

Preston Taylor Ministries, Inc.

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

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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. (a Tennessee not-for-profit corporation), 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 Ministry 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 entity 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.

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
February 24, 2022

Preston Taylor Ministries, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 728,982	\$ 629,637
Contributions receivable	61,145	63,547
Certificate of deposit	79,470	78,942
Prepaid expenses	4,004	3,816
Cash, designated for long-term purposes	113,210	113,210
Property and equipment, net	<u>800,289</u>	<u>774,703</u>
Total assets	\$ 1,787,100	\$ 1,663,855
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,882	\$ 6,023
Accrued payroll and taxes	33,009	6,381
PPP loan	-	202,615
Note payable	<u>125,833</u>	<u>135,933</u>
Total liabilities	161,724	350,952
Net assets		
Without donor restrictions	1,480,531	1,217,363
With donor restrictions	<u>144,845</u>	<u>95,540</u>
Total net assets	<u>1,625,376</u>	<u>1,312,903</u>
Total liabilities and net assets	\$ 1,787,100	\$ 1,663,855

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			
Individuals	\$ 1,149,069	\$ 9,500	\$ 1,158,569
Foundations/corporate	286,115	135,345	421,460
In-kind	111,440	-	111,440
Churches	146,535	-	146,535
Special events (net of direct benefit to donors of \$10,407)	23,868	-	23,868
PPP loan forgiveness	202,615	-	202,615
T-shirt sales	694	-	694
Interest	395	-	395
Loss on disposal of property and equipment	(1,655)	-	(1,655)
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 Activities
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions			
Individuals	\$ 771,491	\$ 90,941	\$ 862,432
Foundations/corporate	345,386	95,540	440,926
In-kind	115,763	-	115,763
Churches	166,536	-	166,536
Special events (net of direct benefit to donors of \$9,798)	27,087	-	27,087
T-shirt sales	472	-	472
Interest	2,034	-	2,034
Loss on disposal of property and equipment	(729)	-	(729)
Net assets released from restrictions	<u>94,441</u>	<u>(94,441)</u>	<u>-</u>
Total support and revenues	1,522,481	92,040	1,614,521
Expenses			
Program services	1,346,252	-	1,346,252
Management and general	116,327	-	116,327
Fundraising	<u>103,351</u>	<u>-</u>	<u>103,351</u>
Total expenses	1,565,930	-	1,565,930
Change in net assets	(43,449)	92,040	48,591
Net assets, beginning of year	<u>1,260,812</u>	<u>3,500</u>	<u>1,264,312</u>
Net assets, end of year	\$ 1,217,363	\$ 95,540	\$ 1,312,903

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	<u>1,429,391</u>	<u>155,799</u>	<u>176,664</u>	<u>1,761,854</u>
Direct benefit to donors	<u>-</u>	<u>-</u>	<u>(10,407)</u>	<u>(10,407)</u>
Total expenses	\$ 1,429,391	\$ 155,799	\$ 166,257	\$ 1,751,447

Preston Taylor Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and general	Fundraising	Total
Personnel	\$ 962,415	\$ 53,187	\$ 76,168	\$ 1,091,770
Depreciation	42,264	11,271	2,818	56,353
Development	-	-	10,758	10,758
Facility maintenance and taxes	24,238	8,079	-	32,317
Facility rent	72,496	-	-	72,496
Insurance	5,349	3,489	-	8,838
Interest	5,294	1,765	-	7,059
Office supplies	1,646	6,389	3,228	11,263
Printing and postage	-	4,780	464	5,244
Professional fees	840	23,000	-	23,840
Programming supplies and fees	178,279	-	-	178,279
Special events	-	-	12,191	12,191
Staff development	1,638	99	-	1,737
Transportation	30,275	-	-	30,275
Travel, meals, and meetings	3,554	313	-	3,867
Utilities and telephone	16,169	3,895	825	20,889
Volunteer training/appreciation	1,795	-	-	1,795
Bank merchant fees	-	60	6,697	6,757
Total expenses before direct benefit to donors	1,346,252	116,327	113,149	1,575,728
Direct benefit to donors	-	-	(9,798)	(9,798)
Total expenses	\$ 1,346,252	\$ 116,327	\$ 103,351	\$ 1,565,930

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

	2021	2020
Cash, beginning of year	\$ 742,847	\$ 530,096
Cash flows from operating activities		
Change in net assets	312,474	48,591
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	57,958	56,353
Amortization of discount on note payable	6,567	7,059
Forgiveness of PPP loan	(202,615)	-
In-kind contribution of property and equipment	-	(13,635)
Loss on disposal of property and equipment	1,655	729
Change in:		
Contributions receivable	2,402	(61,047)
Prepaid expenses	(188)	133
Accounts payable	(3,141)	5,239
Accrued payroll and taxes	26,628	(1,324)
Net cash provided (used) by operating activities	<u>201,740</u>	<u>42,098</u>
Cash flows from investing activities		
Additions to certificate of deposit	(528)	(1,319)
Proceeds from the disposal of property and equipment	2,800	-
Payments for property and equipment	(88,000)	(13,976)
Net cash provided (used) by investing activities	<u>(85,728)</u>	<u>(15,295)</u>
Cash flows from financing activities		
Proceeds from PPP loan	-	202,615
Payments on note payable	(16,667)	(16,667)
Net cash provided (used) by financing activities	<u>(16,667)</u>	<u>185,948</u>
Net change in cash	<u>99,345</u>	<u>212,751</u>
Cash, end of year	\$ 842,192	\$ 742,847
Reconciliation of cash to statements of financial position		
Cash	\$ 728,982	\$ 629,637
Cash, designated for long-term purposes	113,210	113,210
	\$ 842,192	\$ 742,847

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

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 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 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, 2021 and 2020

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

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.

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.

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

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

Note 3. Availability and Liquidity

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

	2021	2020
Financial assets		
Cash	\$ 842,192	\$ 742,847
Contributions receivable	61,145	63,547
Certificate of deposit	<u>79,470</u>	<u>78,942</u>
Total financial assets at year-end	982,807	885,336
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 cash needs for general expenditures within one year	\$ 869,597	\$ 772,126

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.

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

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, 2021 and 2020. 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 at December 31:

	2021	2020
Land	\$ 142,290	\$ 142,290
Building and improvements	814,441	803,066
Transportation vehicles	179,085	108,385
Computers and software	43,245	55,267
Furniture and equipment	31,079	31,079
Less: accumulated depreciation	<u>(409,851)</u>	<u>(379,359)</u>
Property and equipment, net	\$ 800,289	\$ 774,703

Depreciation expense was \$57,958 and \$56,352 for the years ended December 31, 2021 and 2020, 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% and an imputed rate 5.0%. The note matures in July 2031. Interest expense related to the note payable totaled \$6,567 and \$7,059 for 2021 and 2020, 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, 2021 and 2020

Note 7. Note Payable, Related Party

A schedule of expected future payments as of December 31, 2021 are as follows:

Year ended December 31,		
2022	\$	16,667
2023		16,667
2024		16,667
2025		16,667
2026		16,667
Thereafter		<u>74,998</u>
Total		158,333
Less: interest imputed at 5.0%		<u>(32,500)</u>
Total	\$	125,833

Note 8. Net Assets

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

Note 9. 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:

	2021	2020
Expenses, facility rent	\$ 81,440	\$ 68,896
Expenses, community outreach supplies	30,000	33,232
Assets, property and equipment	<u>-</u>	<u>13,635</u>
	\$ 111,440	\$ 115,763

Note 10. Leasing Arrangements

The Ministry provides programming at six 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 9). Five 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
For the Years Ended December 31, 2021 and 2020

Note 10. **Leasing Arrangements**

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:

Year ended December 31,		
2022	\$	2,832
2023		<u>1,416</u>
Total	\$	4,248

Rent expense was \$88,329 and \$75,443 for 2021 and 2020, respectively.

Note 11. **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 \$323,000 and \$206,500 at December 31, 2021 and 2020, 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 February 24, 2022, the date on which the financial statements were available to be issued.