

**PAUL ANDERSON YOUTH HOME, INC.
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Paul Anderson Youth Home, Inc.
Vidalia, Georgia

We have audited the accompanying financial statements of the Paul Anderson Youth Home, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit 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 the Paul Anderson Youth Home, Inc. as of December 31, 2020, 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.

Janier, Deal + Proctor

Statesboro, Georgia
June 21, 2021

PAUL ANDERSON YOUTH HOME, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	565,710
Contributions in transit		41,390
Inventory		5,855
Prepaid insurance		5,336
Total Current Assets		<u>618,291</u>

NONCURRENT ASSETS

Cash and cash equivalents, restricted for long-term purposes		97,333
Marketable securities, restricted for long-term purposes		104,235
Property and equipment, net		1,941,684
Total Noncurrent Assets		<u>2,143,252</u>

TOTAL ASSETS

\$ 2,761,543

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	<u>80,076</u>
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NET ASSETS

With donor restrictions:		
Restricted for specific purposes		182,126
Endowment funds		96,139
		<u>278,265</u>
Without donor restrictions		2,403,202
Total Net Assets		<u>2,681,467</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,761,543

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

PAUL ANDERSON YOUTH HOME, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,342,815	\$ 118,375	\$ 1,461,190
Fundraising activities	294,974	-	294,974
Net realized and unrealized gains on marketable securities	-	23,994	23,994
Investment income	131	557	688
Parental assistance	462,225	-	462,225
Payroll protection program loan forgiven	245,543	-	245,543
Other	61,896	-	61,896
Net assets released from restriction	158,516	(158,516)	-
Total support and revenue	<u>2,566,100</u>	<u>(15,590)</u>	<u>2,550,510</u>
EXPENSES			
Program services	<u>1,557,299</u>	<u>-</u>	<u>1,557,299</u>
Support services:			
Management and general	428,201	-	428,201
Fundraising activities	<u>198,531</u>	<u>-</u>	<u>198,531</u>
Total support services	<u>626,732</u>	<u>-</u>	<u>626,732</u>
Total expenses	<u>2,184,031</u>	<u>-</u>	<u>2,184,031</u>
CHANGE IN NET ASSETS	382,069	(15,590)	366,479
NET ASSETS, JANUARY 1, 2020	<u>2,021,133</u>	<u>293,855</u>	<u>2,314,988</u>
NET ASSETS, DECEMBER 31, 2020	<u>\$ 2,403,202</u>	<u>\$ 278,265</u>	<u>\$ 2,681,467</u>

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

PAUL ANDERSON YOUTH HOME, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services	Support Services		Total Expenses
	Youth Home and School	Management and General	Fund Raising	
Salaries	\$ 915,596	\$ 261,809	\$ 114,218	\$ 1,291,623
Fringe benefits	43,995	10,821	6,248	61,064
Payroll taxes	69,463	18,205	8,367	96,035
Total compensation and benefits	1,029,054	290,835	128,833	1,448,722
Automobile	11,727	-	145	11,872
Bank charges	-	332	-	332
Clothing and personal	2,535	-	-	2,535
Computer	-	33,288	-	33,288
Continuing education	2,612	-	-	2,612
Contract labor	6,517	31,702	-	38,219
Depreciation	125,402	-	-	125,402
Dues and fees	7,606	2,177	5,156	14,939
Equipment	2,070	526	928	3,524
Food	64,540	176	3,608	68,324
Gifts	979	-	6,955	7,934
Graduation	545	-	-	545
Insurance	67,874	2,578	-	70,452
Interest	-	4,894	-	4,894
Marketing	22,585	-	24,698	47,283
Medical	739	-	-	739
Postage	104	2,765	6,776	9,645
Printing	673	1,116	6,224	8,013
Professional services	71,004	20,735	6,495	98,234
Rental	8,180	643	-	8,823
Repairs and maintenance	19,619	12,943	-	32,562
Staff development	1,564	10,780	160	12,504
Supplies	41,575	3,929	4,683	50,187
Telephone	10,222	-	-	10,222
Travel	1,257	-	3,631	4,888
Utilities	55,961	8,394	-	64,355
Other	2,355	388	239	2,982
Total expenses	\$ 1,557,299	\$ 428,201	\$ 198,531	\$ 2,184,031

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

PAUL ANDERSON YOUTH HOME, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 366,479
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	125,402
Gain on sale of equipment	(5,203)
Net unrealized and realized gains on marketable securities	(23,994)
Decrease in inventory	140
Increase in prepaid insurance	(5,336)
Increase in contributions in transit	(24,706)
Increase in accounts payable and accrued expenses	8,164
Net cash provided by operating activities	<u>440,946</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(59,645)
Proceeds from sale of equipment	5,600
Purchases of marketable securities	(557)
Net cash used by investing activities	<u>(54,602)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 386,344

CASH AND CASH EQUIVALENTS, JANUARY 1, 2020 276,699

CASH AND CASH EQUIVALENTS, DECEMBER 31, 2020 \$ 663,043

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ 4,894
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The accompanying notes are an integral part of these financial statements.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

The Paul Anderson Youth Home (the “Youth Home”) is a residential home located in Vidalia, Georgia providing Christian rehabilitation for young men, predominantly from the Southeastern United States, seeking an alternative to incarceration. Continuing the mission set by Paul Anderson and his wife, Glenda, in 1961, the Youth Home seeks to teach young men that they are created by God and have a special purpose in life. The Youth Home believes that young men with self-confidence and Christian character will become “givers” rather than “takers”, assets rather than liabilities. The Youth Home also provides help for parents of troubled teenagers through resources, counseling, and referrals.

The Youth Home’s unique program is designed to develop each young man spiritually, mentally, physically, emotionally, and socially. The daily curriculum combines Biblical teaching and academic training in our accredited high school, incorporating physical fitness, emotional development, and social awareness, while instilling a strong work ethic. The Youth Home’s staff provides over 300 combined years of experience ministering to and counseling young men and their families.

The Youth Home specializes in character building, which is evident in our over 90% success rate for those young men who graduate from the program. The low recidivism rate of the Youth Home alumni is attributed to our unique program as well as continued support from the Youth Home after graduation.

The Youth Home is a Christian charity. To ensure the Youth Home’s Christian foundation is not jeopardized, neither local, state, nor federal funds are accepted. We depend on the support of individuals, corporations, organizations, churches, and foundations who partner with the Youth Home to provide a second chance for the young men and their families who are entrusted to this ministry. To support the Youth Home, you can donate online, make purchases from our product lines, select from our planned giving opportunities, participate in our fundraisers, such as the annual Golf Classic, Bike Ride and Christmas Play, or partner in prayer.

Basis of accounting

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

Basis of presentation

The Youth Home prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP the Youth Home is required to report information regarding its financial position and activities in two classes of net assets:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations restricted for specific purpose or time periods. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Parental assistance revenue

The Youth Home requires the parents or guardians of young men enrolled in its program to sign an agreement to pay tuition monthly via bank draft. Therefore, tuition revenue is recognized as received each month.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Youth Home reports gifts of cash and other assets as assets without donor restrictions or assets with donor restrictions, depending on the existence or nature of any donor restriction. Contributions made to the Youth Home are considered available for unrestricted use unless specifically restricted by the donor. When a donor 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 reported in the statement of activities as net assets released from restrictions.

The Youth Home reports gifts of goods and equipment as contributions without donor restriction when placed in service unless the donor has restricted the use of the asset to a specific purpose or time period. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose or time period.

Contributed services

No amounts have been reflected in the financial statements for contributed services. Numerous volunteers have donated significant amounts of time to the Youth Home's program services, but the criteria for recognition of these services under GAAP has not been met.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash equivalents policy

For purposes of the statement of cash flows, the Youth Home considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of credit risk

The Youth Home maintains cash balances at a local commercial bank in Vidalia, Georgia. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2020, the Youth Home's uninsured cash balances totaled approximately \$413,000.

Marketable securities

The Youth Home carries investments in both debt and equity securities at their fair values. Securities donated to the Youth Home are stated at fair value at the date of donation. Unrealized gains or losses resulting from changes in fair values are included with realized gains or losses in the financial statements and are included in the change in net assets.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists primarily of books, DVDs, and tee shirts available for sale. Inventory is stated at the lower of cost or net realizable value by using the first in, first out (FIFO) method.

Property and equipment

Property and equipment are recorded at cost if purchased and at estimated fair value if received as a contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

	<u>Years</u>
Land improvements	5-20
Buildings and improvements	5-40
Furniture, equipment and vehicles	3-10

Tax status

The Youth Home is considered a 501(c)(3) corporation under the Internal Revenue Code and as such, pays no federal or state income taxes on all revenues related to its tax-exempt functions. The Youth Home believes that 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.

Allocation of expenses

The Youth Home allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific programs and support services are directly allocated thereto. Other expenses that are common to several functions are allocated by percentages determined by management. These percentages are determined primarily based on the estimated staff hours devoted to each program or support service.

Fair value measurements

Generally accepted accounting principles provide a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Assets and liabilities that are required to be recorded at fair value in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 – Other observable inputs, either directly or indirectly, including:

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

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – MARKETABLE SECURITIES

The following is a summary of marketable securities, which are valued as Level 1 investments at December 31, 2020:

Mutual funds	<u>\$104,235</u>
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NOTE 3 – PROPERTY AND EQUIPMENT

As of December 31, 2020, property and equipment consisted of:

Land and land improvements	\$ 536,408
Buildings and improvements	3,044,029
Furniture, equipment and vehicles	<u>1,888,812</u>
	5,469,249
Less accumulated depreciation	<u>(3,527,565)</u>
	<u>\$ 1,941,684</u>

NOTE 4 – LINE OF CREDIT

The Youth Home has a \$250,000 line of credit, secured by real property, with a fixed interest rate of 5%. The line expires January 6, 2022. The outstanding balance on the line was zero at December 31, 2020.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

The Youth Home's net assets with donor restrictions are available for the following purposes:

Available for expenditure for specific purpose:	
Museum building activities	\$ 104,235
Property improvements	4,425
Education	45,428
Equipment	13,038
Tuition assistance	<u>15,000</u>
	<u>182,126</u>
Endowment funds:	
Scholarships	34,899
Any activities of the Youth Home	<u>61,240</u>
	96,139
Total Net Assets with Donor Restrictions	<u>\$ 278,265</u>

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – ENDOWMENT FUNDS

The Youth Home's endowments consist of three individual funds established primarily for scholarships and Youth Home support. Its endowments include only donor-restricted endowment funds.

The Youth Home interprets the State Prudent Management of Institutional Funds (SPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Youth Home classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The Youth Home has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Youth Home's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The current long-term return objective is based on a three-year moving average based on the type of investment. Actual returns in any given year may vary from these averages. To satisfy its long-term rate of return objectives, the Youth Home relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Youth Home targets a diversified asset allocation that places an emphasis on achieving long-term return objectives with prudent risk parameters.

The spending policy of the Youth Home, assuming that the fair value of endowment fund assets exceed the original endowment amount, is that up to 50% of the investment income earned by endowment fund investments, net of related expenses and of any donor-imposed restrictions on endowment income may be expended for the donor's required purpose, if any. The Youth Home has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. No funds were expended from the Youth Home's underwater endowments during the year ended December 31, 2020. Investment income includes all interest, dividends and realized gains from endowment fund investments.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Youth Home to retain as a fund of perpetual duration. Deficiencies of this nature exist in the 3 donor-restricted endowment funds, which together have an original gift value of \$113,142, a current fair value of \$96,139, and a deficiency of \$17,003 as of December 31, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – ENDOWMENT FUNDS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2020

	Original Donor Restrictions	Accumulated Investment Losses	Total
Endowment net assets, beginning of year	\$ 112,267	\$ (17,003)	\$ 95,264
Contributions	875	-	875
Endowment net assets, end of year	<u>\$ 113,142</u>	<u>\$ (17,003)</u>	<u>\$ 96,139</u>

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Youth Home monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The Youth Home has the following financial assets that could readily be made available within one year of the balance sheet date to fund expenses without limitations:

Cash and cash equivalents	\$ 663,043
Marketable securities	104,235
Contributions in transit	41,390
Total financial assets	<u>\$ 808,668</u>
Financial assets subject to donor restrictions	<u>(278,265)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 530,403</u>

NOTE 8 – FUND RAISING ACTIVITIES

Revenues and direct expenses from fundraising activities were as follows for the year ended December 31, 2020:

Revenues:	
Golf tournament	\$ 74,338
Bike ride	148,334
Christmas play	46,110
Run	26,192
	<u>294,974</u>
Expenses:	
Golf tournament	13,308
Bike ride	12,212
Christmas play	5,958
Run	3,276
	<u>34,754</u>
Net profit	<u>\$ 260,220</u>

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – RETIREMENT PLAN

Effective January 2016, the Youth Home adopted a 401(K) Safe Harbor Profit Sharing plan that covers all full-time employees who have met certain service requirements. The Youth Home matches 3% of participants' compensation, plus 50% of participants' elective deferrals that exceed 3% of the participants' compensation, but not to exceed 5% of the participants' compensation. Retirement plan expense was \$21,837 for the year ended December 31, 2020.

NOTE 10 – CONCENTRATION OF CONTRIBUTIONS

Approximately 41% of contributions were received from six donors during 2020.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued, which was June 21, 2021.