

Preston Taylor Ministries, Inc.

Financial Statements
For the Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Preston Taylor Ministries, Inc.

Opinion

We have audited the financial statements of Preston Taylor Ministries, Inc. (the Ministry), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Ministry as of December 31, 2022 and 2021, 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 Ministry 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 Ministry's ability to continue as a going concern within one year after the date that the financial statements are issued or 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, 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 Ministry'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 Ministry'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
July 31, 2023

Preston Taylor Ministries, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 570,965	\$ 728,982
Contributions receivable	63,593	61,145
Certificate of deposit and other investments	-	79,470
Prepaid expenses	7,007	4,004
Cash, designated for long-term purposes	108,773	113,210
Property and equipment, net	<u>768,481</u>	<u>800,289</u>
Total assets	\$ 1,518,819	\$ 1,787,100
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 9,367	\$ 2,882
Accrued payroll and taxes	9,512	33,009
Note payable	<u>115,218</u>	<u>125,833</u>
Total liabilities	134,097	161,724
Net assets		
Without donor restrictions	1,161,497	1,480,531
With donor restrictions	<u>223,225</u>	<u>144,845</u>
Total net assets	<u>1,384,722</u>	<u>1,625,376</u>
Total liabilities and net assets	\$ 1,518,819	\$ 1,787,100

Preston Taylor Ministries, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Individuals	\$ 781,787	\$ 60,000	\$ 841,787
Foundations/corporate	343,763	187,857	531,620
Churches	162,371	-	162,371
Special events (net of direct benefit to donors of \$9,530)	21,079	-	21,079
Contributions of nonfinancial assets	105,410	-	105,410
Interest	845	-	845
Loss on disposal of property and equipment	(15,411)	-	(15,411)
Miscellaneous revenue	2,509	-	2,509
Net assets released from restrictions	<u>169,477</u>	<u>(169,477)</u>	<u>-</u>
Total support and revenues	1,571,830	78,380	1,650,210
Expenses			
Program services	1,410,192	-	1,410,192
Management and general	326,939	-	326,939
Fundraising	<u>153,733</u>	<u>-</u>	<u>153,733</u>
Total expenses	1,890,864	-	1,890,864
Change in net assets	(319,034)	78,380	(240,654)
Net assets, beginning of year	<u>1,480,531</u>	<u>144,845</u>	<u>1,625,376</u>
Net assets, end of year	\$ 1,161,497	\$ 223,225	\$ 1,384,722

Preston Taylor Ministries, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Individuals	\$ 1,137,482	\$ 9,500	\$ 1,146,982
Foundations/corporate	286,115	135,345	421,460
Churches	146,535	-	146,535
Special events (net of direct benefit to donors of \$10,407)	35,455	-	35,455
Contributions of nonfinancial assets	111,440	-	111,440
PPP loan forgiveness	202,615	-	202,615
Interest	395	-	395
Loss on disposal of property and equipment	(1,655)	-	(1,655)
Miscellaneous revenue	694	-	694
Net assets released from restrictions	<u>95,540</u>	<u>(95,540)</u>	<u>-</u>
Total support and revenues	2,014,616	49,305	2,063,921
Expenses			
Program services	1,429,391	-	1,429,391
Management and general	155,799	-	155,799
Fundraising	<u>166,257</u>	<u>-</u>	<u>166,257</u>
Total expenses	1,751,447	-	1,751,447
Change in net assets	263,169	49,305	312,474
Net assets, beginning of year	<u>1,217,362</u>	<u>95,540</u>	<u>1,312,902</u>
Net assets, end of year	\$ 1,480,531	\$ 144,845	\$ 1,625,376

Preston Taylor Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Management and general	Fundraising	Total
Personnel	\$ 1,054,345	\$ 223,376	\$ 123,613	\$ 1,401,334
Depreciation	41,438	11,050	2,763	55,251
Development	-	-	10,426	10,426
Facility maintenance and taxes	15,629	5,097	2,135	22,861
Facility rent	86,160	-	-	86,160
Insurance	6,155	7,165	-	13,320
Interest	6,051	-	-	6,051
Office supplies	2,951	8,039	4,005	14,995
Printing and postage	62	4,359	-	4,421
Professional fees	-	57,815	75	57,890
Programming supplies and fees	103,390	-	-	103,390
Special events	-	-	12,011	12,011
Staff development	15,683	3,654	577	19,914
Transportation	48,883	35	-	48,918
Travel, meals, and meetings	3,550	969	214	4,733
Utilities and telephone	22,384	5,306	1,325	29,015
Volunteer training/appreciation	3,511	-	-	3,511
Bank merchant fees	-	74	6,119	6,193
Total expenses before direct benefit to donors	1,410,192	326,939	163,263	1,900,394
Direct benefit to donors	-	-	(9,530)	(9,530)
Total expenses	\$ 1,410,192	\$ 326,939	\$ 153,733	\$ 1,890,864

Preston Taylor Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Management and general	Fundraising	Total
Personnel	\$ 1,056,155	\$ 55,030	\$ 136,035	\$ 1,247,220
Depreciation	43,468	11,592	2,898	57,958
Development	-	-	13,120	13,120
Facility maintenance and taxes	36,618	1,146	-	37,764
Facility rent	85,040	-	-	85,040
Insurance	5,569	5,611	-	11,180
Interest	6,567	-	-	6,567
Office supplies	4,842	7,998	4,042	16,882
Printing and postage	2	3,659	17	3,678
Professional fees	1,928	59,790	800	62,518
Programming supplies and fees	114,368	-	-	114,368
Special events	-	-	12,859	12,859
Staff development	4,156	6,036	-	10,192
Transportation	40,392	-	-	40,392
Travel, meals, and meetings	3,109	-	204	3,313
Utilities and telephone	22,312	4,536	1,200	28,048
Volunteer training/appreciation	4,865	370	-	5,235
Bank merchant fees	-	31	5,489	5,520
Total expenses before direct benefit to donors	1,429,391	155,799	176,664	1,761,854
Direct benefit to donors	-	-	(10,407)	(10,407)
Total expenses	\$ 1,429,391	\$ 155,799	\$ 166,257	\$ 1,751,447

Preston Taylor Ministries, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 842,192	\$ 742,847
Cash flows from operating activities		
Change in net assets	(240,654)	312,474
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	55,251	57,958
Amortization of discount on note payable	6,051	6,567
PPP loan forgiveness	-	(202,615)
Contributions of property and equipment	(2,850)	-
Loss on disposal of property and equipment	15,411	1,655
Change in:		
Contributions receivable	(2,448)	2,402
Prepaid expenses	(3,003)	(188)
Accounts payable	6,485	(3,141)
Accrued payroll and taxes	(23,497)	26,628
Net cash provided (used) by operating activities	<u>(189,254)</u>	<u>201,740</u>
Cash flows from investing activities		
Maturity of (additions) to certificate of deposit	79,189	(528)
Proceeds from the sale of investments	281	-
Proceeds from the disposal of property and equipment	1,200	2,800
Payments for property and equipment	<u>(37,204)</u>	<u>(88,000)</u>
Net cash provided (used) by investing activities	43,466	(85,728)
Cash flows from financing activities		
Payments on note payable	(16,666)	(16,667)
Net change in cash	<u>(162,454)</u>	<u>99,345</u>
Cash, end of year	\$ 679,738	\$ 842,192
Reconciliation of cash to statements of financial position		
Cash	\$ 570,965	\$ 728,982
Cash, designated for long-term purposes	<u>108,773</u>	<u>113,210</u>
	\$ 679,738	\$ 842,192

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

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 requires 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.

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.

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

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 2 to 40 years and is computed on the straight-line method.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

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.

PPP Loan

The Ministry 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 Ministry has elected to treat the PPP loan as debt.

Contributions of Cash and Other Financial Assets

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.

Contributions of Nonfinancial Assets

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.

Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

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
Personnel	Time and effort
Depreciation	Facility square footage
Utilities and telephone	Facility square footage and time and effort
Facilities 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

Recently Issued Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Ministry on January 1, 2022.

Note 3. Liquidity and Availability

The following represents the Ministry's financial assets:

	2022	2021
Financial assets		
Cash	\$ 679,738	\$ 842,192
Contributions receivable	63,593	61,145
Certificate of deposit	<u>-</u>	<u>79,470</u>
Total financial assets at year-end	743,331	982,807
Less: amounts not available to be used within one year		
Maintenance reserve	<u>(108,773)</u>	<u>(113,210)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 634,558	\$ 869,597

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 3. Liquidity and Availability

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. Grants Receivable

The grants receivable represents grant awards received by the Ministry but that have not yet been collected. The Ministry provides an allowance for estimated losses on grants receivable in the period deemed uncollectible. No allowance was deemed necessary as of December 31, 2022 and 2021. Grants receivable are considered current since they are expected to be collected within one year.

Note 5. Property and Equipment

Property and equipment consist of the following:

	2022	2021
Land	\$ 142,290	\$ 142,290
Building and improvements	815,946	814,441
Transportation vehicles	184,060	179,085
Computers and software	43,245	43,245
Furniture and equipment	31,079	31,079
Less: accumulated depreciation	<u>(448,139)</u>	<u>(409,851)</u>
Property and equipment, net	\$ 768,481	\$ 800,289

Depreciation expense was \$55,251 and \$57,958 for 2022 and 2021, respectively.

Note 6. PPP Loan

On April 14, 2020, the Ministry received a loan in the amount of \$202,615 in accordance with the PPP section of the CARES Act. On June 21, 2021, the Ministry was notified that the full amount of the loan had been forgiven. Accordingly, the Ministry has recognized the forgiveness as a contribution on the date of forgiveness.

Note 7. 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 0.0% and an imputed rate of 5.0%. The note matures in July 2031. Interest expense related to the note payable totaled \$6,051 and \$6,567 for 2022 and 2021, respectively. The note is collateralized by the property which was purchased with the proceeds.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 7. Note Payable, Related Party

A schedule of expected future payments are as follows:

Years ending December 31,		
2023	\$	16,667
2024		16,667
2025		16,667
2026		16,667
2027		16,667
Thereafter		<u>58,332</u>
Total		141,667
Less interest imputed at 5.0%		<u>(26,449)</u>
Total	\$	115,218

Note 8. Net Assets

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

Note 9. Contributions of Nonfinancial Assets

The following contributions of nonfinancial assets have been included in revenues and assets/expenses in the financial statements.

	2022	2021
Asset, vehicle	\$ 2,850	\$ -
Expenses, facility rent	82,560	81,440
Expenses, community outreach supplies	<u>20,000</u>	<u>30,000</u>
	\$ 105,410	\$ 111,440

The assets contributed are all used in the Ministry's ongoing program services. The van and facility rent are both valued at estimated fair value based on published amounts for similar assets and local rental rates. The community outreach supplies are valued at estimated fair value based on the approximate retail value of the items contributed.

Note 10. Leasing Arrangements

The Ministry provides programming at seven (six in 2021) locations for which the ministry space is provided free of charge. Contributed nonfinancial assets and rent expenses have been recorded on the statements of activities for this rent (see note 9). Four (five in 2021) of the leases are informal arrangements that are recorded on a month-to-month basis. The facilities with lease agreements contain yearly renewal options that can be cancelled by either the lessor or lessee with a 60-day notice.

The ministry has entered into an operating lease for office equipment. This lease is not material and therefore is not reported as lease right-to-use assets and lease liabilities. Total expense for this equipment was \$2,832 for 2022 and 2021.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 11. Concentrations

The Ministry has cash balances (and a certificate of deposit for 2021) in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$104,000 and \$323,000 at December 31, 2022 and 2021, respectively. The Ministry maintains its cash and certificate of deposit with high quality financial institutions which the Ministry believes limits these risks.

Note 12. Subsequent Events

The Ministry has evaluated subsequent events through July 31, 2023, the date on which the financial statements were available to be issued.