Forrest Spence Fund

FINANCIAL STATEMENTS

DECEMBER 31, 2019

REYNOLDS BONE & GRIESBECK PLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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December 31, 2019

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Forrest Spence Fund
Memphis, TN

We have audited the accompanying financial statements of Forrest Spence Fund (the Fund) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Reynolds, Bone & Griesbeck PLC

October 19, 2020

STATEMENT OF FINANCIAL POSITION

Forrest Spence Fund
December 31, 2019

ASSETS		
Current assets		
Cash and cash equivalents	$	416,006
Accounts receivable		2,500
Investments		487,171
Prepaid expenses		1,241
Total current assets		906,918
Cash - with donor restrictions		87,865
Property and equipment, net		5,425
Total assets	$	1,000,208
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$	4,249
Net assets - without donor restrictions		908,094
Net assets - with donor restrictions		87,865
		995,959
Total liabilities and net assets	$	1,000,208

See notes to financial statements.

STATEMENT OF ACTIVITIES

Forrest Spence Fund
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ 150,447	$ 44,785	$ 195,232
Special events	242,433	123,950	366,383
In-kind	23,365	-	23,365
Other revenue	521	-	521
Net assets released from restriction	138,918	(138,918)	-
Total revenues	555,684	29,817	585,501
Operating expenses:			
Program	337,619	-	337,619
Management and general	60,963	-	60,963
Fundraising	97,886	-	97,886
Total expenses	496,468	-	496,468
Change in net assets from operating activities	59,216	29,817	89,033
Nonoperating expenses:			
Investment and interest income	15,266	-	15,266
Net realized and unrealized gain on investments	66,110	-	66,110
Change in net assets from nonoperating activities	81,376	-	81,376
Change in net assets	140,592	29,817	170,409
Net assets at beginning of year	767,502	58,048	825,550
Net assets at end of year	$ 908,094	$ 87,865	$ 995,959

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Forrest Spence Fund
Year Ended December 31, 2019

	Program	Management and General	Fundraising	Total
Compensatory expenses				
Payroll and related expenses	$ 36,000	$ -	$ -	$ 36,000
Other expenses				
Accounting fees	11,351	1,513	2,270	15,134
Advertising and promotion	-	-	3,628	3,628
Bank charges and fees	-	3,427	8,743	12,170
Data and software fees	1,513	202	302	2,017
Donated goods and services	230,256	-	748	231,004
Dues and subscriptions	192	-	-	192
Insurance	-	2,432	943	3,375
Meals	15,000	-	-	15,000
Office expenses	2,810	375	562	3,747
Office internet and phone	1,857	248	371	2,476
Office supplies	-	-	10,521	10,521
Payroll and benefit fees	16,841	36,752	-	53,593
Postage and shipping	-	1,216	1,033	2,249
Printing related	-	8,693	210	8,903
Rent	13,214	1,762	2,643	17,619
Sales tax	21	-	-	21
Special events	-	-	44,876	44,876
Station operation costs - station parts	-	-	6,486	6,486
Subcontract labor	8,260	2,769	13,015	24,044
Travel	304	-	1,535	1,839
Total other expenses	301,619	59,389	97,886	458,894
Depreciation	-	1,574	-	1,574
	$ 337,619	$ 60,963	$ 97,886	$ 496,468

STATEMENT OF CASH FLOWS

Forrest Spence Fund
Year Ended December 31, 2019

Operating activities	
Change in net assets	$ 170,409
Adjustments to reconcile the change in net assets to net cash and cash equivalents provided by operating activities	
Depreciation	1,574
Net realized and unrealized gain on investments	(66,110)
Change in operating assets and liabilities:	
Accounts receivable	(2,500)
Prepaid expenses	(50)
Accounts payable	2,914
Net cash provided by operating activities	106,237
Investing activities	
Purchase of investments	(74,400)
Proceeds from sale of investments	60,398
Net cash used in investing activities	(14,002)
Net change in cash	92,235
Cash and cash equivalents at beginning of year	411,636
Cash and cash equivalents at end of year	$ 503,871
Reconciliation of cash and cash equivalents	
Cash and cash equivalents	$ 416,006
Cash - with donor restrictions	87,865
	$ 503,871

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Forrest Spence Fund (the Fund) has a mission to assist with the non-medical needs of critically or chronically ill children and their families throughout the Mid-South. The fund strives to accomplish its mission by focusing on four areas: meeting individual patient and family needs, working with institutions to better recognize and meet non-medical needs, connecting families with counseling and support groups and covering the cost of counseling for bereaved families, and proving grants to families demonstrating need.

Financial Statements

The Fund prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> <u>Net Assets Without Donor Restrictions</u> - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. The Fund's board may designate assets without restrictions for specific operational purposes from time to time.
>
> <u>Net Assets With Donor Restrictions</u> - 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 Fund or by a passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor-restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Continued

Use of Estimates

U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management considers the fair value of investments to be a significant estimate. See Note 2 for discussion of fair value measurements. Management believes that its estimates provided in the financial statements are reasonable.

Concentrations of Credit Risk

Due to the nature of its business and the volume of revenue activity, the Fund can accumulate, from time to time, bank balances in excess of the insurance provided by federal deposit insurance authorities. The risk of maintaining deposits in excess of amounts insured by federal deposit authorities is managed by maintaining such deposits in high quality financial institutions.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

Investments

The Fund's investments are reported at fair value. Donations of investments are recorded at fair value at the date of donation.

Long Lived Assets

Property and equipment are reported at cost at the date of acquisition less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the determination of revenues and expenses. The Fund capitalized all items greater than $500, relating to long lived assets.

The Fund reviews its long-lived assets, including property and equipment, for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. In the event an impairment exists, a loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. No impairment has been recognized in the accompanying statement of activities for the year ending December 31, 2019.

Continued

Revenue Recognition

Revenues are recognized when earned, generally upon receipt of a contribution or pledge or when funds relating to events become non-refundable.

In-Kind Contributions

The Fund records various types of in-kind contributions including professional services and non-cash assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, provided by individuals possessing those skills, and would (c) typically need to be purchased if not provided by donations.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

Type of Expense	Method of Allocation
Payroll and related expenses	Time and effort
Supplies and services	Actual cost
Other building occupancy	Square footage

Income Taxes

The Internal Revenue Service has ruled that the Fund qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to federal income tax under present income tax laws.

In accordance with U.S. GAAP, if applicable, the Fund recognizes interest expense and penalties related to uncertain tax positions as interest expense and penalties in management and general expense. No amounts have been recognized in management and general expense for the year ended December 31, 2019. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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Adoption of Accounting Principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) and applies to all entities that receive or make contributions, including business entities. For transactions in which a non-public entity serves as a resource recipient, the entity should apply the amendments in ASU No. 2018-08 on contributions received to annual periods beginning after December 15, 2018. For transactions in which a non-public entity serves as a resource provider, the entity should apply the amendments in ASU No. 2018-08 on contributions made to annual periods beginning after December 15, 2019. The Fund adopted ASU No. 2018-08 as of January 1, 2019, the effects of which were insignificant.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. It is intended to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP. The new guidance is effective for reporting periods beginning after December 15, 2019 (see ASU No. 2020-05). Early application is permitted for periods beginning after December 15, 2016. The Fund has elected not to early implement ASU No. 2014-09 at this time. The effects of adopting ASU No. 2014-09 have not been determined.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability among organizations by recording lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The effective date for the Fund of this new guidance is for reporting periods beginning after December 15, 2021 (see ASU No. 2020-05). Early implementation is permitted. The Fund has elected not to early implement ASU No. 2016-02 at this time. The effects of adopting ASU No. 2016-02 have not been determined.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses. The new guidance is effective for reporting periods beginning after December 15, 2022. Early adoption of ASU No. 2016-13 is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Fund has elected not to early implement ASU No. 2016-13 at this time. The effects of adopting ASU No. 2016-13 have not been determined.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, as part of its efforts to assist entities as they cope with the COVID-19 pandemic. ASU No. 2020-05 defers the effective date of FASB ASC 606 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) for annual reporting periods beginning after December 15, 2019, and for interim reporting periods beginning after December 15, 2020. However, those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018, and interim reporting periods beginning after December 15, 2019. For FASB ASC 842, *Leases*, ASU No. 2020-05 deferred the effective date by one year for private companies and private not-for-profits, to fiscal year beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application of FASB ASC 842 continues to be permitted.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. It is intended to improve transparency of contributed nonfinancial assets through additional presentation and disclosures. The amendments of this ASU require that a non-for-profit entity present contributed nonfinancial assets as a separate line item in the statement of activities, as well as enhanced disclosures regarding each type of contributed nonfinancial asset. The disclosures must discuss qualitative information about whether the assets were monetized or utilized, the entity's policy regarding monetizing rather than utilizing the nonfinancial assets, information regarding if there were any donor-imposed restrictions, how the entity arrived at the fair values of the nonfinancial assets and the principal market used to arrive at the fair value measurements. The new guidance is effective for reporting periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Fund has elected not to early implement ASU No. 2020-07 at this time. The effects of adopting ASU No. 2020-07 have not been determined.

Subsequent Events

Management has evaluated subsequent events through October 19, 2020, the date the financial statements were available to be issued. The recent outbreak of COVID-19 in the United States is expected to cause business disruption across a range of industries. The extent of the impact of COVID-19 on the Fund's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Fund's financial condition or results of operations is unknown at this time. No other subsequent events occurred requiring accrual or disclosure.

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2. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value and establishes a framework for measuring fair value. Fair value measurements apply to financial assets and liabilities, as well as non-financial assets and liabilities which are re-measured at least annually.

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable market data, when available, and minimizes the use of unobservable inputs when determining fair value. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the Fund's assumptions about the assumptions market participants would use in pricing an asset or liability based on the best information available in the circumstances.

The Fund groups its assets and liabilities measured at fair value in three levels based on the reliability of valuation inputs used to determine fair value. The proper level of fair value measurement is determined based on the lowest level of significant input. The levels are as follows:

- Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities.
- Level 2 valuations are based on inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (i.e., markets in which there are few transactions for the assets or liabilities, the prices are not current, or price quotes vary substantially either over time or among market makers), and modeling techniques based on inputs that are observable for the assets or liabilities.
- Level 3 valuations are based on modeling techniques using significant assumptions that are not observable in the market. The assumptions reflect the Fund's own assumptions that market participants would use in pricing the assets or liabilities.

The availability of observable inputs varies from product to product and is affected by a variety of factors, including the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment that would be exercised by the Fund in determining fair value is greatest if any instruments were categorized in Level 3.

Financial assets and liabilities measured at fair value on a recurring basis include the following:

Exchange traded funds: Valued at the closing price reported in the active market in which the individual securities or futures are traded.

Continued

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Information pertaining to investments measured at fair value as of December 31, 2019 on a recurring basis aggregated by valuation input level follows:

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 487,171	$ -	$ -	$ 487,171

3. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2019 consists of the following:

Furniture and equipment	$ 8,971
Accumulated depreciation	(3,546)
Net property and equipment	$ 5,425

4. COMMITMENTS AND CONTINGENCIES

The Fund leases office space under a lease agreement classified as an operating lease which expires in February 2021. Rent expense for the year ended December 31, 2019 was $17,619.

At December 31, 2019, approximate future minimum payments under the lease is as follows:

Year	
2020	$ 17,859
2021	2,983
	$ 20,842

5. NATURE AND AMOUNT OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 are restricted for the following purposes:

Subject to a restricted purpose		
To be used in the Nashville, TN area	$	86,701
Giving Back program		1,164
	$	87,865

Releases from donor restrictions for the year ended December 31, 2019 are as follows:

Subject to the Fund's spending policy and appropriation, including assistance relating to the Fund's mission	$	138,918

6. AVAILABILITY AND LIQUIDITY

As part of its ongoing liquidity management, the Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2019, the Fund's current unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Current unrestricted financial assets at year end:		
Cash and cash equivalents - without donor restrictions	$	416,006
Accounts receivable		2,500
Investments		487,171
Prepaid expenses		1,241
Total current unrestricted financial assets	$	906,918

It is the Fund's intent to maintain amounts equal to or greater than one year's worth of expenditures as liquid.