

ON POINT

Chattanooga, Tennessee

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of On Point

Opinion

We have audited the accompanying financial statements of On Point (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, 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 On Point as of June 30, 2024 and 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of On Point 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; 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.

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 On Point's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits 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 auditors' 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 On Point'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 On Point'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 our audit, significant findings, and certain internal control related matters that we identified during the audit.

Johnson, Wiley & Menckem, P.C.

Chattanooga, Tennessee
December 9, 2024

ON POINT
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>ASSETS</u>	
	2024	2023
CURRENT ASSETS		
Cash	\$ 772,274	\$ 724,417
Pledges receivable	6,250	1,100
Inventory	12,832	11,268
Prepaid expenses	11,773	11,173
Total current assets	803,129	747,958
PROPERTY AND EQUIPMENT		
Leasehold improvements	6,874	6,874
Computer equipment and software	150,185	150,185
	157,059	157,059
Less accumulated depreciation and amortization	150,770	143,371
	6,289	13,688
OTHER ASSETS		
Deposits	1,085	1,085
Operating lease right-of-use asset	199,894	238,494
	200,979	239,579
Total assets	<u>\$ 1,010,397</u>	<u>\$ 1,001,225</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 13,440	\$ 13,318
Current portion of operating lease liability	46,869	42,818
Accrued payroll and other expenses	32,239	26,662
Accrued expenses	2,083	-
Total current liabilities	94,631	82,798
LONG-TERM LIABILITIES		
Operating lease liability, less current portion shown above	156,551	198,601
NET ASSETS WITHOUT DONOR RESTRICTIONS	759,215	719,826
Total liabilities and net assets	<u>\$ 1,010,397</u>	<u>\$ 1,001,225</u>

(The accompanying notes are an integral part of these statements.)

ON POINT
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2024 AND 2023

	Without Donor Restrictions	
	2024	2023
PRODUCT SALES	\$ 2,565	\$ 3,304
COST OF PRODUCTS SOLD	<u>585</u>	<u>1,995</u>
Gross profit on sales	1,980	1,309
SUPPORT AND OTHER REVENUE		
Contributions	989,148	1,083,011
Special events	106,862	122,644
Paycheck Protection Program loan	-	164,900
Contract services	6,660	-
Employee Retention Tax Credit	79,491	-
Miscellaneous income	<u>16,577</u>	<u>34</u>
Total support and other revenue	<u>1,198,738</u>	<u>1,370,589</u>
Total net sales, support and other revenue	1,200,718	1,371,898
EXPENSES		
Program services	1,010,709	1,068,585
General and administrative	71,993	83,080
Fundraising	<u>78,627</u>	<u>75,153</u>
Total expenses	<u>1,161,329</u>	<u>1,226,818</u>
NET INCREASE IN NET ASSETS	39,389	145,080
NET ASSETS		
Beginning	<u>719,826</u>	<u>574,746</u>
Ending	<u><u>\$ 759,215</u></u>	<u><u>\$ 719,826</u></u>

(The accompanying notes are an integral part of these statements.)

ON POINT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services	General & Administrative	Fundraising	Total
Business and professional insurance	\$ 5,602	\$ 156	\$ 326	\$ 6,084
Community education	67,325	-	-	67,325
Computer supplies and expense	9,620	269	560	10,449
Depreciation and amortization	6,813	190	397	7,400
Maintenance and repairs	5,005	140	291	5,436
Marketing and development	-	-	2,596	2,596
Miscellaneous	-	3,581	-	3,581
Office and postage	9,873	276	575	10,724
Professional fees	-	43,200	-	43,200
Program supplies	19,646	-	-	19,646
Other program expenses	14,133	-	-	14,133
Rent	43,977	1,228	2,559	47,764
Salaries	603,883	16,865	35,146	655,894
Payroll taxes and employee benefits	184,679	5,157	10,748	200,584
Telephone and utilities	11,652	325	678	12,655
Training	17,873	309	24,132	42,314
Travel	10,628	297	619	11,544
	<u>\$ 1,010,709</u>	<u>\$ 71,993</u>	<u>\$ 78,627</u>	<u>\$ 1,161,329</u>

(The accompanying notes are an integral part of these statements.)

ON POINT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	General & Administrative	Fundraising	Total
Business and professional insurance	\$ 5,501	\$ 227	\$ 301	\$ 6,029
Community education	84,820	-	-	84,820
Computer supplies and expense	9,704	401	532	10,637
Depreciation and amortization	6,751	279	370	7,400
Maintenance and repairs	5,911	244	324	6,479
Marketing and development	-	-	4,817	4,817
Miscellaneous	-	4,030	-	4,030
Office and postage	10,857	449	595	11,901
Professional fees	-	41,300	-	41,300
Program supplies	47,109	-	-	47,109
Other program expenses	10,548	-	-	10,548
Rent	45,365	1,875	2,485	49,725
Salaries	615,500	25,433	33,721	674,654
Payroll taxes and employee benefits	184,051	7,605	10,084	201,740
Telephone and utilities	12,330	509	676	13,515
Training	18,962	266	20,636	39,864
Travel	11,176	462	612	12,250
	<u>\$ 1,068,585</u>	<u>\$ 83,080</u>	<u>\$ 75,153</u>	<u>\$ 1,226,818</u>

(The accompanying notes are an integral part of these statements.)

ON POINT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 39,389	\$ 145,080
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Depreciation and amortization	7,400	7,400
Amortization of imputed interest on operating lease liability	601	2,925
Forgiveness of Paycheck Protection Program loan	-	(164,900)
Net (increase) decrease in operating assets		
Pledges receivable	(5,150)	3,900
Inventory	(1,564)	1,694
Prepaid expenses	(600)	-
Net increase (decrease) in operating liabilities		
Accounts payable	122	(7,867)
Accrued payroll and other expenses	5,576	(1,376)
Unearned revenue	-	(5,000)
Accrued expenses	<u>2,083</u>	<u>-</u>
Other		
Net cash used by operating activities	<u>47,857</u>	<u>(18,144)</u>
NET INCREASE (DECREASE) IN CASH	47,857	(18,144)
CASH		
Beginning	<u>724,417</u>	<u>742,561</u>
Ending	<u><u>\$ 772,274</u></u>	<u><u>\$ 724,417</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION RELATED TO LEASES		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	<u><u>\$ 52,567</u></u>	<u><u>\$ 47,165</u></u>
Lease assets obtained in exchange for lease liabilities		
Operating leases	<u><u>\$ 5,655</u></u>	<u><u>\$ 278,444</u></u>

(The accompanying notes are an integral part of these statements.)

ON POINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations and organization

On Point partners with schools and communities to cultivate the strengths in youth and guide them on their path to thrive.

The Organization is a not-for-profit corporation exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and practices within the not-for-profit industry.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of presentation

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets with donor restrictions – The part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets without donor restrictions – The part of net assets of the Organization that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

At June 30, 2024 and 2023, the Organization had no net assets with donor restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts receivable

In connection with the sale of its products, the Organization grants credit, on a limited basis, to customers nationwide. Accounts receivable is reported at the outstanding principal amount. Allowance for doubtful accounts is based upon management's judgment after considering historical losses and existing economic conditions.

Inventory

Inventory consists of program materials for resale and is stated at the lower of cost (first-in, first-out basis) or net realizable value.

**ON POINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and depreciation

The Organization capitalizes significant acquisitions of property and equipment, including computer software, at cost if purchased or fair value if contributed. Depreciation is provided over the estimated useful lives of the individual assets by the straight-line method. Software is amortized over 36 months. Depreciation and amortization for the years ended June 30, 2024 and 2023, was \$7,400 and \$7,400, respectively.

Pledges receivable

Pledges receivable are recorded net of an estimated allowance for uncollectible pledges.

Noncash contributions

Donations of supplies, and other miscellaneous items, are not recorded because their value is questionable or uncertain, and they have no alternative use that is meaningful to the financial statements.

Donated services

The Organization receives a significant amount of donated services from unpaid volunteers. Those services requiring specialized skills, which otherwise would have to be purchased, are considered insignificant in amount for the years ended June 30, 2024 and 2023, and, therefore, are not recorded in these financial statements. No amounts have been recognized for those donated services requiring no specialized skills, as the criteria for recognition has not been satisfied.

Advertising costs

Advertising costs consist primarily of marketing and development expenses and are expensed as incurred. Advertising costs for the years ended June 30, 2024 and 2023, totaled \$2,596 and \$4,817, respectively.

Uncertain tax positions

The Organization follows professional guidance in accounting for uncertain tax positions. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for uncertain tax positions. For the years ended June 30, 2024 and 2023, there were no interest or penalties recorded or included in its financial statements.

The Organization's information returns for tax years 2020 and beyond remain subject to examination.

Cash equivalents

For purposes of these financial statements, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Leases

Lease liabilities are recognized as the present value of the future minimum lease payments over the lease term as of the commencement date. Lease assets are recognized as the present value of future minimum lease payments over the lease term as of the commencement date, plus any initial direct costs incurred and lease payments made, less any lease incentives received.

The Organization determines if an arrangement contains a lease at inception. If an arrangement is considered a lease, the Organization determines at the commencement date whether the lease is an operating or finance lease.

ON POINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Finance leases are leases that meet any of the following criteria: the lease transfers ownership of the underlying asset at the end of the lease term; the lessee is reasonably certain to exercise an option to purchase the underlying asset; the lease term is for the major part of the remaining economic life of the underlying asset (except when the commencement date falls at or near the end of such economic life); the present value of the sum of the lease payments and any additional residual value guarantee by the lessee equals or exceeds substantially all of the fair value of the underlying asset; or the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. A lease that does not meet any of these criteria is considered an operating lease. After the commencement date, lease cost for an operating lease is recognized over the remaining lease term on a straight-line basis, while lease cost for a finance lease is based on the depreciation of the lease asset and interest on the lease liability.

The terms of the Organization's lease arrangements vary, and certain leases include one or more of the following: renewal option(s), a cancellation option, a residual value guarantee, a purchase option or an escalation clause. An option to extend or terminate a lease is accounted for when assessing a lease term when it is reasonably certain that the Organization will exercise such option. The Organization has made a policy election to classify leases with an initial lease term of 12 months or less as short-term leases, and these leases are not recorded in the accompanying statements of financial position unless the lease contains a purchase option that is reasonably certain to be exercised. Lease cost related to short-term leases is recognized on a straight-line basis over the lease term.

Determinations with respect to lease term (including any extension thereof), discount rate, variable lease cost and future minimum lease payments require the use of judgment based on the facts and circumstances related to each lease. The Organization considers various factors, including economic incentives and penalties and business need, to determine the likelihood that a renewal option will be exercised. Unless a renewal option is reasonably certain to be exercised, which is typically at the Organization's sole discretion, the initial non-cancelable lease term is used. The Organization generally uses its incremental borrowing rates to determine the present value of future minimum lease payments.

Unearned revenues

Unearned revenues consist of special event fees received that apply to the following year.

Revenue recognition

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending June 30, 2024 and 2023:

Product sales – The Organization sells various educational products and materials as part of its operations. The performance obligation is the delivery of the goods to the customer. The transaction price is established by the Organization. As each item is individually priced, no allocation of the transaction price is necessary. Merchandise is sold with no right of return. The Organization recognizes revenue as the customer pays and takes possession of the products.

ON POINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Special fundraising event revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant of the event – the exchange component, and a portion represents contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded in the statement of functional expenses. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Organization. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation. Accordingly, the Organization presents in its notes to the financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event.

Recent accounting pronouncements

Allowance for credit losses

In June 2016, the FASB issued guidance (FASB ASC 326), effective for fiscal years beginning after December 15, 2022, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

(2) LIQUIDITY

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2024</u>	<u>2023</u>
Cash	\$ 772,274	\$ 724,417
Pledges receivable	<u>6,250</u>	<u>1,100</u>
Total financial assets as of end of year	<u>\$ 778,524</u>	<u>\$ 725,517</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 778,524</u>	<u>\$ 725,517</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

ON POINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(3) CONCENTRATIONS

The Organization maintains deposits at various financial institutions which occasionally exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. Deposits were in excess of this limit by approximately \$240,000 as of June 30, 2024.

For the years ended June 30, 2024 and 2023, two donors accounted for approximately 41% and 39% of the Organization's total support and revenue, respectively.

(4) FUNDRAISING EXPENSES

The Organization produces correspondence and newsletters that are mailed throughout the year to individuals requesting to receive them. These materials are intended to encourage those receiving them by sharing the Organization's vision, challenges, and successes.

Occasionally this information may contain comments regarding a particular financial need. The comments are considered insignificant in relation to the entire content of the newsletters; therefore, none of the cost of production and mailing is considered fundraising expense.

The administrative costs of the development department, including salaries and benefits and operating expenses, and the costs associated with specific fundraising appeals are reported as fundraising expenses.

(5) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs. The basis of allocation of these expenses is the result of a time study. The percentage of time allocated to each of the programs and the supporting functions is based on the results of the time studies and is applied to the expenses that are allocated

(6) OPERATING LEASE

The Organization rented its operating premises under a five year lease expiring October 2023, at a monthly cost of \$3,700. The Organization renewed this lease for an additional five years at a monthly cost of \$4,000. The Organization also rents a Cleveland, Tennessee office space on a five year lease expiring July 2028, at a monthly cost of \$103. The Organization rents office equipment under a 39 month lease expiring January 2027, at a monthly cost of \$395.

ON POINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(6) OPERATING LEASE (continued)

The component of lease cost in the accompanying statements of activities and changes in net assets is as follows:

Lease Cost	Classification	<u>2024</u>	<u>2023</u>
Operating lease cost	Costs of program services, fundraising, and management and general expenses	\$ <u>53,271</u>	\$ <u>50,485</u>
Total lease cost		\$ <u><u>53,271</u></u>	\$ <u><u>50,485</u></u>

The components of leases in the accompanying statements of financial position are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease right-of-use	\$ <u>199,894</u>	\$ <u>238,494</u>
Total lease assets	\$ <u><u>199,894</u></u>	\$ <u><u>238,494</u></u>
Operating lease liability	\$ <u>103,420</u>	\$ <u>241,419</u>
Total lease liabilities	\$ <u><u>103,420</u></u>	\$ <u><u>241,419</u></u>

Future minimum lease payments are as follows:

For the year ended June 30, 2025	\$ 53,972
2026	52,026
2027	49,292
2028	49,325
2029	<u>16,111</u>
Total future minimum operating lease payments	220,726
Less imputed interest	<u>(17,306)</u>
	<u><u>\$ 203,420</u></u>

The weighted average remaining lease term and discount rate are as follows:

Operating Lease

Weighted average remaining lease term (in years):	4.23
Weighted Average discount rate:	4.00%

Rental expense included in rent expense and office and postage expense under operating leases was \$53,030 and \$55,220 for the years ended June 30, 2024 and 2023, respectively.

ON POINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(7) SPECIAL EVENTS REVENUE

Gross receipts from special fundraising events recorded by the Organization consist of exchange transaction revenue and contribution revenue. The Organization is required to separately present the components of this revenue.

	<u>2024</u>	<u>2023</u>
Contributions	\$ 53,772	\$ 51,087
Special events revenue	<u>53,090</u>	<u>71,557</u>
	<u>\$ 106,862</u>	<u>\$ 122,644</u>

(8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2024, the date which these financial statements were available for issue.

