

REST STOP MINISTRIES, INC.

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022

REST STOP MINISTRIES, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR’S REPORT

DECEMBER 31, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITOR’S REPORT</u> .....	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Cash Flows .....	5
Statement of Functional Expenses .....	6
Notes to Financial Statements .....	7 - 12

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Rest Stop Ministries, Inc.  
Hermitage, Tennessee

### OPINION

We have audited the financial statements of Rest Stop Ministries, Inc. ("Organization"), a Tennessee not-for-profit corporation, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year 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 Rest Stop Ministries, Inc. as of December 31, 2022, and changes in their net assets and their 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 ("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 Rest Stop Ministries, Inc. 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 these 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 Rest Stop Ministries, Inc.'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 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 Rest Stop Ministries, Inc.'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 Rest Stop Ministries, Inc.'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.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee  
September 26, 2023

REST STOP MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	907,934
Accounts receivable		20,823
Inventory		42,450
Property and equipment, net		<u>632,149</u>

TOTAL ASSETS	\$	<u><u>1,603,356</u></u>
--------------	----	-------------------------

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	14,402
Accrued expenses		16,286
Notes payable		<u>417,459</u>

TOTAL LIABILITIES		<u>448,147</u>
-------------------	--	----------------

NET ASSETS

Without donor restrictions		<u>1,155,209</u>
----------------------------	--	------------------

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,603,356</u></u>
----------------------------------	----	-------------------------

See accompanying notes to the financial statements.

REST STOP MINISTRIES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

SUPPORT AND REVENUES

Contributions	\$ 1,085,334
In-kind inventory contribution	43,825
Fundraising events	40,106
Product sales	29,337
Less: cost of product sales	(40,646)
Interest income	251
Miscellaneous	1,300
	<hr/>

TOTAL SUPPORT AND REVENUES	<hr/> 1,159,507
----------------------------	-----------------

FUNCTIONAL EXPENSES

Program services	456,320
Supporting services:	
General and administrative expenses	97,357
Fundraising expenses	47,307
	<hr/>

TOTAL FUNCTIONAL EXPENSES	<hr/> 600,984
---------------------------	---------------

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	558,523
---	---------

NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR	<hr/> 596,686
---	---------------

NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<hr/> <hr/> \$ 1,155,209
---	--------------------------

See accompanying notes to the financial statements.

REST STOP MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 558,523
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	27,065
In-kind inventory contribution	(43,825)
(Increase) decrease in:	
Accounts receivable	10,272
Inventory	1,375
Increase (decrease) in:	
Accounts payable	7,441
Accrued expenses	<u>1,830</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>562,681</u>
---	----------------

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	<u>(10,500)</u>
---------------------------------------	-----------------

NET CASH USED IN INVESTING ACTIVITIES	<u>(10,500)</u>
---------------------------------------	-----------------

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on notes payable	<u>(30,000)</u>
---------------------------	-----------------

NET CASH USED IN FINANCING ACTIVITIES	<u>(30,000)</u>
---------------------------------------	-----------------

NET INCREASE IN CASH	522,181
----------------------	---------

CASH - BEGINNING OF YEAR	<u>385,753</u>
--------------------------	----------------

CASH - END OF YEAR	<u><u>\$ 907,934</u></u>
--------------------	--------------------------

See accompanying notes to financial statements.

REST STOP MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 268,089	\$ 52,647	\$ 32,838	\$ 353,574
Payroll taxes and benefits	26,045	5,115	3,190	34,350
<b>SALARIES AND RELATED EXPENSES</b>	<u>294,134</u>	<u>57,762</u>	<u>36,028</u>	<u>387,924</u>
Occupancy	52,062	-	-	52,062
Supplies	-	1,765	-	1,765
Miscellaneous	8,626	1,800	3,160	13,586
Transportation	14,717	-	-	14,717
Insurance	-	1,432	-	1,432
Telephone and communication	-	6,244	-	6,244
Dues and subscriptions	-	2,148	-	2,148
Postage	-	816	-	816
Licences and fees	-	2,124	-	2,124
Professional development	550	1,422	-	1,972
Event expense	-	-	8,119	8,119
Advertising	-	1,483	-	1,483
Legal fees	-	266	-	266
Professional fees	53,838	3,000	-	56,838
Interest and bank fees	-	15,335	-	15,335
Depreciation	25,305	1,760	-	27,065
Product cost	40,646	-	-	40,646
Screening	693	-	-	693
Participant needs	6,395	-	-	6,395
<b>TOTAL EXPENSES</b>	<u>496,966</u>	<u>97,357</u>	<u>47,307</u>	<u>641,630</u>
Less: expenses included with revenues on the statement of activities	<u>(40,646)</u>	<u>-</u>	<u>-</u>	<u>(40,646)</u>
<b>TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<u>\$ 456,320</u>	<u>\$ 97,357</u>	<u>\$ 47,307</u>	<u>\$ 600,984</u>

See accompanying notes to financial statements.



REST STOP MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 1 - GENERAL

Rest Stop Ministries, Inc. (“Organization”) is a not-for-profit 501(c)(3) faith-based corporation in the Nashville, Tennessee area dedicated to comprehensively restoring female survivors of domestic sex trafficking. The Organization follows a housing-first model and provides holistic survivor-centered, trauma-informed care in a long-term residential community. The Organization partners locally with End Slavery Tennessee as its primary referral agency, and also accepts other referrals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no net assets with donor restrictions as of December 31, 2022.

Cash and Cash Equivalents

Cash and cash equivalents consist of principally of checking balances that can be liquidated without significant penalty or restriction.

Revenue Recognition

*Contributions* - including unconditional promises to give, are recognized as revenues in the period the promise is made.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor’s obligation to transfer assets exists. The presence of both a barrier and right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

REST STOP MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

*Sale of inventory* - Revenues are recognized when control of products is transferred to customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products and services, less an estimate of variable consideration for return rights and discounts. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year. The nature of the Organization's business does not give rise to variable consideration.

For performance obligations related to the sale of general merchandise and food items, which is the sole source of contract revenue, control transfers to the customer at a point in time. The Organization's principal terms of sale are Freight On Board (FOB) Shipping Point, and the Organization transfers control and records revenue for product sales upon shipment to the customer.

Inventory

Inventory is stated at the lower of cost or net realizable value. Inventory primarily consists of general merchandise such as caps, T-shirts, throw blankets, etc. The Organization also sells some food items through its social enterprise Fried Green Tomatoes. Cost of sales, including shipping and handling, is included in expenses and is classified as program services in the Statement of Functional Expenses.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or, if donated, at the approximate fair value at the date of donation. The Organization's policy is to capitalize purchases with a cost of \$2,500 or more and an estimated useful life greater than one year. Costs of maintenance and repairs are charged to expense. When depreciable assets are disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the operations for the period. Depreciation is calculated by the straight-line method or over the asset's estimated useful lives.

REST STOP MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

The following program and supporting services classifications are included in the accompanying financial statements:

Program Services:

Residential Restoration Program - includes activities carried out to fulfill the Organization's mission by providing housing and treatment to survivors of domestic sex trafficking. Program services are the major purpose of the Organization.

Supporting Services:

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organizational oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. The expenses that are allocated include salaries and payroll taxes, which are allocated on the basis of estimates of time expended, and professional fees, professional development, depreciation and miscellaneous expenses, which are allocated on the basis of estimates of the related use of the office.

Donated Goods and Services

Donated facilities and materials are recorded as gifts in the period received at fair value if there is an objective and measurable basis for determining such value. In November 2022, the Organization received donated inventory. An in-kind donation of \$43,825 has been recognized for this donation.

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs. The value of contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

REST STOP MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Organization qualifies as a not-for-profit Organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Organization files a U.S. Federal Form 990 for Organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Sales Tax Collected

Sales tax collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising expenses amounted to \$1,483 for the year ended December 31, 2022.

Subsequent Events

The Organization has evaluated events and transactions that occurred between December 31, 2022 and September 26, 2023, the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

REST STOP MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

NOTE 3 - LIQUIDITY

The following represents the Organization's financial assets at December 31 2022:

Financial assets at year end:

Cash and cash equivalents	\$ 907,934
Accounts receivable	<u>20,823</u>

Financial assets available to meet general expenditures  
over the next twelve months

\$ 928,757

NOTE 4 - CONCENTRATION OF CREDIT RISK

Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022:

Buildings	\$ 788,843
Equipment and furniture	16,868
Vehicles	<u>16,450</u>
	822,161
Less accumulated depreciation	<u>(190,012)</u>
	<u>\$ 632,149</u>

REST STOP MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

NOTE 6 - NOTES PAYABLE

Notes payable consists of the following as of December 31, 2022:

Note payable to bank, payable in one principal payment plus all accrued interest at a variable rate (3.5% at December 31, 2022) through April 15, 2025; secured by substantially all the Organization's assets.	\$ 271,259
---	------------

Note payable to bank, payable in one principal payment plus all accrued interest at a variable rate (3.5% at December 31, 2022) through April 15, 2025; secured by substantially all the Organization's assets.	<u>146,200</u>
---	----------------

Total notes payable	<u>\$ 417,459</u>
---------------------	-------------------

The Organization is not required to make any principal payments until April 15, 2025; however, the Organization has chosen to make payments of \$15,000 to each note per year until maturity.