

Hickory Log Vocational School, Inc.

Financial Statements

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Hickory Log Vocational School, Inc.
P.O. Box 300
White, Georgia 30184-0300

We have audited the accompanying financial statements of Hickory Log Vocational School, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hickory Log Vocational School, Inc. as of December 31, 2019 and 2018, 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.

RL Jennings & Associates, PC

RL Jennings & Associates, PC

Rome, Georgia
November 9, 2020

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HICKORY LOG VOCATIONAL SCHOOL, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 59,790	\$ 94,609
Prepaid expense	2,776	3,629
TOTAL CURRENT ASSETS	<u>62,566</u>	<u>98,238</u>
PROPERTY AND EQUIPMENT		
Equipment	142,177	142,177
Vehicles	29,965	29,965
Leasehold improvements	294,146	294,146
	<u>466,288</u>	<u>466,288</u>
Less: accumulated depreciation	(455,865)	(452,419)
	<u>10,423</u>	<u>13,869</u>
	<u>\$ 72,989</u>	<u>\$ 112,107</u>
CURRENT LIABILITIES		
Accounts payable	\$ 5,797	\$ 3,100
Payroll liabilities	6,316	4,119
TOTAL CURRENT LIABILITIES	<u>12,113</u>	<u>7,219</u>
NET ASSETS		
Without donor restrictions	33,964	66,460
With donor restrictions	26,912	38,428
TOTAL NET ASSETS	<u>60,876</u>	<u>104,888</u>
	<u>\$ 72,989</u>	<u>\$ 112,107</u>

See independent auditor's report and notes to the financial statements.

HICKORY LOG VOCATIONAL SCHOOL, INC.
 STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT		
Tuition	\$ 224,810	\$ 212,334
Contributions	77,022	29,153
United Way	61,775	67,115
Fundraising	30,538	28,328
Inkind donations	74,763	76,800
Other income	300	1,340
Interest	94	17
TOTAL SUPPORT AND REVENUE	<u>469,302</u>	<u>415,087</u>
WITHOUT DONOR RESTRICTIONS		
Net assets released from restrictions:		
Satisfaction of purpose restrictions	<u>21,916</u>	<u>8,041</u>
TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS	491,218	423,128
WITHOUT DONOR RESTRICTIONS		
EXPENSES		
Program services	404,151	296,098
Management and general	93,405	80,346
Fundraising	26,158	17,735
TOTAL EXPENSES	<u>523,714</u>	<u>394,179</u>
INCREASE (DECREASE) IN		
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(32,496)</u>	<u>28,949</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Net assets released from restrictions	(21,916)	(8,041)
Net assets restricted by donor	<u>10,400</u>	<u>46,469</u>
INCREASE (DECREASE) IN		
NET ASSETS WITH DONOR RESTRICTIONS	<u>(11,516)</u>	<u>38,428</u>
CHANGE IN NET ASSETS	(44,012)	67,377
BEGINNING NET ASSETS,		
AS PREVIOUSLY REPORTED	104,888	24,319
Prior period adjustment	<u>-</u>	<u>13,192</u>
BEGINNING NET ASSETS, AFTER ADJUSTMENT	<u>104,888</u>	<u>37,511</u>
ENDING NET ASSETS	<u>\$ 60,876</u>	<u>\$ 104,888</u>

See independent auditor's report and notes to the financial statements.

HICKORY LOG VOCATIONAL SCHOOL, INC.
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (44,012)	\$ 67,377
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,446	4,218
(Increase) decrease in accounts receivable	-	1,400
(Increase) decrease in prepaid expenses	853	(3,629)
Increase (decrease) in accounts payable	2,697	(3,169)
Increase (decrease) in accrued liabilities	2,197	16
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(34,819)	66,213
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for the purchase of property	-	(881)
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(881)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(34,819)	65,332
CASH AND EQUIVALENTS, BEGINNING	94,609	29,277
	<hr/>	<hr/>
CASH AND EQUIVALENTS, ENDING	<u>\$ 59,790</u>	<u>\$ 94,609</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for:		
Interest expense	<u>\$ 20</u>	<u>\$ 15</u>
In-kind donation of operating resources	<u>\$ 74,763</u>	<u>\$ 76,800</u>

See independent auditor's report and notes to the financial statements.

HICKORY LOG VOCATIONAL SCHOOL, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and general</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation and related expenses:				
Wages	\$ 216,826	\$ 29,958	\$ 12,989	\$ 259,773
Payroll taxes and employee benefits	19,935	5,316	1,329	26,580
TOTAL COMPENSATION	<u>236,761</u>	<u>35,274</u>	<u>14,318</u>	<u>286,353</u>
Advertising	1,270	-	81	1,351
Automobile expense	6,406	1,659	415	8,480
Computer and software	700	415	-	1,115
Depreciation	1,723	1,723	-	3,446
Dues and subscriptions	-	1,736	-	1,736
Insurance expense	13,327	3,554	888	17,769
Interest expense	-	20	-	20
Janitorial and cleaning	2,777	2,777	-	5,554
Legal and accounting	-	11,489	-	11,489
Miscellaneous	349	691	21	1,061
Office expense and supplies	439	5,639	-	6,078
Postage and shipping	354	94	24	472
Rent, utilities and phone	82,889	22,104	5,526	110,519
Repairs and maintenance	23,003	6,134	1,534	30,671
Resident expense - allowance	14,180	-	-	14,180
Resident expense - food	8,954	-	-	8,954
Resident expense - medical	444	-	-	444
Resident expense - other	9,547	-	-	9,547
Staff and training	667	-	-	667
Special events	-	-	3,327	3,327
Website	361	96	24	481
TOTAL EXPENSES	<u>\$ 404,151</u>	<u>\$ 93,405</u>	<u>\$ 26,158</u>	<u>\$ 523,714</u>

See independent auditor's report and notes to the financial statements.

HICKORY LOG VOCATIONAL SCHOOL, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and general</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation and related expenses:				
Wages	\$ 137,869	\$ 38,585	\$ 9,287	\$ 185,741
Payroll taxes and employee benefits	16,295	4,345	1,086	21,726
TOTAL COMPENSATION	<u>154,164</u>	<u>42,930</u>	<u>10,373</u>	<u>207,467</u>
Advertising	1,171	-	70	1,241
Automobile expense	7,114	1,897	474	9,485
Computer and software	-	420	-	420
Depreciation	2,109	2,109	-	4,218
Dues and subscriptions	-	831	-	831
Insurance expense	11,285	3,009	752	15,046
Interest expense	-	15	-	15
Janitorial and cleaning	119	119	-	238
Legal and accounting	-	2,537	-	2,537
Miscellaneous	-	2,214	-	2,214
Office expense and supplies	1,595	390	97	2,082
Postage and shipping	197	52	13	262
Rent, utilities and phone	77,505	20,668	5,167	103,340
Repairs and maintenance	11,344	3,025	756	15,125
Resident expense - allowance	22,340	-	-	22,340
Resident expense - food	4,774	-	-	4,774
Resident expense - medical	25	-	-	25
Resident expense - other	1,161	-	-	1,161
Staff and training	706	-	-	706
Website	489	130	33	652
TOTAL EXPENSES	<u>\$ 296,098</u>	<u>\$ 80,346</u>	<u>\$ 17,735</u>	<u>\$ 394,179</u>

See independent auditor's report and notes to the financial statements.

HICKORY LOG VOCATIONAL SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Hickory Log Vocational School, Inc. (the School) is a non-profit corporation in White, Georgia that is a private, non-profit personal care home that offers communal housing to men living with developmental and/or intellectual disabilities, as well as those with traumatic brain injuries. The School offers vocational skills, job training, meals, shelter, and financial management to the residents of the School. The School currently has the capacity to house 24 residents. The School receives the majority of its revenue from resident tuition, grants, contributions, United Way allocations, and fundraising events.

Basis of Presentation

The financial statements of the School have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Non-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School 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 School. The School's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions: Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

HICKORY LOG VOCATIONAL SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Accordingly, actual results could vary from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of current assets and liabilities, including cash and cash equivalents, approximates fair value because of the short maturity of those financial instruments.

Revenue and Support With and Without Donor Restrictions

All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

The School elected to adopt Accounting Standards Codification (ASC 958). In accordance with ASC 958, contributions received are recorded as support without donor restrictions or support with donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements of Activities as net assets released from restrictions.

HICKORY LOG VOCATIONAL SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The School is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Property and Equipment

Acquisitions of property and equipment are capitalized. Property and equipment are stated at historical cost and donated fixed assets are stated at fair market value on the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long the donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service. The School reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed using the straight-line method. Depreciation expense for the years ended December 31, 2019 and 2018 was \$3,446 and \$4,218, respectively. Repairs on equipment are expensed as incurred.

Advertising

The School uses advertising to promote its programs among the area it serves, and expenses advertising costs as incurred. Advertising expenses during 2019 and 2018 totaled \$1,351 and \$1,241, respectively.

Shipping and Handling Costs

The School expenses all shipping and handling costs in the period in which the costs are incurred. Shipping and handling expenses during 2019 and 2018 totaled \$472 and \$262, respectively.

Uncertain Tax Positions

The School is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), except on income derived from unrelated business activities. The School had no unrelated business activities. The School believes that it has appropriate support for any tax positions that are material to the financial statements.

HICKORY LOG VOCATIONAL SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the School are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The School's policy is to recognize the costs of compensated absences when actually paid to employees.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

All unconditional promises to give are due in less than one year.

Public Support

Support from the public includes the dollar value at December 31, 2019 and 2018, respectively, of amounts received at the special events and amounts from local contributions.

NOTE 2 – CONCENTRATION OF CREDIT RISK

As of December 31, 2019 and 2018, all deposit accounts maintained in financial institutions were covered by the U.S. Federal Deposit Insurance Corporation and were not exposed to any risk of loss.

NOTE 3 – DONATED MATERIALS AND SERVICES

The School receives donated services from a variety of unpaid volunteers assisting the School with programs. During the years ended December 31, 2019 and 2018, the value of contributed goods and services meeting the requirements for recognition in the financial statements included the donation of services and items used in the programs provided by the School. Based on the fair market value of these services and goods donated by the general public, these

HICKORY LOG VOCATIONAL SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 3 – DONATED MATERIALS AND SERVICES (Continued)

contributions are material and therefore recorded in the financial statements of the School as in-kind support. These donations are valued at \$74,763 and \$76,800, respectively.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31, 2019 and 2018:

	2019	2018
Day services building	\$ 14,500	\$ 14,500
Cleaning services	-	5,000
Furniture	-	3,804
Gaming system	98	500
Lighting conversion	3,104	3,104
Nutritional food	-	1,000
Salaries – Certified Nurse	6,500	6,500
Technology	2,710	4,000
Sign	-	20
	<u>\$ 26,912</u>	<u>\$ 38,428</u>

NOTE 5 – COST ALLOCATION

ASC 958 requires all not-for-profits to report expenditures by functional classification. Supporting activities are divided into three categories: (1) Program services (2) Management and general and (3) Fund raising. The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities and exhibit the relationship between functional and natural classifications. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. These expenses are allocated on the basis of estimates of time and effort and among the programs and supporting services benefited. The expenses that are allocated include depreciation, office and occupancy, as well as salary and benefits. Such allocations are determined by management on an equitable basis.

HICKORY LOG VOCATIONAL SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The School has \$59,790 of financial assets available within one year of the Statement of Financial Position date, December 31, 2019, to meet cash needs for general operating expenditures, consisting of cash of \$59,790.

The financial assets available include \$26,912 that is restricted to be used for the following:

	2019
Day services building	\$ 14,500
Cleaning services	-
Furniture	-
Gaming system	98
Lighting conversion	3,104
Nutritional food	-
Salaries – Certified Nurse	6,500
Technology	2,710
Sign	-
	<u>\$ 26,912</u>

As part of its liquidity management, the School structures its financial assets to be available as general expenditures, liabilities, and other obligations become due.

NOTE 7 – RESIDENT ACCOUNTS

The School is the custodian of funds for the residents of the School. These funds are not included in the financial statements of the School.

NOTE 8 – REVENUE AND REVENUE RECOGNITION

Contributions	The School recognizes contributions when received.
Tuition	The School recognizes tuition income when payments are received from residents.
United Way allocations	The School recognizes United Way allocations when received.
Fundraising	The School recognizes event revenue when received and the obligation has been met (i.e. the event has taken place). Payments are due at the time of event registration.

HICKORY LOG VOCATIONAL SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 9 – NEW ACCOUNTING STANDARDS

In June 2018, the FASB issued ASU 2018-08, *Not for Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the scope and accounting guidance for contributions received and contributions made by not-for-profit organizations, and provides guidance on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional.

The School adopted the standard on a modified prospective basis, and the adoption did not have a material impact on how the School accounts for its contributions received or made.

NOTE 10 – CONCENTRATIONS OF REVENUE SOURCES

For the year ended December 31, 2019, approximately 48% of the School's revenues are derived from tuition received from residents of the School, and 13% is received from United Way allocations. For the year ended December 31, 2018 approximately 51% of the School's revenues are derived from tuition received from residents of the School, and 16% is received from United Way allocations.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Net assets without donor restrictions at the beginning of 2018 have been adjusted for the correction of fixed assets and accumulated depreciation reported in prior years. The correction has no effect on the results of the current year's activities; however, the cumulative effect increases beginning net assets without donor restrictions for 2018 by \$13,192.

NOTE 12 – SUBSEQUENT EVENTS

The School has evaluated subsequent events through November 9, 2020, the date which the financial statements were available to be issued.

The spread of COVID-19 has severely impacted many local economies since December 31, 2019. In many states, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The School is an essential business, and due to the

HICKORY LOG VOCATIONAL SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 12 – SUBSEQUENT EVENTS (Continued)

“shelter in place” orders issued by the State of Georgia, the School limited activities and programs during the quarantine. Fundraising activities that were to be held during the quarantine were postponed to a later date. The School has experienced an increase in supplies expense for cleaning supplies in order to adhere to CDC recommendations for essential businesses. The School also applied for and received the Paycheck Protection Program loan and the Economic Injury Disaster Loan. The School has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the School for future periods.