



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2020 and 2019

NISWONGER FOUNDATION, INC.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2020 and 2019

NISWONGER FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Niswonger Foundation, Inc.
Greeneville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Niswonger Foundation, Inc. (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Foundation as of June 30, 2020 and 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, PLLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Greeneville, Tennessee

November 3, 2020

NISWONGER FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash	\$ 259,377	393,724
Restricted Cash	514,904	371,531
Program Accounts Receivable	-	54,450
Federal Grant Funds Receivable	82,461	56,261
Investments	8,946,951	9,095,539
Prepaid Expenses and Other Assets	600	600
Student Loans Receivable, Net of Present Value Discount	507,309	484,688
Note Receivable	16,000	-
Collections	101,861	101,861
Property and Equipment, Net of Accumulated Depreciation	4,640,416	4,034,031
TOTAL ASSETS	\$ 15,069,879	14,592,685
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Accrued Liabilities	\$ 71,309	431,709
Line of Credit	400,000	399,280
Demand Notes Payable to Primary Benefactor	1,136,826	1,136,826
United States Department of Agriculture Loan	776,918	832,532
TOTAL LIABILITIES	2,385,053	2,800,347
NET ASSETS		
Net Assets Without Donor Restrictions	12,379,935	11,438,713
Net Assets With Donor Restrictions		
Rural Life Grant	14,287	113,745
CARE Advising	36,925	134,893
Career Connect	71,604	43,113
CARE Online	63,557	25,287
LIFE Grant	21,534	17,463
Comprehensive Education Resources	77,860	-
Ottway Ballfield	19,124	19,124
TOTAL NET ASSETS	12,684,826	11,792,338
TOTAL LIABILITIES AND NET ASSETS	\$ 15,069,879	14,592,685

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

NISWONGER FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Federal Grants	\$ 1,659,923	1,843,910
Private Gifts and Grants	223,452	2,983,261
Investment Earnings, Net	431,202	383,021
Realized Gains on Investments	542,978	455,205
Market Losses on Investments	(615,227)	(398,658)
Consortium Fee	88,600	70,400
Online Seat Fee	266,360	201,340
Scholarship Remission	94,251	548,348
Present Value Discount	8,224	(143,764)
Aircraft Timeshare Revenue	-	89,791
Other Income	847	34,920
Net Assets Released from Restrictions	2,867,755	2,829,817
TOTAL REVENUE	5,568,365	8,897,591
EXPENSES		
Program Expenses	4,044,315	4,626,956
Administrative Expenses	582,828	659,159
TOTAL EXPENSES	4,627,143	5,286,115
NET INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	941,222	3,611,476
NET ASSETS WITH DONOR RESTRICTIONS		
Gifts and Grants	2,819,021	2,660,077
Net Assets Released from Restrictions	(2,867,755)	(2,829,817)
NET DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(48,734)	(169,740)
TOTAL CHANGE IN NET ASSETS	892,488	3,441,736
NET ASSETS AT BEGINNING OF YEAR	11,792,338	8,350,602
NET ASSETS AT END OF YEAR	\$ 12,684,826	11,792,338

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

NISWONGER FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019

<u>2020</u>	<u>PROGRAM</u>	<u>ADMINISTRATIVE</u>	<u>TOTAL</u>
Salaries and Wages	\$ 403,283	100,821	504,104
Payroll Taxes	25,859	6,465	32,324
Employee Benefits	56,378	14,094	70,472
Professional Services	-	30,646	30,646
Travel and Conferences	17,832	-	17,832
Supplies and Materials	-	18,578	18,578
Insurance	-	21,253	21,253
Interest	-	42,554	42,554
Other Expenses	-	209,198	209,198
Depreciation	-	139,219	139,219
Scholarship Program	307,149	-	307,149
School Partnership Program	235,019	-	235,019
CareerConnect Program	125,020	-	125,020
Mini-Grant Program	27,472	-	27,472
CARE Program	754,717	-	754,717
Consortium Fee	85,825	-	85,825
Online Seat Fee	242,739	-	242,739
Rural LIFE Program	1,720,064	-	1,720,064
NTC Grant Program	39,317	-	39,317
Aircraft	3,641	-	3,641
	<u>\$ 4,044,315</u>	<u>582,828</u>	<u>4,627,143</u>

<u>2019</u>	<u>PROGRAM</u>	<u>ADMINISTRATIVE</u>	<u>TOTAL</u>
Salaries and Wages	\$ 403,078	100,769	503,847
Payroll Taxes	30,142	7,535	37,677
Employee Benefits	10,334	2,584	12,918
Professional Services	-	71,555	71,555
Travel and Conferences	15,367	-	15,367
Supplies and Materials	-	15,350	15,350
Rent	-	9,600	9,600
Insurance	-	16,165	16,165
Interest	-	59,248	59,248
Other Expenses	-	145,128	145,128
Scholarship Program	376,316	-	376,316
School Partnership Program	384,898	-	384,898
CareerConnect Program	120,333	-	120,333
Mini-Grant Program	33,790	-	33,790
CARE Program	782,312	-	782,312
Consortium Fee	72,950	-	72,950
Online Seat Fee	233,966	-	233,966
Rural LIFE Program	1,947,069	-	1,947,069
Aircraft	216,401	-	216,401
Loss on Impairment	-	231,225	231,225
	<u>\$ 4,626,956</u>	<u>659,159</u>	<u>5,286,115</u>

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

NISWONGER FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 892,488	3,441,736
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities		
Forgiveness of Refundable Advances	(200,529)	-
Depreciation	139,219	-
Interest and Dividends	(431,202)	(437,400)
Realized Gains on Investments	(542,978)	(455,205)
Market Losses on Investments	615,227	398,658
Loss on Impairment	-	231,225
(Increase) Decrease in Program Accounts Receivable	54,450	(12,041)
Increase in Federal Grant Funds Receivable	(26,200)	(33,468)
Increase in Student Loans Receivable	(22,621)	(329,857)
Increase in Note Receivable	(16,000)	-
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(360,400)	410,298
Net Cash Provided by Operating Activities	101,454	3,213,946
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Securities	(1,017,708)	(37,269)
Proceeds from Sales and Maturities of Investments	1,525,249	91,649
Purchase of Property and Equipment	(955,988)	(2,915,729)
Disposal of Property and Equipment	210,384	1,000
Net Cash Used For Investing Activities	(238,063)	(2,860,349)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Bank Overdraft	-	(142,408)
Proceeds from Borrowings	200,529	2,223,929
Repayment of Indebtedness	(54,894)	(2,174,136)
Net Cash Provided By (Used For) Financing Activities	145,635	(92,615)
NET INCREASE IN CASH	9,026	260,982
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	765,255	504,273
CASH AND RESTRICTED CASH AT END OF YEAR	\$ 774,281	765,255

(Continued)

NISWONGER FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH REPORTED ON STATEMENT OF FINANCIAL POSITION		
Cash	\$ 259,377	393,724
Restricted Cash	<u>514,904</u>	<u>371,531</u>
	<u>\$ 774,281</u>	<u>765,255</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Forgiveness of Refundable Advances	<u>\$ 200,529</u>	<u>-</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 42,554</u>	<u>59,248</u>

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

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Niswonger Foundation, Inc. (the Foundation) is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is a private operating foundation which administers its own programs to create opportunities for individual and community growth through education and other sustainable projects. The Foundation accomplishes this mission through its scholarship and leadership programs, partnerships with local school districts and the disbursement of grants and contributions. The Foundation does not seek funding from the general public and, in the past, the vast majority of contributions have been from their primary benefactor, Mr. Scott M. Niswonger.

Basis of Accounting

The accounts of the Foundation are maintained, and the financial statements are prepared, on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Accordingly, all significant receivables, payables and other liabilities are reflected in the financial records.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC). Under the FASB ASC, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions 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 objective of the Foundation. These net assets may be used at the discretion of the Foundation's management and board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Foundation uses fund accounting for internal use and accordingly, all material inter-fund transactions have been eliminated.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Temporary restrictions met within the same fiscal year are reported as net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those used in computing the fair value of investments and the present value discount on student loans receivable. Actual results could differ from those estimates and it is at least reasonably possible that these significant estimates will change within the next year.

Cash and Restricted Cash

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation's restricted cash is limited in use for expenditures within the scope of the individual programs. The Foundation maintains separate cash accounts for ongoing Foundation operations and for the programs.

Investments

The Foundation records investments in marketable securities with readily determinable market values and all investments in debt securities at their fair value. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Gains and losses and investment income derived from investments, receivables, and the like are accounted for as net assets with or without donor restrictions based on restrictions, if any, imposed by donors.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Loans Receivable

The Foundation reports their interest-free student loans receivable at their outstanding principal amounts. Student loans receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated relevant borrower information and current economic conditions. Student loans enter repayment one year after graduation or immediately if the student drops out of school. The loans are considered to be in default upon the student's failure to make a regularly-scheduled monthly payment. The years these notes are payable to the Foundation range from fiscal year 2021 to fiscal year 2039. The discounts on these amounts is computed using a risk-free interest rate of 4.00%. Amortization of the discount in the amounts of \$135,540 and \$143,764, respectively, is reported on the Statements of Activities for the years ended June 30, 2020 and 2019.

Collections

The Foundation has capitalized its collections since its inception. Collection items are recorded at cost if purchased and at fair value at date of accession if donated. Gains and losses from any deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept unencumbered, cared for and preserved. The Foundation's collection consists of antique furniture donated to the Foundation. These items are considered to be inexhaustible and are, therefore, not depreciated.

Property and Equipment

Property and equipment are recorded at cost when purchased, and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	39
Furniture and Equipment	5 to 7

The Foundation follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Routine repairs and maintenance are expensed as incurred.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees of the Foundation are entitled to paid vacation and discretionary time, which accrues each year at variable rates according to each employee's position and length of service. All vacation and discretionary time must be used in the year earned, and cannot be carried forward into future periods if unused. There is no liability for discretionary time since the Foundation's policy is that employees will not be paid for any accrued discretionary time under any circumstances. The Foundation's policy regarding accrued vacation time is that upon separation from service, employees would be paid for the vacation time accrued in that year.

Contributions

Contributions, including in-kind contributions, which 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 depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Income Taxes

The Foundation is exempt from federal income taxes and classified as a private operating foundation under Section 501 of the IRC. It is subject to a 1.00% federal excise tax on net investment income, including realized gains, as defined by the IRC. The Foundation follows the FASB ASC, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. As of June 30, 2020 and 2019, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. However, no interest or penalties were recorded during the years ended June 30, 2020 or 2019.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis. Salaries and wages, payroll taxes, and employee benefits have been allocated 80% to program expenses and 20% to administrative expenses.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at June 30, 2020 and 2019 available to meet general expenditures over the next 12 months:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End		
Cash	\$ 259,377	393,724
Program Accounts Receivable	-	54,450
Investments	8,946,951	9,095,539
Student Loans Receivable	507,309	484,688
Note Receivable	16,000	-
Total Financial Assets at Year-End	<u>9,729,637</u>	<u>10,028,401</u>
Less Amounts Not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	<u>304,891</u>	<u>353,625</u>
Financial Assets Not available to be Used Within One Year	<u>304,891</u>	<u>353,625</u>
Financial Assets Available to Meet General Expenditures in One Year	<u>\$ 9,424,746</u>	<u>9,674,776</u>

As part of the Foundation's liquidity management plan, the goal is to have a cash reserve of one to two months to meet cash needs for general expenses. These expenses total approximately \$72,975 to \$197,384. As of June 30, 2020, there was \$259,377 of available cash reserves at financial institutions.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	<u>Fair Value Measurements at Reporting Date Using:</u>			
	Total Fair Value	Quoted Prices In Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
<u>2020</u>				
Investments				
Equity Securities	\$ 1,307,701	1,307,701	-	-
Mutual Funds - Equities	5,506,406	5,506,406	-	-
Mutual Funds - Equities Measured at Net Asset Value ^a	1,145,414	-	-	-
Private Equity Funds Measured at Net Asset Value ^a	301,039	-	-	-
Total Investments	\$ 8,260,560	6,814,107	-	-
<u>2019</u>				
Investments				
Equity Securities	\$ 1,524,461	1,524,461	-	-
Mutual Funds - Equities	5,364,002	5,364,002	-	-
Mutual Funds - Equities Measured at Net Asset Value ^a	1,301,425	-	-	-
Private Equity Funds Measured at Net Asset Value ^a	551,346	-	-	-
Total Investments	\$ 8,741,234	6,888,463	-	-

^a In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Certain mutual funds and private equity funds are valued at the Net Asset Value (NAV) provided by the investment broker, which is considered a practical expedient to estimate fair value. The NAV is based on the value of the underlying assets owned by the fund, minus liabilities, and then divided by the number of shares outstanding.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

In addition to the investments shown above which are stated at fair value, the Foundation's investments also include cash and cash equivalents totaling \$686,391 and \$354,305 as of June 30, 2020 and 2019, respectively.

A summary of return on investments consists of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and Dividends	\$ 482,148	437,400
Net Realized Gains	542,978	455,205
Net Unrealized Losses	(615,227)	(398,658)
Advisory Fees	(50,946)	(54,379)
	<u> </u>	<u> </u>
Net Return	<u>\$ 358,953</u>	<u>439,568</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 111,700	111,700
Furniture and Equipment	289,072	-
Buildings	4,378,863	-
Aircraft	-	174,280
Construction in Progress	-	3,748,051
	<u>4,779,635</u>	<u>4,034,031</u>
Less: Accumulated Depreciation	(139,219)	-
Total Property and Equipment	<u>\$ 4,640,416</u>	<u>4,034,031</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$139,219 and \$0, respectively.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 - LINE OF CREDIT

At June 30, 2020 and 2019, the Foundation had an available bank line of credit for an amount up to \$750,000. The line of credit is secured by certain investments. The line of credit is payable on demand, therefore the balance is classified as current. Interest, as described below, is due monthly on amounts borrowed under this agreement. At June 30, 2020 and 2019, the line of credit was subject to interest at an annual rate of 1.68% and 3.90%, respectively, which was the one month LIBOR rate of 0.183% and 2.40% at June 30, 2020 and 2019, respectively, plus 1.50%. Interest expense for the years ended June 30, 2020 and 2019 was \$13,230 and 96,938, respectively. At June 30, 2020 and 2019, the outstanding balance on the line of credit was \$400,000 and \$399,280, respectively.

NOTE 6 - RELATED PARTY NOTES PAYABLE

At June 30, 2020 and 2019, the Foundation had total interest-free, unsecured demand notes payable to their primary benefactor of \$1,136,826. These notes are considered current due to the demand feature of the agreement, under which the notes are due and payable thirty (30) days from the demand date of the primary benefactor. In accordance with the FASB ASC, interest is imputed on the outstanding balance using the IRC blended annual rate for the period for which the amount of forgone interest is being determined, compounded semiannually (0.89% and 2.42% as of June 30, 2020 and 2019, respectively). The amount of imputed interest recorded as an expense and as a related in-kind contribution from the lender for the years ended June 30, 2020 and 2019 was \$10,154 and \$27,716, respectively. These in-kind contributions for the years ended June 30, 2020 and 2019, respectively, are reported as a component of private gifts and grants revenue in the Statements of Activities.

NOTE 7 - LONG-TERM DEBT

Long-term debt consisted of a note payable to the United States Department of Agriculture (USDA) dated December 5, 2016 with monthly payments of \$6,232 due January 5, 2017 through December 5, 2032. Interest is payable monthly at an annual rate of 2.375%. Security for payment of the note consists of all real property and equipment acquired with Rural Housing Service funds and all revenues in connection with the operation of the facilities. At June 30, 2020 and 2019, the outstanding balance on the note payable was \$776,918 and \$832,532, respectively. Interest expense at June 30, 2020 and 2019 was \$19,170 and \$20,474, respectively.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of future maturities of long-term debt. These amounts only represent the USDA Loan. The future maturities of the line of credit and the related party note payable are included in Notes 5 and 6, respectively:

Year Ending June 30		
2021	\$	56,949
2022		58,317
2023		59,717
2024		61,151
2025		62,619
Thereafter		478,165
	\$	<u>776,918</u>

NOTE 8 - RETIREMENT PLAN

The Foundation maintains a defined contribution pension plan under IRS Code Section 403(b). The Foundation makes a discretionary monthly contribution based on a percentage of each qualified employee's salary, as determined by the Foundation. Contributions totaling \$50,004 and \$37,548 were made by the Foundation for the years ended June 30, 2020 and 2019, respectively, in addition to the elective deferrals made by employees, if any.

NOTE 9 - CONCENTRATIONS

The Foundation maintains cash balances at a single financial institution. At times during the years ended June 30, 2020 and 2019, balances on deposit at financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insured limits. Cash equivalent amounts are neither insured nor guaranteed by the FDIC. However, the Foundation has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 10 - COMMITMENTS

The Foundation has approved future budgeted expenditures for several of its school partnership programs with local school districts. These expenditures are contingent upon the recipient programs' satisfactory completion of agreed-upon project objectives. Approved budgeted funding by year is as follows:

For the Fiscal Year Ending:	
June 30, 2021	\$ 28,000
	<u> </u>
	<u>\$ 28,000</u>

NOTE 11 - CORONAVIRUS CONSIDERATIONS

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. However, as the pandemic continues, the investment and credit markets could experience significant volatility. As a result, a substantial portion of the Foundation's investments could experience significant declines in market value. In addition, as a result of the pandemic, management made the decision not to select a new class of scholars for the fall 2021 semester.

In April 2020, the Foundation applied for and was approved a \$200,529 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrues interest at 1%, but payments are not required to begin for seven months after the funding of the loan. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government. At June 30, 2020, the Foundation had spent \$200,529 on qualifying expenses and therefore the Foundation expects this amount to be forgiven. The forgiven portion of the loan is recorded as private gifts and grants revenue and is included in the Statements of Activities.

NISWONGER FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 12 - ACCOUNTING STANDARD UPDATES

In May 2014, the FASB issued *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the Statements of Financial Position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the Statements of Activities. This standard will be effective for the fiscal year ending June 30, 2023.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the fiscal year ending June 30, 2024.

SUPPLEMENTARY INFORMATION

NISWONGER FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Education <u>Pass-Through New Teacher Center</u> Education Innovation and Research	84.411 A	\$ 39,317
United States Department of Education Education Innovation and Research	84.411 B	<u>1,620,606</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,659,923</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Niswonger Foundation, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Niswonger Foundation, Inc., it is not intended to, and does not present, the financial position, changes in net assets or cash flows of Niswonger Foundation, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Niswonger Foundation, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Niswonger Foundation, Inc.
Greeneville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Niswonger Foundation, Inc. (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of June 30, 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, and have issued our report thereon dated November 3, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BLACKBURN, CHILDERS & STEAGALL, PLC
Greeneville, Tennessee

November 3, 2020

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Niswonger Foundation, Inc.
Greeneville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Niswonger Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2020. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


BLACKBURN, CHILDERS & STEAGALL, PLC
Greenville, Tennessee

November 3, 2020

NISWONGER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

PART I - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of Niswonger Foundation, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements in the schedule of findings and questioned costs.
3. No instances of noncompliance material to the financial statements of Niswonger Foundation, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in compliance and internal control over compliance over major federal award programs is reported in the schedule of findings and questioned costs.
5. The independent auditors' report on compliance for the major federal award programs for Niswonger Foundation, Inc. expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in the schedule of findings and questioned costs.
7. The programs tested as major programs include:
 - U. S. Department of Education: Education Innovation and Research: CFDA # 84.411A
 - U. S. Department of Education: Education Innovation and Research: CFDA # 84.411B
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Niswonger Foundation, Inc. was determined not to be a low-risk auditee.

NISWONGER FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

PART II - FINDINGS - FINANCIAL STATEMENT AUDIT

Current Year Findings

None Reported.

Prior Year Findings Not Implemented

None Reported.

Prior Year Findings Implemented

None Reported.

PART III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Current Year Findings

None Reported.

Prior Year Findings Not Implemented

None Reported.

Prior Year Findings Implemented

None Reported.