

Financial Statements

EMERALD YOUTH FOUNDATION

Years Ended December 31, 2021 and 2020

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Trustees
Emerald Youth Foundation
Knoxville, Tennessee

Opinion

We have audited the accompanying financial statements of Emerald Youth Foundation, which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 Emerald Youth Foundation as of December 31, 2021 and 2020, 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 audits 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 Emerald Youth Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 misstatements, 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 Emerald Youth Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Emerald Youth Foundation'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 Emerald Youth Foundation'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.

Mitchell Emert & Hill

June 17, 2022

EMERALD YOUTH FOUNDATION
STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 9,065,627	\$ 4,889,245
Current portion of pledges receivable	2,926,029	3,403,230
Accounts receivable	35,268	588,213
Interest receivable	0	12,356
Notes receivable	0	300,000
Prepaid expenses	84,814	86,453
TOTAL CURRENT ASSETS	12,111,738	9,279,498
INVESTMENTS	4,100,000	2,300,000
LONG-TERM PLEDGES RECEIVABLE, net of current portion and present value discount	630,821	3,191,140
PROPERTY AND EQUIPMENT		
Land	211,100	211,100
Land improvements	169,880	169,880
Buildings	2,492,445	2,460,708
Donated use of facilities	10,203,077	10,305,625
Leasehold improvements	158,926	16,754
Furniture and equipment	433,249	343,973
Vehicles	898,849	990,680
Construction in process	59,810	78,942
	14,627,336	14,577,662
Accumulated depreciation	(5,334,388)	(4,462,728)
	9,292,948	10,114,934
	\$ 26,135,507	\$ 24,885,571

See the accompanying notes to the financial statements.

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 16,343	\$ 15,324
Other payables	<u>28,807</u>	<u>61,934</u>
TOTAL CURRENT LIABILITIES	45,150	77,258
NET ASSETS		
Net assets with donor restrictions	11,037,943	13,645,173
Net assets without donor restrictions	<u>15,052,414</u>	<u>11,163,140</u>
	<u>26,090,357</u>	<u>24,808,313</u>
	<u>\$ 26,135,507</u>	<u>\$ 24,885,571</u>

EMERALD YOUTH FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
SUPPORT AND REVENUE		
Contributions and grants	\$ 710,034	\$ 2,181,432
Special events, net of direct expenses	53,476	(15,534)
Program service fees	332,295	198,148
Service bureau fees	161,160	161,160
Facility rental	46,168	14,169
Donated investments	1,800,000	2,300,000
In-kind contributions	318,066	427,334
Paycheck Protection Program	921,350	921,350
Loss on disposal of capital assets	(518)	(68,764)
Interest income	20,845	27,851
Miscellaneous	14,545	12,466
	<u>4,377,422</u>	<u>6,159,611</u>
Net assets released from restrictions	<u>8,812,736</u>	<u>7,298,848</u>
	13,190,158	13,458,459
EXPENSES		
Program services	6,864,580	6,594,782
Management and general	1,396,417	998,153
Fundraising	1,039,888	1,050,540
	<u>9,300,884</u>	<u>8,643,475</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,889,274	4,814,985

See the accompanying notes to the financial statements.

EMERALD YOUTH FOUNDATION

STATEMENTS OF ACTIVITIES

(continued)

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
SUPPORT AND REVENUE		
Contributions and grants	6,205,506	2,632,181
Net assets released from restrictions	<u>(8,812,736)</u>	<u>(7,298,848)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(2,607,230)</u>	<u>(4,666,667)</u>
CHANGE IN NET ASSETS	1,282,044	148,318
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>24,808,313</u>	<u>24,659,996</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 26,090,357</u>	<u>\$ 24,808,313</u>

EMERALD YOUTH FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 3,422,368	\$ 843,464	\$ 511,420	\$ 4,777,252
Payroll taxes	253,127	60,154	36,694	349,975
Fringe benefits	492,536	107,539	75,490	675,565
Breakfast fundraiser	0	0	11,144	11,144
Professional services	138,456	170,811	142,007	451,274
Promotion and development	7,792	1,251	30,944	39,987
Rent	278,115	834	21,547	300,496
Maintenance and repair	91,622	2,091	1,196	94,909
Utilities	125,078	6,458	4,541	136,077
Food	138,623	8,441	33,562	180,626
Recreation	38,305	0	0	38,305
Supplies	406,718	25,511	45,410	477,639
Other programs	43,563	1,202	5,607	50,372
Postage	0	2,898	3,477	6,375
Telephone	14,390	12,604	5,836	32,830
Office	101,276	7,922	19,927	129,125
Outside printing	44,411	5,918	41,884	92,213
Permits and registration fees	47,682	7,163	27,183	82,028
Insurance	103,535	13,048	3,599	120,182
Technology	76,851	35,967	18,187	131,005
Training	3,012	6,090	0	9,102
Transportation	25,351	51	232	25,634
Depreciation	1,011,769	76,999	0	1,088,768
	<u>\$ 6,864,580</u>	<u>\$ 1,396,417</u>	<u>\$ 1,039,888</u>	<u>\$ 9,300,884</u>

See the accompanying notes to the financial statements.

EMERALD YOUTH FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 3,152,227	\$ 521,290	\$ 646,822	\$ 4,320,339
Payroll taxes	232,696	37,637	46,951	317,284
Fringe benefits	442,912	64,859	93,132	600,903
Breakfast fundraiser	0	0	9,113	9,113
Professional services	98,564	92,044	141,355	331,963
Promotion and development	4,600	20,205	0	24,805
Rent	298,391	19,012	600	318,003
Maintenance and repair	85,662	1,410	2,036	89,108
Utilities	112,524	3,658	6,245	122,427
Food	111,373	11,188	15,003	137,564
Recreation	34,287	0	0	34,287
Supplies	500,925	80,521	28,393	609,839
Other programs	28,385	229	2,128	30,742
Postage	0	2,516	3,439	5,955
Telephone	15,880	5,545	7,861	29,286
Office	72,774	21,686	3,867	98,327
Outside printing	46,752	31,599	2,762	81,113
Permits and registration fees	27,130	9,161	8,526	44,817
Insurance	88,975	5,967	11,900	106,842
Technology	207,652	15,342	20,407	243,401
Training	8,617	4,651	0	13,268
Transportation	5,029	1,741	0	6,770
Depreciation	<u>1,019,425</u>	<u>47,892</u>	<u>0</u>	<u>1,067,317</u>
	<u>\$ 6,594,782</u>	<u>\$ 998,153</u>	<u>\$ 1,050,540</u>	<u>\$ 8,643,475</u>

See the accompanying notes to the financial statements.

EMERALD YOUTH FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,282,044	\$ 148,318
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,088,768	1,067,317
Donated investments	(1,800,000)	(2,300,000)
Donated use of facilities	(25,637)	0
Loss on disposal of capital assets	2,908	68,764
(Increase)decrease in:		
Pledges receivable	3,037,520	3,839,047
Interest receivable	12,356	(3,000)
Accounts receivable	552,945	(533,890)
Prepaid expenses	1,639	(30,624)
Increase(decrease) in:		
Accounts payable	1,019	(15,690)
Other payables	(33,127)	50,394
	<u>2,838,391</u>	<u>2,142,318</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,120,435	2,290,636
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Payments received on notes receivable	300,000	0
Purchase of property and equipment	(244,053)	(589,323)
	<u>55,947</u>	<u>(589,323)</u>
NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES	<u>55,947</u>	<u>(589,323)</u>
NET INCREASE IN CASH	4,176,382	1,701,313
CASH AT THE BEGINNING OF THE YEAR	<u>4,889,245</u>	<u>3,187,932</u>
CASH AT THE END OF THE YEAR	<u>\$ 9,065,627</u>	<u>\$ 4,889,245</u>

See the accompanying notes to the financial statements.

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE A - DESCRIPTION OF ORGANIZATION

Emerald Youth Foundation (the Foundation) is a faith-based non-profit ministry serving children and their families in the heart of Knoxville, Tennessee. It was incorporated in 1991 to serve children and youth in Knoxville's urban neighborhoods and today provides outreach to well over 3,000 children, young adults, and families in economically disadvantaged communities each year. The Foundation endeavors to produce Godly, young adult leaders for Knoxville by helping individuals develop skills needed for college, career, and life; reduce risky behaviors and develop healthy habits; be better connected with friends, family, and other adults living inside and outside their neighborhoods; and become involved in a faith community as well as provide service to others. This is achieved through direct service to young people and their families through a variety of initiatives including the following:

- JustLead – In partnership with local churches and others, JustLead is a community-based ministry model which provides afterschool/summer programs, tutoring, support in transitioning from high school into post-secondary training, discipleship opportunities and mentoring experiences.
- Emerald Youth Sports – In partnership with the Fellowship of Christian Athletes, this program mobilizes athletes to become leaders through caring Christian ministry and pre-game devotionals, along with high quality clinics and team sports such as basketball, volleyball, baseball, soccer, swimming, and performance training.
- Calling and Career Ministry – This outreach to high school students and young adults provides support services as they transition to post-secondary experiences. Through supportive relationships with staff and volunteer mentors and tutors, young people explore their individual calling and receive guidance as they navigate the decisions that come throughout high school and early adulthood.

In addition to the areas above, the Foundation also utilizes a partnership model which engages directly with other strategic partners on community initiatives which accelerate outcomes for children in the city. One such example is the launch of a separate nonprofit, Emerald Charter Schools, the first public charter school in Knoxville. The Foundation is also piloting several new family initiatives aimed at engaging parents and guardians in their child's development. Another example of this is the partnerships the Foundation has forged for facility space for programming in neighborhoods across the City of Knoxville, Tennessee. The Sansom Sports Complex, E.V. Davidson Pool, New Hope Recreation Center, Mechanicsville Calling and Career Center, and the Haslam-Sansom Ministry Complex at Lonsdale are all examples of facilities owned by other entities but utilized and operated by the Foundation to engage young people in urban Knoxville.

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

The Foundation, formed by Emerald Avenue United Methodist Church, functions under a governing structure that includes a Board of Trustees, a Board of Advisors, as well as a committee structure. Financial support for the Foundation comes from individuals, businesses, foundations, churches, grants (including United Way of Greater Knoxville), civic organizations and government entities primarily in the Knoxville area. Additionally, the Foundation is funded by a federal AmeriCorps grant that began in 1998 and is utilized to supplement the nonreligious components of the Foundation.

After nearly three decades, the mission of Emerald Youth Foundation remains the same: To raise up a large number of urban youth to love Jesus Christ and become effective leaders who help renew their communities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The financial statements include the accounts of Emerald Youth Foundation and its wholly owned subsidiary, Emerald Force, LLC. Intercompany transactions and balances have been eliminated in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions they may undertake in the future, actual results could differ from those estimates. Estimates are used when accounting for fair value of pledges, allowances for uncollectible receivables, depreciation, allocation of expenses, and contingencies, among others.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits. For purposes of the statements of cash flows, the Foundation considers cash on deposit with financial institutions and all cash investments with original maturities of three months or less to be cash and cash equivalents.

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

Pledges Receivable

Unconditional pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contributions. Conditional promises to give are not recorded as support until such time as the conditions are substantially met.

Property and Equipment

Property and equipment are recorded at cost or estimated cost if actual cost is not available. Donated property and equipment are recorded at the estimated fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Depreciation expense for the years ended December 31, 2021 and 2020 was \$1,088,768 and \$1,067,317, respectively. The Foundation generally capitalizes all expenditures for property and equipment in excess of \$7,500. Costs of maintenance and repair are expensed as incurred.

Support and Revenue

Contributions are recorded as support when cash or other assets are received. Sales revenue is recognized when cash or other assets are received. Service bureau fees are billed monthly and are recognized as revenue when assessed. Donated assets are recorded at fair value when received.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions of property and equipment and other long-lived assets with explicit restrictions that specify how the assets are to be used, including cash contributed to acquire such assets, are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; the expiration of donor restrictions is reported when the donated or acquired assets are placed in service.

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

Functional Expense Allocation

The costs to provide various programs and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the program and supporting services benefited. Costs directly related to a specific function are charged to that function. Salaries and benefits are allocated based on an analysis of time spent on program services and other activities. Occupancy costs are allocated based on the use of the space.

Income Taxes

The Foundation is exempt from federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code, except on unrelated business income. The Foundation's income tax filings are open and subject to examination by the Internal Revenue Service generally for three years after they are filed. However, the Foundation is not currently under audit nor has the Foundation been contacted by this jurisdiction. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE C - PLEDGES RECEIVABLE

Pledges receivable are recorded at the present value of estimated future cash flows using a discount rate of 3.50%. Unconditional pledges receivable at December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 2,979,194	\$ 3,456,395
Allowance for uncollectible pledges	<u>(53,165)</u>	<u>(53,165)</u>
	2,926,029	3,403,230
One to five years	652,200	3,302,830
Present value discount	<u>(21,379)</u>	<u>(111,690)</u>
	<u>630,821</u>	<u>3,191,140</u>
Net pledges receivable	<u>\$ 3,556,850</u>	<u>\$ 6,594,370</u>

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

NOTE D - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation had the following financial assets available at December 31:

	<u>2021</u>	<u>2020</u>
Cash	\$ 9,065,627	\$ 4,889,245
Pledges receivable	2,926,029	3,403,230
Accounts receivable	35,268	588,213
Interest receivable	0	12,356
Investments	4,100,000	2,300,000
Notes receivable	<u>0</u>	<u>300,000</u>
	<u>\$ 16,126,924</u>	<u>\$ 11,493,044</u>
Financial assets at December 31	\$ 16,126,924	\$ 11,493,044
Less pledges receivable and net assets unavailable for general expenditures within one year, due to restrictions from donors for time or purpose restrictions	(1,997,482)	(3,280,600)
Less investments unavailable for general expenditures within one year	(4,100,000)	(2,300,000)
Less notes receivable unavailable for general expenditures within one year	<u>0</u>	<u>(300,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,029,442</u>	<u>\$ 5,612,444</u>

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

As discussed in Note E, the Foundation maintains lines of credits in the amounts of \$400,000 and \$300,000, of which the full amounts were available at December 31, 2021 and 2020.

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

NOTE E - DEBT

The Foundation has two unsecured lines of credit at a local bank in the amounts of \$400,000 and \$300,000 with variable interest rates and a maturity date of February 23, 2023. No line of credit had an outstanding balance as of December 31, 2021 or 2020.

NOTE F - INVESTMENTS

Investments at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Debt securities	\$ 4,100,000	\$ 2,300,000

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board's Accounting Standards Codification 820, *Fair Value Measurement*, are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments in debt securities are reported in the accompanying financial statements at fair value using unpaid principal balance (Level 3).

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

Changes in Level 3 values during the year ended December 31, 2021 were as follows:

Balance as of December 31, 2020	\$ 2,300,000
Donated investments	<u>1,800,000</u>
Balance as of December 31, 2021	<u>\$ 4,100,000</u>

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes:

	<u>2021</u>	<u>2020</u>
Pledges receivable restricted for future periods	\$ 3,556,850	\$ 6,594,370
Donated use of facilities	6,114,432	6,961,343
Claude Walker Park renovation	990,190	0
Other programs and ministries	<u>376,471</u>	<u>89,460</u>
	<u>\$ 11,037,943</u>	<u>\$ 13,645,173</u>

NOTE H - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ 7,119,378	\$ 5,494,610
Donated use of buildings	872,548	872,548
Academics	290,834	382,601
JustLead	22,500	21,000
Soccer programs	5,880	3,700
Sports	61,869	183,902
Claude Walker Park renovation	59,810	0
Other programs and ministries	<u>379,918</u>	<u>340,488</u>
	<u>\$ 8,812,736</u>	<u>\$ 7,298,848</u>

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

NOTE I - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of contributions and pledges receivable. Approximately 9% of contributions received during December 31, 2021 and 69% of pledges receivable at December 31, 2021 were received or were due from three contributors or related contributors (approximately 3% and 98% from three contributors or related contributors at December 31, 2020).

NOTE J - PENSION PLAN

The Foundation participates in a 403(b) retirement plan. Employees are eligible to participate after one year of service. The Foundation contributes 3.5% of an employee's compensation to the plan, which is 100% vested immediately. Eligible employees are permitted to make salary-reduction contributions to the plan on a pre-tax basis subject to prescribed limits. Employee discretionary contributions may also be made on an after-tax basis subject to limitations. Employees may elect to allocate their accounts among various investment options. The Foundation has the right to terminate the plan at any time by giving written notice to the plan administrator. The Foundation contributed \$121,092 for the year ended December 31, 2021 and \$111,822 for the year ended December 31, 2020.

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

NOTE K - DONATED GOODS, SERVICES AND USE OF FACILITIES

Donated goods and services are recorded in the financial statements at the fair value of the goods and services received. These goods and services were used in various program and fundraising activities. Donated goods and services for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Donated services	\$ 7,851	\$ 11,041
Use of facilities	264,413	279,413
Various administrative and program supplies	<u>45,803</u>	<u>136,880</u>
	<u>\$ 318,066</u>	<u>\$ 427,334</u>

Additionally, a substantial number of unpaid volunteers have donated significant amounts of their time to assist in all of the Foundation's programs. However, no amounts have been reflected in the accompanying financial statements for donated services because their services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

NOTE L - ENDOWMENT FUND

An endowment fund has been established at East Tennessee Foundation for the benefit of the Foundation. Under the terms of the fund agreement, East Tennessee Foundation has variance power and is the legal owner of the endowment fund. Accordingly, the endowment fund is not included in the accompanying financial statements. The Foundation is the beneficiary of the endowment fund and can receive distributions of income in accordance with the Foundation's spending policies.

NOTE M - RELATED PARTY TRANSACTIONS

The Foundation has a service agreement with Emerald Charter Schools to provide administrative assistance. Two of the Foundation's board members are also on the board of Emerald Charter Schools, which has a total of seven board members. The Foundation had accounts receivable from Emerald Charter Schools of \$0 at December 31, 2021 (\$11,801 at December 31, 2020).

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2021 and 2020

During the year ended December 31, 2021, the Emerald Academy paid \$156,000 to the Foundation for administrative assistance. Additionally, one of Emerald Charter School's board members are on the board of the Foundation and the Foundation owns two bonds which are payable by Emerald Charter Schools.

NOTE N - LEASE

The Foundation entered into a lease agreement with a local charitable foundation for the use of a sports complex in April 2015, a lease agreement with a local municipality for the use of a recreation center in September 2021, and a lease agreement with a local charitable foundation for the use of a ministry complex in August 2020. The consideration to be paid for the leases is \$1.00 per year and the initial terms of the leases are 10 years, 1 year and 15 years, respectively.

Accounting principles generally accepted in the United States of America require that the receipt of a commitment for the free use of facilities be recorded as a restricted contribution and an asset, calculated at the net present value of the future rental value over the term of the lease, not to exceed the total fair value of the asset being used. The resulting asset is amortized over the term of the lease, with the related amortization being reported as net assets released from restrictions and depreciation expense in the statement of activities.

The future rental value of the leases and the corresponding accumulated amortization are included in the accompanying statements of financial position for the years ended December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Sansom Sports Complex	\$ 5,052,440	\$ 5,052,440
New Hope Recreation Center	25,637	128,185
Haslam-Sansom Ministry Complex	<u>5,125,000</u>	<u>5,125,000</u>
	10,203,077	10,305,625
Accumulated amortization	<u>(4,088,645)</u>	<u>(3,344,283)</u>
	<u>\$ 6,114,432</u>	<u>\$ 6,961,342</u>

EMERALD YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021 and 2020

NOTE O - PAYCHECK PROTECTION PROGRAM

During the year ended December 31, 2021, the Foundation applied for and received forgivable loan amounts totaling \$921,350 through the Paycheck Protection Program which was administered by the Small Business Administration as part of the Coronavirus Aid, Relief and Economic Security Act. In order for these funds to be forgiven, these funds are only to be used for payroll, employee pension, health insurance, rent and utilities expenses. The balance of the loan was fully forgiven in December 2021. Accordingly, the amount expended on qualifying purchases is shown as support and revenue in the statements of activities.

NOTE P - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 17, 2022, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

NOTE Q – RECLASSIFICATION

Certain amounts reported on the statements of activities and statements of functional expenses for the year ended December 31, 2020 were reclassified to correctly present the special events revenue, net of direct expenses.