

# Forrest Spence Fund

FINANCIAL STATEMENTS

DECEMBER 31, 2020



REYNOLDS BONE & GRIESBECK PLC  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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*December 31, 2020*

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## **INDEPENDENT ACCOUNTANT'S REPORT**

The Board of Directors  
Forrest Spence Fund  
Memphis, TN

We have reviewed the accompanying financial statements of Forrest Spence Fund (the Fund) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.



### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Reynolds, Bone & Grisebeck PLC*

August 27, 2021

## STATEMENT OF FINANCIAL POSITION

*Forrest Spence Fund*  
*December 31, 2020*

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### ASSETS

#### Current assets

Cash and cash equivalents	\$ 436,835
Investments	610,338
Prepaid expenses	<u>3,354</u>
Total current assets	1,050,527

Cash - with donor restrictions	48,311
Property and equipment, net	<u>3,851</u>

Total assets	<u><u>\$ 1,102,689</u></u>
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### LIABILITIES AND NET ASSETS

Current liabilities - accrued liabilities	\$ 8,542
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Paycheck Protection Program loan payable	<u>17,537</u>
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Total liabilities	26,079
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#### Net assets

Without donor restrictions	1,028,299
With donor restrictions	<u>48,311</u>
Total net assets	1,076,610

Total liabilities and net assets	<u><u>\$ 1,102,689</u></u>
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## STATEMENT OF ACTIVITIES

*Forrest Spence Fund*

*Year Ended December 31, 2020*

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 213,876	\$ 50,385	\$ 264,261
Special events	179,191	36,329	215,520
In-kind	1,472	-	1,472
Other revenue	494	-	494
Net assets released from restriction	126,268	(126,268)	-
Total revenues	521,301	(39,554)	481,747
Operating expenses:			
Program	301,890	-	301,890
Management and general	85,654	-	85,654
Fundraising	52,021	-	52,021
Total expenses	439,565	-	439,565
Change in net assets from operating activities	81,736	(39,554)	42,182
Nonoperating expenses:			
Investment and interest income	12,518	-	12,518
Net realized and unrealized gain on investments	25,951	-	25,951
Change in net assets from nonoperating activities	38,469	-	38,469
Change in net assets	120,205	(39,554)	80,651
Net assets at beginning of year	908,094	87,865	995,959
Net assets at end of year	\$ 1,028,299	\$ 48,311	\$ 1,076,610

*See notes to financial statements.*

## STATEMENT OF FUNCTIONAL EXPENSES

*Forrest Spence Fund*  
*Year Ended December 31, 2020*

	Program	Management and General	Fundraising	Total
<b>Compensatory Expenses</b>				
Payroll and related expenses	\$ 56,449	\$ 31,471	\$ 2,653	\$ 90,573
<b>Other Expenses</b>				
5K Race	-	-	10,716	10,716
Accounting & Bookkeeping fees	-	23,649	-	23,649
Bank Charges	-	644	-	644
Bereavement Cart	7,459	-	-	7,459
Care Bags	38	-	-	38
Celebration Bags	7,067	-	-	7,067
Chattanooga Christmas Dinner	1,000	-	-	1,000
Comfort Cart	1,444	-	-	1,444
Counseling	7,473	-	-	7,473
Database	-	-	672	672
Family Benevolence	45,457	-	-	45,457
Family Dinners	5,437	-	-	5,437
Federal and state fees	-	41	-	41
Gas Cards	15,274	-	-	15,274
Giving Back	2,958	-	-	2,958
Grant payments	126,400	-	-	126,400
Hospital Need	7,360	-	-	7,360
Independent contractor	-	-	2,116	2,116
Insurance	-	2,482	-	2,482
LeBonheur Breakfast	1,627	-	-	1,627
Meal Vouchers	10,887	-	-	10,887
Miscellaneous	-	190	-	190
NICU Development Center	3,635	-	-	3,635
No Show Ball	-	-	8,017	8,017
Office Capital Expenses	-	860	-	860
Office Rent	-	17,878	-	17,878
Office supplies	-	1,441	-	1,441
Other Fundraising	-	-	4,808	4,808
Postage and Printing	-	242	15,268	15,510
Snack Bags	480	-	-	480
Spring Event/On Line Auction	-	-	3,111	3,111
Telephone	-	2,577	-	2,577
Toy Drive	79	-	-	79
Travel	-	-	864	864
Unit Appreciation Expense	1,366	-	-	1,366
Utilities	-	1,204	-	1,204
Various Fees (Federal, State, Paypal)	-	-	3,452	3,452
Volunteer Support	-	-	344	344
Website	-	1,401	-	1,401
Total expense before depreciation	245,441	52,609	49,368	347,418
Depreciation	-	1,574	-	1,574
Total expenses	\$ 301,890	\$ 85,654	\$ 52,021	\$ 439,565

*See notes to financial statements.*

## STATEMENT OF CASH FLOWS

*Forrest Spence Fund*  
*Year Ended December 31, 2020*

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Operating activities	
Change in net assets	\$ 80,651
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	(25,951)
Change in operating assets and liabilities:	
Accounts receivable	2,500
Prepaid expenses	(2,113)
Accounts payable	4,293
Net cash provided by operating activities	<u>60,954</u>
Investing activities	
Purchase of investments	(918,629)
Proceeds from sale of investments	<u>821,413</u>
Net cash used in investing activities	<u>(97,216)</u>
Financing activities - proceeds from Paycheck Protection loan payable	<u>17,537</u>
Net change in cash	(18,725)
Cash and cash equivalents at beginning of year	<u>503,871</u>
Cash and cash equivalents at end of year	<u><u>\$ 485,146</u></u>
Reconciliation of cash and cash equivalents	
Cash and cash equivalents	\$ 436,835
Cash - with donor restrictions	<u>48,311</u>
	<u><u>\$ 485,146</u></u>

*See notes to financial statements.*



## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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### 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 providing 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:

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 Fund. The Fund's board may designate assets without restrictions for specific operational purposes from time to time.

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 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.

## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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### *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, 2020.

## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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### *Revenue Recognition*

Management identified its material revenue transaction streams to be 1) contributions 2) income from special events and 3) investment income. Performance obligations and significant judgements for each of these transactions are recognized at the time of which it is earned. These are all considered to be recognized at the point in time the contribution is made, the special event occurs and investment income is earned.

### *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:

<u>Type of Expense</u>	<u>Method of Allocation</u>
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, 2020. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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### *Adoption of Accounting Principle*

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 606 *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Fund adopted ASC 606 effective January 1, 2020 using the modified retrospective transition method. The effects of adopting ASC 606 were insignificant.

### *Recent Accounting Pronouncements*

In February 2016, the FASB issued Accounting Standards Update (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. 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.

## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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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 August 27, 2021, the date the financial statements were available to be issued. The outbreak of COVID-19 in the United States continues 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. Except as included in Note 7, no other subsequent events occurred requiring accrual or disclosure.

## **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.

## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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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, U.S. treasury bills:* Valued at the closing price reported in the active market in which the individual securities or futures are traded.

The preceding methods 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.

## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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Information pertaining to investments measured at fair value as of December 31, 2020 on a recurring basis aggregated by valuation input level follows:

	<b><u>Assets at Fair Value as of December 31, 2020</u></b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 510,340	\$ -	\$ -	\$ 510,340
U.S. treasury bills	<u>99,998</u>	<u>-</u>	<u>-</u>	<u>99,998</u>
	<u>\$ 610,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 610,338</u>

### 3. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2020 consists of the following:

Furniture and equipment	\$ 8,971
Accumulated depreciation	<u>(5,120)</u>
Net property and equipment	<u>\$ 3,851</u>

### 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, 2020 was \$17,878.

At December 31, 2020, approximate future minimum payments under the lease is as follows:

<u>Year</u>	
2021	\$ 15,600
2022	15,600
2023	<u>2,600</u>
	<u>\$ 33,800</u>

*Continued*

## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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### 5. NATURE AND AMOUNT OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 are restricted for the following purposes:

Subject to a restricted purpose	
To be used in the Nashville, TN area	\$ 46,576
Giving Back program	<u>1,735</u>
	<u>\$ 48,311</u>

Releases from donor restrictions for the year ended December 31, 2020 are as follows:

Subject to the Fund's spending policy and appropriation, including assistance relating to the Fund's mission	\$ 126,268
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### 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, 2020, 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	\$ 436,835
Investments	610,338
Prepaid expenses	<u>3,354</u>
Total current unrestricted financial assets	<u>\$ 1,050,527</u>

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



## NOTES TO FINANCIAL STATEMENTS

*Forrest Spence Fund*  
*December 31, 2020*

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### **7. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE**

The Fund received a loan of \$17,537 in April 2020 under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) as part of the Paycheck Protection Program (PPP) to provide payroll assistance. This unsecured loan accumulates interest at a fixed rate of 1.00% on the unpaid principal balance and matures on April 29, 2022. Under the PPP, payments of principal and interest are deferred until the date the forgiveness amount is determined by the Small Business Administration (SBA) and a participant may wait up to 10 months to apply for forgiveness following the end of its covered period, which is the 24-week period beginning on the date the loan was first disbursed. If a participant does not apply for forgiveness within 10 months following the end of its covered period, then principal and interest payments begin on or after that date. On April 7, 2021, the Fund received notice from the SBA that the full balance of the loan has been forgiven and will be shown as a gain on extinguishment of loan payable on the statement of activities for the year ended December 31, 2021.