NASHVILLE YOUTH SPORTS CLUB, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2022

NASHVILLE YOUTH SPORTS CLUB, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2022

CONTENTS

BROWN & MAGUIRE

2715 Bransford Avenue, Nashville, TN 37204 | 615-242-0067
701 West 7th Street, Columbia, TN 38401 | 931-388-3008
3050 Business Park Circle Ste. 501, Goodlettsville, TN 37072 | 615-851-6160

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nashville Youth Sports Club, Inc.
Nashville, Tennessee

Opinion
We have audited the accompanying financial statements of Nashville Youth Sports Club, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

(Continued)

- 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.

Brown & Maguire CPAs, PLLC

Brown & Maguire CPAs, PLLC
Nashville, Tennessee
August 25, 2023

NASHVILLE YOUTH SPORTS CLUB, INC.
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022

ASSETS

Current Assets:	
Cash and cash equivalents	$ 1,322,283
Accounts receivable, net	5,010
Other current assets	520
Total current assets	1,327,813
Fixed Assets:	
Equipment	25,541
Accumulated depreciation	(11,594)
Total fixed assets	13,947
Total assets	$ 1,341,760

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	$ 5,115
Accrued expenses	30,769
EIDL loan, current portion of long-term debt	21,074
Deferred revenue	4,551
Total current liabilities	61,509
Long-term Liabilities:	
EIDL loan, non-current portion of long-term debt	1,065,826
Total liabilities	1,127,335
Net Assets:	
Without donor restrictions	214,425
With donor restrictions	-
Total net assets	214,425
Total liabilities and net assets	$ 1,341,760

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

NASHVILLE YOUTH SPORTS CLUB, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Program income, net of discounts of $69,454	$ 1,045,167	$ -	$ 1,045,167
Donations and sponsorships	88,373	-	88,373
Facility rental	90,230	-	90,230
Other income	27,811	-	27,811
Fundraising income	1,070	-	1,070
Interest income	618	-	618
Total support and revenue	1,253,269	-	1,253,269
Expenses			
Program services, youth sports	1,168,913	-	1,168,913
Management and general	181,689	-	181,689
Fundraising	1,187	-	1,187
Total expenses	1,351,789	-	1,351,789
Change in net assets	(98,520)	-	(98,520)
Net assets at beginning of year	312,945	-	312,945
Net assets at end of year	$ 214,425	$ -	$ 214,425

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

NASHVILLE YOUTH SPORTS CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services	Supporting Services		
	Youth Sports	Management and General	Fundraising	Total
Compensation	$ 388,704	$ 117,504	$ -	$ 506,208
Program expenses	318,480	-	-	318,480
Occupancy	180,784	-	-	180,784
Coach expense	67,751	-	-	67,751
Contract labor	66,864	-	-	66,864
Payroll taxes	35,137	9,322	-	44,459
Bank and merchant fees	33,950	984	-	34,934
Advertising	21,908	3,490	-	25,398
Insurance	16,812	-	-	16,812
Professional fees	-	14,700	-	14,700
Small equipment	5,962	7,185	-	13,147
Subscriptions	9,334	3,469	-	12,803
Benefits	-	11,733	-	11,733
Coach appreciation	11,034	421	-	11,455
Depreciation	5,108	-	-	5,108
Travel	2,140	2,882	-	5,022
Meeting	11	4,390	-	4,401
Supplies	973	2,996	-	3,969
Ministry	2,000	587	-	2,587
Admin fees	811	1,406	-	2,217
Fundraising	-	-	1,187	1,187
Background checks	862	171	-	1,033
Board appreciation	-	417	-	417
Contributions	150	-	-	150
Camps and clinics	139	-	-	139
Licenses	-	31	-	31
Total expenses	$ 1,168,913	$ 181,689	$ 1,187	$ 1,351,789

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

NASHVILLE YOUTH SPORTS CLUB, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Cash flows from operating activities:	
Decrease in net assets	$ (98,520)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	5,108
Decrease in accounts receivable	25,664
Decrease in other current assets	10,793
Increase in accounts payable and accrued expenses	7,362
Decrease in deferred revenue	(80,092)
Net cash used in operating activities	(129,685)
Cash flows from investing activities:	
Net cash provided by (used in) investing activities	-
Cash flows from financing activities:	
Proceeds from EIDL loan	936,900
Net cash provided by financing activities	936,900
Net increase in cash and cash equivalents	807,215
Cash and cash equivalents, at beginning of the period	515,068
Cash and cash equivalents, at end of the period	$ 1,322,283
Cash paid for interest	$ -
Cash paid for taxes	$ -

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

1. Description of the Organization and Summary of Significant Accounting Policies

The Nashville Youth Sports Club, Inc. (the "Organization") was launched in 2012 as an affiliated organization under Upward Sports, a national Christian ministry, providing sports programs to churches and communities. In 2019, the Organization created an independent basketball club operated out of Brentwood, TN. The new club is governed by its own Board of Directors and has a dedicated sports club leader in place. As part of its mission to continue "Planting Seeds for Christ through Basketball", the Organization offers comprehensive training and instruction to enrich the physical, emotional, social and spiritual development of young athletes in the Nashville, Tennessee area. The Organization uses paid coaches and volunteers to coach athletes and is supported primarily through revenue from program services.

Basis of Presentation

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds and cash bank accounts with an original maturity of three months or less to be cash and cash equivalents.

Net Assets Without Donor Restrictions

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as without donor restrictions under Financial Accounting Standards Board Accounting Standards Codification Topic 958, Not-for-Profit Entities.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Additionally, a number of unpaid volunteers have made contributions of their time to assist in coaching and special projects. However, these services do not meet the requirements above and have not been recorded.

Income Taxes

The Organization, which is not a private foundation, is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Additionally, as of September 30, 2022, the Organization has accrued no interest and no penalties.

Program and Supporting Services

The following program and supporting services were included in the accompanying financial statements.

> **Program Services**—Includes activities carried out to fulfill the Organization's mission to promote the discovery of Jesus through sports.
>
> **Management and General**—Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis as program or management and general in the statements of functional expenses. Additionally, the statement of activities and functional expense reports certain expenses as being attributable to both program and management functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

Advertising Costs

Advertising costs are expensed as incurred. There was $25,398 of advertising expense incurred during the year ended September 30, 2022.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management of the Organization to make estimates and assumptions that affect the reported assets and liabilities and contingency disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of September 30, 2022, reduced by any amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets	$	**1,327,764**
Financial assets available to meet cash needs for general expenditures within one year	$	**1,327,764**

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3. Accrued Expenses

Accrued expenses as of September 30, 2022 consisted of the following:

Credit card liabilities	$	**26,720**
Payroll liabilities		**4,049**
Total accrued expenses	$	**30,769**

4. Deferred Revenue

Deferred revenue represents revenues collected but not earned as of September 30, 2022. This is primarily composed of fees collected in advance for the program season following the fiscal year end. If a program is conducted over a fiscal year end, deferred revenue is recorded for all revenue related to programs conducted in the next fiscal year. The Organization's deferred revenue at September 30, 2022 was $4,551.

5. EIDL Loan

In May 2020, the Organization entered into a loan agreement with the United States Small Business Administration (the "SBA"), as the lender, pursuant to the SBA's Economic Injury Disaster Loan ("EIDL") assistance program in light of the impact of the COVID-19 pandemic on the Organization's business encompassing a $150,000 promissory note issued by the SBA. Additionally, in May 2022 the Organization received an requested an increase of $936,900 to the original promissory note (collectively the "EIDL Loan").

The proceeds of the EIDL Loan will be used by the Organization as working capital to alleviate economic injury caused by COVID-19. The EIDL Loan is secured by a security interest on all of the Organization's assets and is payable over 30 years at an interest rate of 2.75% per annum. Under the EIDL Loan, the Organization is required to pay principal and interest payments of $4,811.00 every month beginning in January 2023. All remaining principal and accrued interest is due and payable in July 2050. The EIDL Loan may be repaid at any time without penalty.

Further maturities of the EIDL Loan for years subsequent to September 30, 2022 are as follows:

	Principle
2023	$ 21,074
2024	28,783
2025	29,584
2026	30,408
2027	31,255
Thereafter	945,796
	1,086,900
Less current portion of debt	(21,074)
Long-term debt obligations	$ 1,065,826

6. Operating Lease Commitments

In October 2020, the Organization entered into a non-cancelable operating lease for court space at TOA Sports Center. Future minimum lease commitments under these lease agreements are as follows:

2023	$ 156,000
2024	162,000
2025	162,000
2026	162,000
2027	162,000
Thereafter	648,000
	$ 1,452,000

Rent expense for the fiscal year ended September 30, 2022 was $180,784.

7. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this Accounting Standards Update ("ASU") supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization's management is reviewing the impact the adoption of ASU 2016-02 will have on the Organization's financial statements.

8. Uncertainties

In March 2020, the novel coronavirus (or "COVID-19") was deemed a global pandemic by the World Health Organization. COVID-19 has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. The resulting regulations instituted across the United States to curb COVID-19 have resulted in a significant change in the operation of many businesses, including the potential to directly impact the operations of the Organization.

9. Subsequent Events

The Organization has evaluated all events or transactions that occurred after September 30, 2022, through August 25, 2023, the date these financial statements were issued. During this period, the Organization did not have any other material recognizable events that required recognition or disclosure in the September 30, 2022 financial statements.

*****