Banking fees	-	-	4,729	14,965	19,694
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 functional expenses	-	-	-	8,188	8,188
	\$ 695,060	\$ 242,284	\$ 122,606	\$ 266,147	\$ 1,326,097

See notes to financial statements

Brightstone, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 3,447,961	\$ 2,473,101
Cash flows from operating activities		
Change in net assets	6,333,094	1,538,129
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	120,992	107,257
Donated property and equipment	(9,745)	(18,184)
Donated services for property held for development	(152,666)	(17,234)
Cash received for long-term assets	(5,005,326)	(1,378,346)
Donation of investments	-	(359,367)
Accounts and retainage payable for property development	(521,961)	(144,372)
PPP loan forgiveness	(155,616)	-
Change in:		
Contributions receivable	(1,000,210)	76,024
Accounts receivable	1,507	58
Prepaid expenses	455	1,100
Accounts and retainage payable	367,606	113,027
Payroll liabilities	18,639	(7,880)
Deferred revenues	(4,924)	19,770
Net cash provided (used) by operating activities	<u>(8,155)</u>	<u>(70,018)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	359,367	-
Payments for property and equipment	<u>(3,480,225)</u>	<u>(489,084)</u>
Net cash provided (used) by investing activities	<u>(3,120,858)</u>	<u>(489,084)</u>
Cash flows from financing activities		
Cash received for long-term assets	5,005,326	1,378,346
Cash received from PPP loan	<u>178,307</u>	<u>155,616</u>
Net cash provided (used) by financing activities	<u>5,183,633</u>	<u>1,533,962</u>
Net change in cash	<u>2,054,620</u>	<u>974,860</u>
Cash, end of year	\$ 5,502,581	\$ 3,447,961
Reconciliation of cash to statements of financial position		
Cash	\$ 1,614,114	\$ 1,417,526
Cash restricted or designated for long-term use	<u>3,888,467</u>	<u>2,030,435</u>
	\$ 5,502,581	\$ 3,447,961

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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

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:

	Method of allocation
Compensation	Time and effort
Payroll taxes and other benefits	Time and effort
Depreciation	Square footage
Facilities	Square footage
Interest	Time and effort
Professional services	Time and effort
Office	Time and effort
Training	Time and effort
Transportation	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.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 3. Availability and Liquidity

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

	2021	2020
Financial assets		
Cash	\$ 5,502,581	\$ 3,447,961
Investments	-	359,367
Contributions receivable	1,856,565	856,355
Accounts receivable	<u>119</u>	<u>1,626</u>
Total financial assets at year-end	7,359,265	4,665,309
Less amounts not available to be used within one year		
Cash restricted for long-term purposes	(3,888,467)	(2,030,435)
Contributions receivable restricted for long-term purposes	<u>(1,856,565)</u>	<u>(748,383)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,614,233	\$ 1,886,491

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:

Year ended December 31,	
2022	\$ 1,235,841
2023	225,000
2024	200,000
2025	<u>195,724</u>
Total	\$ 1,856,565

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 5. Property and Equipment

Property and equipment consist of the following:

	2021	2020
Land and improvements	\$ 392,840	\$ 392,840
Building and improvements	1,875,160	1,857,119
Development in process	7,793,761	3,667,135
Transportation vehicles	250,374	250,374
Office equipment	24,709	24,709
Facility equipment	90,253	70,047
Classroom equipment	72,881	72,151
Furniture	25,472	25,472
Less: accumulated depreciation	<u>(865,545)</u>	<u>(744,548)</u>
Property and equipment, net	\$ 9,659,905	\$ 5,616,300

Depreciation expense was \$120,992 and \$107,257 for 2021 and 2020, respectively.

During 2015, the Organization purchased approximately 140 acres for the development of a post-secondary educational and residential facility. Phase one construction which includes site development, wastewater system installation, construction of the Center for Learning, Art, and Enterprise, and two student homes is underway with an estimated completion date in fall 2022. See note 7 for the construction loan arrangements and note 11 for construction commitments. The results of future fundraising efforts will determine the timing of the next phase of the development.

Note 6. 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. On April 20, 2021, the Organization was notified that the loan was forgiven by the US Small Business Administration and the Organization will not be responsible for any payments. The Organization had elected to treat the PPP loan as debt, and accordingly, the full amount was recognized as a contribution in 2021.

On March 27, 2021, the Organization received a second draw on the PPP loan for \$178,307. On April 11, 2022 the Organization was notified that the loan was forgiven by the US Small Business Administration and the Organization will not be responsible for any payments.

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 7. Construction Loan Agreement

On August 27, 2021, the Organization entered into a master construction loan agreement with a local bank for a total possible debt borrowing of \$7,000,000 with a fixed rate of 3.87%. As of December 31, 2021, no draws have been made under this loan agreement with the first draw occurring on April 18, 2022. This agreement, as amended, comprises three Sub Notes with the following purposes and terms.

Sub Note A – \$1,000,000 maximum for infrastructure (horizontal) development with interest only, monthly payments and a maturity date of February 27, 2024.

Sub Note B – \$5,300,000 maximum for construction of the main learning facility with interest only, monthly payments and a maturity date 24 months after the execution of the Sub Note.

Sub Note C – \$700,000 maximum for the construction of two student houses with interest only, monthly payments and a maturity date 24 months after the execution of the Sub Note.

Note 8. Net Assets

Net assets without donor restrictions consist of the following:

	2021	2020
Undesignated net assets without donor restrictions	\$ 11,022,500	\$ 6,754,432
Designated for construction of a future home at new campus	<u>215,872</u>	<u>215,822</u>
	\$ 11,238,372	\$ 6,970,254

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

	2021	2020
Capital campaign	\$ 4,859,004	\$ 2,922,363
Programming and improvement grants	15,259	17,080
Scholarship fund	143,489	13,833
Music fund	<u>6,413</u>	<u>5,913</u>
	\$ 5,024,165	\$ 2,959,189

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 9. In-kind Contributions

The following in-kind contributions have been included in assets, revenue, and expenses in the financial statements:

	2021	2020
Restricted contributions/assets		
Development costs	\$ 152,666	\$ 17,234
Unrestricted contributions/expenses		
Supplies and services	8,202	7,843
Special events/expenses		
Prizes, fees, and materials	3,660	1,530
Unrestricted contributions/assets		
Transportation equipment	-	3,500
Equipment and furnishings	9,745	-
	<u>\$ 174,273</u>	<u>\$ 30,107</u>

Note 10. Concentrations

Of the Organization's total revenues for 2021, approximately 54% (36% in 2020) represent funds received from three donors (one in 2020).

The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$920,000 at December 31, 2021. The Organization maintains its cash with high quality financial institutions which the Organization believes limits these risks.

Note 11. Commitments

The Organization has entered into construction contacts with two entities for a total of \$13,700,745 for the campus development more fully described in note 5.

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 2021 and 2020.

Note 13. Subsequent Events

The Organization has evaluated subsequent events through May 3, 2022 the date on which the financial statements were available to be issued.