

Forrest Spence Fund

FINANCIAL STATEMENTS

DECEMBER 31, 2021



REYNOLDS BONE & GRIESBECK PLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Forrest Spence Fund
Memphis, TN

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forrest Spence Fund as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional 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 the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund'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.

Reynolds, Bone & Grisebeck PLC

June 13, 2022

STATEMENT OF FINANCIAL POSITION

Forrest Spence Fund
December 31, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 489,109
Investments	795,484
Prepaid expenses	3,236
Other current assets	14,643
Total current assets	<u>1,302,472</u>
 Cash - with donor restrictions	154,098
Property and equipment, net	<u>2,277</u>
 Total assets	<u><u>\$ 1,458,847</u></u>

LIABILITIES AND NET ASSETS

Current liabilities - accrued liabilities	\$ 13,903
 Net assets	
Without donor restrictions	1,290,846
With donor restrictions	154,098
Total net assets	<u>1,444,944</u>
 Total liabilities and net assets	<u><u>\$ 1,458,847</u></u>

STATEMENT OF ACTIVITIES

Forrest Spence Fund

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 216,620	\$ 96,278	\$ 312,898
Special events	170,703	154,268	324,971
In-kind	19,673	-	19,673
Other revenue	61,667	-	61,667
Net assets released from restriction	144,759	(144,759)	-
Total revenues	613,422	105,787	719,209
Operating expenses:			
Program	283,476	-	283,476
Management and general	69,688	-	69,688
Fundraising	108,409	-	108,409
Total expenses	461,573	-	461,573
Change in net assets from operating activities	151,849	105,787	257,636
Nonoperating expenses:			
Investment and interest income	7,515	-	7,515
Gain on extinguishment of loan payable	17,537	-	17,537
Net realized and unrealized gain on investments	85,646	-	85,646
Change in net assets from nonoperating activities	110,698	-	110,698
Change in net assets	262,547	105,787	368,334
Net assets at beginning of year	1,028,299	48,311	1,076,610
Net assets at end of year	\$ 1,290,846	\$ 154,098	\$ 1,444,944

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Forrest Spence Fund
Year Ended December 31, 2021

	Program	Management and General	Fundraising	Total
Compensatory Expenses				
Payroll and related expenses	\$ 51,253	\$ 5,191	\$ 17,332	\$ 73,776
Other Expenses				
5K Race	-	-	27,720	27,720
Administrative Assistant	-	4,484	-	4,484
Audit	-	6,500	-	6,500
Bank Charges	-	532	-	532
Benchmark	-	-	280	280
Bereavement Cart	8,245	-	-	8,245
Bookkeeping Fees	-	2,569	-	2,569
Breastmilk Coolers	476	-	-	476
Business Director	-	19,283	-	19,283
Care Bags	1,553	-	-	1,553
Celebration Bags	7,703	-	-	7,703
Chattanooga Christmas Dinner	1,000	-	-	1,000
Comfort Cart	929	-	-	929
Counseling	6,623	-	-	6,623
Family Benevolence	35,979	-	-	35,979
Family Dinners	8,307	-	-	8,307
Fire/Smoke Damage	-	2,294	-	2,294
Friends for Forrest	-	-	10,903	10,903
Gas Cards	14,988	-	-	14,988
Giving Back	12,997	-	-	12,997
Grant Payments	112,760	-	-	112,760
Hospital Need	2,821	-	-	2,821
Independent Contractor	-	-	3,910	3,910
Insurance	-	2,864	-	2,864
LeBonheur Breakfast	1,633	-	-	1,633
Meal Vouchers	5,271	-	-	5,271
NICU Development Center	7,230	-	-	7,230
No Show Ball	-	-	23,666	23,666
Office Capital Expenses	-	280	-	280
Office Rent	-	15,792	-	15,792
Office Supplies	-	2,742	-	2,742
Other Fundraising	-	-	2,487	2,487
Permit Fees	-	-	265	265

Continued

STATEMENT OF FUNCTIONAL EXPENSES

Forrest Spence Fund
Year Ended December 31, 2021

PICU Development Center	317	-	-	317
Postage and Printing	-	-	12,266	12,266
Snack Bags	449	-	-	449
Telephone	-	3,335	-	3,335
Tote Bags	769	-	-	769
Toy Drive	99	-	-	99
Transaction Fees	-	-	7,639	7,639
Travel	-	-	1,251	1,251
Unit Appreciation Expense	2,049	-	-	2,049
Utilities	-	1,689	-	1,689
Volunteer Support	25	-	690	715
Website	-	559	-	559
Total expense before depreciation	<u>283,476</u>	<u>68,114</u>	<u>108,409</u>	<u>459,999</u>
Depreciation	<u>-</u>	<u>1,574</u>	<u>-</u>	<u>1,574</u>
Total expenses	<u>\$ 283,476</u>	<u>\$ 69,688</u>	<u>\$ 108,409</u>	<u>\$ 461,573</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

Forrest Spence Fund
Year Ended December 31, 2021

Operating activities	
Change in net assets	\$ 368,334
Adjustments to reconcile the change in net assets to cash and cash equivalents provided by operating activities	
Depreciation	1,574
Net realized and unrealized gain on investments	(85,646)
Gain on extinguishment of loan payable	(17,537)
Change in operating assets and liabilities:	
Prepaid expenses	118
Other current assets	(14,643)
Accrued liabilities	5,361
Net cash provided by operating activities	257,561
Investing activities	
Purchase of investments	(366,101)
Proceeds from sale of investments	266,601
Net cash used in investing activities	(99,500)
Net change in cash	158,061
Cash and cash equivalents at beginning of year	485,146
Cash and cash equivalents at end of year	\$ 643,207
Reconciliation of cash and cash equivalents	
Cash and cash equivalents	\$ 489,109
Cash - with donor restrictions	154,098
	\$ 643,207

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Forrest Spence Fund
December 31, 2021

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, 2021

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, 2021.

NOTES TO FINANCIAL STATEMENTS

Forrest Spence Fund
December 31, 2021

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, 2021. 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, 2021

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (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 statement 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.

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.

NOTES TO FINANCIAL STATEMENTS

Forrest Spence Fund
December 31, 2021

Subsequent Events

Management has evaluated events through June 13, 2022, the date the financial statements were available to be issued, and no 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.

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.

NOTES TO FINANCIAL STATEMENTS

Forrest Spence Fund
December 31, 2021

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.

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, 2021, on a recurring basis aggregated by valuation input level follows:

<u>Assets at Fair Value as of December 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	<u>\$ 795,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795,484</u>

3. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2021, consists of the following:

Furniture and equipment	\$ 8,971
Accumulated depreciation	<u>(6,694)</u>
Net property and equipment	<u>\$ 2,277</u>

NOTES TO FINANCIAL STATEMENTS

Forrest Spence Fund
December 31, 2021

4. COMMITMENTS AND CONTINGENCIES

The Fund leases office space under a lease agreement classified as an operating lease which expires in February 2023. Rent expense for the year ended December 31, 2021, was \$15,792.

At December 31, 2021, approximate future minimum payments under the lease is as follows:

<u>Year</u>	
2022	\$ 15,600
2023	<u>2,600</u>
	<u>\$ 18,200</u>

5. NATURE AND AMOUNT OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021, are restricted for the following purposes:

Subject to a restricted purpose	
To be used in the Nashville, TN area	\$ 126,393
To be used in the Chattanooga, TN area	17,693
Giving Back program	<u>10,012</u>
	<u>\$ 154,098</u>

Releases from donor restrictions for the year ended December 31, 2021, are as follows:

Subject to the Fund's spending policy and appropriation, including assistance relating to the Fund's mission	\$ 144,759
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NOTES TO FINANCIAL STATEMENTS

Forrest Spence Fund
December 31, 2021

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, 2021, 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	\$ 489,109
Investments	795,484
Prepaid expenses	3,236
Other current assets	<u>14,643</u>
Total current unrestricted financial assets	<u><u>\$ 1,302,472</u></u>

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

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 to provide payroll assistance. This unsecured loan accrued interest at a fixed rate of 1.00% on the unpaid principal balance that would have matured on April 29, 2022. On April 7, 2021, the Fund received notice from the Small Business Administration that the full balance of the loan was fully forgiven and is shown as a gain on extinguishment of loan payable on the statement of activities for the year ended December 31, 2021.