

MOVES AND GROOVES, INC.

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2022 AND JUNE 30, 2021

**MOVES AND GROOVES, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

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To the Board of Directors of
Moves and Grooves, Inc.
Nashville, TN

We have audited the financial statements of *Moves and Grooves, Inc.*, which comprise the statement of financial position as of June 30, 2022 and June 30, 2021, and the related statements of activities, cash flows, and functional expenses 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 *Moves and Grooves, Inc.* as of June 30, 2022 and June 30, 2021, 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 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 *Moves and Grooves, 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 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 *Moves and*

Grooves' 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, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users made on the basis of these 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 *Moves and Grooves'* 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 *Moves and Grooves'* 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 controls related matters that we identified during the audit.



SPD CPA Firm
Nashville, TN
January 27, 2023

MOVES AND GROOVES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND JUNE 30, 2021

	6/30/2022	6/30/2021
Assets		
Current assets		
Cash and cash equivalents	\$ 304,386	\$ 131,413
Security Deposits	<u>1,750</u>	<u>1,750</u>
Total current assets	306,136	133,163
Other assets		
Land	25,000	-
Building Acquisition Costs	<u>28,302</u>	<u>-</u>
	53,302	-
Total assets	<u><u>\$ 359,438</u></u>	<u><u>\$ 133,163</u></u>
Liabilities and net assets		
Current liabilities		
Accounts Payable	\$ 2,377	\$ 19,443
Credit Card Payable	<u>6,201</u>	<u>1,699</u>
Total current liabilities	<u>8,578</u>	<u>21,142</u>
Other liabilities		
Payroll Protection Program Loan	<u>-</u>	<u>64,759</u>
Total liabilities	8,578	85,901
Net Assets		
Without Donor Restrictions	<u>350,860</u>	<u>47,262</u>
Total net assets	<u>350,860</u>	<u>47,262</u>
Total liabilities and net assets	<u><u>\$ 359,438</u></u>	<u><u>\$ 133,163</u></u>

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

MOVES AND GROOVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021

	<u>6/30/2022</u>		<u>6/30/2021</u>
Revenues and Support			
Program Revenue	\$ 978		\$ 1,313
Federal Grant Funds	106,949		64,760
State and Local Grants	512,438	0.60	297,388
Contributions	2,286		21,723
Fundraising Income	231,408		76,709
Miscellaneous Income	49		239
Total Revenues and Support	<u>854,108</u>		<u>462,132</u>
 Expenses			
Program Services	335,146		231,884
Management & General	181,301		159,996
Fundraising Expenses	<u>34,063</u>		<u>46,624</u>
Total Expenses	550,510		438,504
 Change in Net Assets	303,598		23,628
Net Assets, Beginning of Year	47,262		23,634
Net Assets, End of Year	<u><u>\$ 350,860</u></u>		<u><u>\$ 47,262</u></u>

The accompanying notes are an integral part of these financial statements

MOVES AND GROOVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021

	<u>6/30/2022</u>	<u>6/30/2021</u>
Cash flows from operating activities		
Increase in net assets	\$ 303,598	\$ 23,628
Adjustments to reconcile change used in net assets to used net cash provided by (used in) operating activities:		
Prior period adjustment	-	(14,606)
Increase (Decrease) in accounts payable	(17,066)	5,189
Increase (Decrease) in credit card payable	4,502	(7,718)
Decrease in other current liabilities	-	(8,813)
Net cash provided by operating activities	<u>291,034</u>	<u>(2,320)</u>
Cash flows from investing activities		
Land Purchase Deposit	(25,000)	-
Building Acquisition Costs	<u>(28,302)</u>	<u>-</u>
Net cash used in investing activities	<u>(53,302)</u>	<u>-</u>
Cash flows from financing activities		
Payroll Protection Program Financing	<u>(64,759)</u>	<u>64,759</u>
Net cash provided by financing activities	<u>(64,759)</u>	<u>64,759</u>
Net increase in cash and cash equivalents	172,973	62,439
Cash and cash equivalents, beginning of year	<u>131,413</u>	<u>68,974</u>
Cash and cash equivalents, end of year	<u><u>\$ 304,386</u></u>	<u><u>\$ 131,413</u></u>

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

MOVES AND GROOVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Management & General	Fundraising Expense	Total
Salaries and Wages	169,499	\$ 150,113	\$ -	\$ 319,612
Payroll Taxes	11,663	11,484	-	23,147
Employee Benefits	6,253	-	-	6,253
Professional Fees	35,825	12,605	-	48,430
Special Events	-	-	34,063	34,063
Insurance Expense	6,853	-	-	6,853
Repairs and Maintenance	1,802	-	-	1,802
School Sites	11,636	-	-	11,636
Summer Camp	13,754	-	-	13,754
Business Meals	-	692	-	692
Employment Expenses	-	3,663	-	3,663
Advertising	20,996	-	-	20,996
Auto Expenses	387	-	-	387
Bank Charges	-	30	-	30
Professional Dues	2,170	-	-	2,170
Office Expenses	8,568	-	-	8,568
Other Expenses	-	244	-	244
Postage	119	-	-	119
Rent	29,857	-	-	29,857
Travel	3,225	-	-	3,225
Building Acquisition Costs	-	2,450	-	2,450
Utilities	12,539	-	-	12,539
Taxes & Licenses	-	20	-	20
Total Expenses	\$ 335,146	\$ 181,301	\$ 34,063	\$ 550,510

The accompanying notes are an integral part of these financial statements

MOVES AND GROOVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Management & General	Fundraising Expense	Total
Salaries and Wages	87,229	\$ 135,000	\$ -	\$ 222,229
Payroll Taxes	4,577	10,328	-	14,905
Employee Benefits	1,121	1,753	-	2,874
Professional Fees	7,300	3,232	-	10,532
Special Events	-	-	46,624	46,624
Insurance Expense	5,977	-	-	5,977
Repairs and Maintenance	1,719	-	-	1,719
School Sites	10,881	-	-	10,881
Summer Camp	17,150	-	-	17,150
Training	-	150	-	150
Business Meals	-	884	-	884
Employment Expenses	-	890	-	890
Advertising	21,075	-	-	21,075
Auto Expenses	831	-	-	831
Bank Charges	-	59	-	59
Professional Dues	858	-	-	858
Office Expenses	29,553	-	-	29,553
Other Expenses	-	7,656	-	7,656
Rent	29,296	-	-	29,296
Travel	2,068	-	-	2,068
Utilities	12,249	-	-	12,249
Taxes & Licenses	-	44	-	44
Total Expenses	\$ 231,884	\$ 159,996	\$ 46,624	\$ 438,504

The accompanying notes are an integral part of these financial statements

MOVES AND GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021

**NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of the Organization

Moves and Grooves, Inc. (The Organization) is a not-for profit corporation organized in the State of Tennessee on September 26, 2002 with a commitment to enhance the lives of at risk youth and young individuals ranging from ages 5 to 18, living in the Nashville Metropolitan Area. The Organization provides after school, dance and summer camp programs that help aid in the ARTS, academics, character, fitness and nutrition of the youth.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly revenue is recognized when earned, support and promises to give are recognized when received and expenses are recorded when incurred.

The financial statements presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification (FASB ASC 958), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, LDC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Net Assets Without Donor Restrictions — Net assets that are not restricted by purpose or time either temporarily or permanently by explicit donor stipulations or by law. Board designation does not constitute a donor restriction.

Net Assets With Donor Restrictions — Net assets that are restricted by purpose or time either temporarily or permanently by explicit donor stipulations or by law

As of June 30, 2022 and June 30, 2021, The Organization had no net assets with donor restrictions.

Revenue, Support, and Expenses

The Organization receives contributions from corporations and individual donors and recognizes revenue when cash or a firm promise to give is obtained.

Contributions received are measured at their fair value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

MOVES AND GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At year-end and throughout the year, The Organization cash balances were deposited in checking and saving accounts.

Income Taxes

The Organization is a tax-exempt entity under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for income tax is considered necessary.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments. The fair values of the noncurrent liabilities approximate the carrying amounts and are estimated based on the current rates offered to The Organization.

Advertising Costs

The Organization incurred and recorded advertising expense during the fiscal year 2022 and 2021 to announce program activities available and to make the public aware of its programs. None of the expense is considered direct-response advertising costs.

Functional Expenses

Management allocates expenses on a functional basis among its various programs including support services. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Fixed Assets

Disbursements for property and equipment with an initial cost of \$1,000 or more, are capitalized and reflected in the statement of financial position at cost. Expenditures for additions and major improvements are capitalized while those for maintenance and repairs are charged to expenses as incurred. Depreciation, which is reflected as an expense in the statement of activities, is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	3—15
Buildings	30—40
Additions to Building	10—15
Vehicles	5

MOVES AND GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021

NOTE 2—BUILDING ACQUISITION COSTS

The Organization is in the process of the construction of 12,000 square ft Center for the Arts. The pre-development costs associated with this construction project as of June 30, 2022 are capitalized as follow:

Land – Earnest Money Payment	\$ 25,000
Engineering Design Costs	6,159
Architectural Costs	<u>22,143</u>
Total	<u>\$ 53,302</u>

NOTE 3—CONCENTRATION OF REVENUE

The Organization receives over 60% of its program revenue from several State and Local grants. The current level of the Organization’s operations and services may be impacted or discontinued if the funding is not renewed.

NOTE 4—SPECIAL EVENTS

The Organization has special events during the year that represents the majority of their fundraising revenue and expenses. During the years ended June 30, 2022 and June 30, 2021, those revenues and expenses included the following:

June 30, 2022:

Event	Gross Receipts	Expenses	Total
Empowerment Luncheon and Capital Campaign	\$160,000	\$ 7,825	\$152,175
Art Splash	41,499	23,013	18,486
Halloween Bowl	7,238	3,225	4,013
Other Fundraising Activities	<u>22,671</u>	<u>-----</u>	<u>22,671</u>
Total	<u>\$ 231,408</u>	<u>\$ 34,063</u>	<u>\$197,345</u>

June 30, 2021:

Event	Gross Receipts	Expenses	Total
Empowerment Luncheon and Capital Campaign	\$ 60,410	\$ 45,839	\$14,571
Halloween Bowl	9,342	785	8,557
Other Fundraising Activities	<u>6,957</u>	<u>-----</u>	<u>6,957</u>
Total	<u>\$ 76,709</u>	<u>\$ 46,624</u>	<u>\$30,385</u>

MOVES AND GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021

NOTE 5—RENT

In January 2017, The Organization entered into a lease agreement for space to operate its programs, for a term of three years at a rate of \$1,745 per month plus Common Area Maintenance (CAM) expenses. In May 2020, the agreement was extended until July 2022 as follows:

Minimum Fixed Rental during the Extension Period shall be:

7/1/2020 – 6/30/2021	\$1,726.25/monthly	\$20,715.00/annually
7/1/2021 – 7/31/2022	\$1,778.04/monthly	\$21,336.48/annually

Rent expense as of June 30, 2022 and June 30, 2021, including CAM expenses was \$29,857 and \$29,296, respectively.

NOTE 6--PAYROLL PROTECTION PROGRAM

The Organization received loan proceeds in the amount of \$129,519 under the Payroll Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides loans to qualifying small businesses up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrow terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP.

In March 2021 and August 2021, The Organization received a letter from the Small Business Administration (SBA) authorizing the lender that the PPP loans granted had been forgiven.

NOTE 7—PRIOR PERIOD ADJUSTMENT

In 2020, an adjustment of \$14,606, was made to correct balances in the checking accounts.

NOTE 8--SUBSEQUENT EVENTS

The Organization is in the process of the obtaining construction financing. As of January 27, 2023, the construction financing is still in process.

There were no subsequent events requiring disclosure as of January 27, 2022, the date management evaluated such events. January 27, 2023 is the date the financial statements were available to be issued.