

East Nashville Hope Exchange, Inc.

Financial Statements
For the Years Ended December 31, 2020 and 2019

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Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8 - 11



Independent Auditor's Report

Board of Directors
East Nashville Hope Exchange

Report on the Financial Statements

We have audited the accompanying financial statements of East Nashville Hope Exchange (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, 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 East Nashville Hope Exchange as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of East Nashville Hope Exchange, Inc. as of and for the year ended December 31, 2019, were subject to a compilation engagement by us and our report thereon, dated June 5, 2020, stated we did not audit or review those financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we did not express an opinion, a conclusion nor provide any form of assurance on these financial statements.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC". The signature is written in a cursive, flowing style.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
April 22, 2021

East Nashville Hope Exchange, Inc

Statements of Financial Position

December 31, 2020 and 2019

	2020	Unaudited 2019
Assets		
Cash	\$ 131,090	\$ 89,599
Grants receivable	12,000	20,665
Books and supplies	15,191	38,500
Investments	13,269	-
Equipment, net	279	597
Total assets	\$ 171,829	\$ 149,361
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ -	\$ 500
PPP loan	12,500	-
Total liabilities	12,500	500
Net assets		
Without donor restrictions	141,329	118,196
With donor restrictions	18,000	30,665
Total net assets	159,329	148,861
Total liabilities and net assets	\$ 171,829	\$ 149,361

East Nashville Hope Exchange, Inc
Statements of Activities
For the Years Ended December 31, 2020 and 2019

	2020	Unaudited 2019
Changes in net assets without donor restrictions		
Revenues and gains		
Grant and foundation contributions	\$ 80,025	\$ 93,050
Individual and corporate contributions	41,412	72,619
Special events (net of direct benefits to donors of \$1,251 and \$8,204 for 2020 and 2019, respectively)	5,868	20,227
In-kind contributions (other than special events)	7,568	63,438
Fees	30	6,540
Investment income	1,364	-
Total revenues and gains without donor restrictions	<u>136,267</u>	<u>255,874</u>
Net assets released from restrictions	<u>36,665</u>	<u>12,750</u>
Total revenues, gains, and net assets released from restrictions	172,932	268,624
Expenses		
Program services	108,156	182,967
Supporting services		
Management and general	28,242	28,607
Fundraising	13,401	17,117
Total expenses	<u>149,799</u>	<u>228,691</u>
Change in net assets without donor restrictions	23,133	39,933
Changes in net assets with donor restrictions		
Grant and foundation contributions	24,000	30,665
Net assets released from restrictions	<u>(36,665)</u>	<u>(12,750)</u>
Change in net assets with donor restrictions	(12,665)	17,915
Change in net assets	10,468	57,848
Net assets, beginning of year	<u>148,861</u>	<u>91,013</u>
Net assets, end of year	\$ 159,329	\$ 148,861

East Nashville Hope Exchange, Inc
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Compensation and benefits	\$ 62,745	\$ 15,024	\$ 9,014	\$ 86,783
Books and curriculum	30,498	-	-	30,498
Depreciation	158	80	80	318
Family engagement workshops	2,347	-	-	2,347
Field trips	-	-	-	-
Food service	-	-	-	-
Insurance	4,046	-	-	4,046
Occupancy	-	2,915	2,915	5,830
Postage	-	68	-	68
Printing	-	-	-	-
Professional services	-	8,735	-	8,735
Program supplies	4,195	-	-	4,195
Special event expense	-	-	1,796	1,796
Staff training	564	-	-	564
Storage rent	2,499	-	-	2,499
Technology	299	1,018	445	1,762
Miscellaneous	805	402	402	1,609
Total expenses	<u>108,156</u>	<u>28,242</u>	<u>14,652</u>	<u>151,050</u>
Less: direct benefits to donors	-	-	(1,251)	(1,251)
Total functional expenses	\$ 108,156	\$ 28,242	\$ 13,401	\$ 149,799

East Nashville Hope Exchange, Inc
Statement of Functional Expenses - Unaudited
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Compensation and benefits	\$ 122,338	\$ 14,328	\$ 8,596	\$ 145,262
Books and curriculum	11,214	-	-	11,214
Depreciation	676	337	338	1,351
Family engagement workshops	2,723	-	-	2,723
Field trips	2,859	-	-	2,859
Food service	19,450	-	-	19,450
Insurance	3,661	-	-	3,661
Occupancy	7,110	1,540	1,540	10,190
Postage	235	176	445	856
Printing	-	-	551	551
Professional services	-	10,254	-	10,254
Program supplies	7,350	-	-	7,350
Special event expense	-	-	12,762	12,762
Staff training	1,489	-	-	1,489
Storage rent	2,473	-	-	2,473
Technology	101	1,327	445	1,873
Miscellaneous	1,288	645	644	2,577
Total expenses	<u>182,967</u>	<u>28,607</u>	<u>25,321</u>	<u>236,895</u>
Less: direct benefits to donors	-	-	(8,204)	(8,204)
Total functional expenses	\$ 182,967	\$ 28,607	\$ 17,117	\$ 228,691

East Nashville Hope Exchange, Inc
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	Unaudited 2019
Cash, beginning of year	\$ 89,599	\$ 77,363
Cash flows from operating activities		
Change in net assets	10,468	57,848
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	318	1,351
Donation of equity securities	(11,905)	-
Unrealized gain on investments	(1,364)	-
Change in:		
Grants receivable	8,665	(15,323)
Books and supplies	23,309	(32,140)
Accounts payable	(500)	500
Net cash provided (used) by operating activities	<u>28,991</u>	<u>12,236</u>
Cash flows from financing		
Proceeds from PPP loan	12,500	-
Net change in cash	<u>41,491</u>	<u>12,236</u>
Cash, end of year	\$ 131,090	\$ 89,599

East Nashville Hope Exchange, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Organization and Nature of Activities

East Nashville Hope Exchange, Inc. (the "Organization") is a Tennessee not-for-profit corporation with the mission of strengthening literacy of at-risk children in East Nashville. The Organization provides a supportive, structured, and safe environment where children can learn and have fun. We work with children from schools in the Stratford and Maplewood clusters. The Organization is headquartered in Nashville, Tennessee, and began as a community outreach program of St. Ann's Episcopal Church. In 2010, it became an independent 501(c)(3) organization. It has operated a summer program every year since 2004 and a school year program every year since 2013. The Organization's support primarily consists of funds received from individuals, foundations, and government grants.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

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

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Investments

The Organization's policy is to liquidate investments as soon as practical after the donation of investment securities is received. Occasionally, the Organization will have investment securities on the statements of financial position that have not been liquidated at year-end. These investments consist of equity securities and are stated in the aggregate at fair market value and are considered Level 1 securities.

Equipment and Depreciation

The Organization's policy is to capitalize all equipment over \$200. Equipment acquisitions are recorded at cost. Donations of equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful life of five years and is computed on the straight-line method.

East Nashville Hope Exchange, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-kind Donations

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are not reflected in the financial statements because the activities do not meet the necessary criteria for recognition under US GAAP. Property, equipment, classroom space, materials, and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of contribution based upon information provided by third-party providers.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	Method of allocation
Compensation and benefits	Time and effort
Miscellaneous	Time and effort
Depreciation	Estimated usage
Technology	Time and effort

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

East Nashville Hope Exchange, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 3. Availability and Liquidity

The following represents the Organization's financial assets at December 31:

	2020	2019
Cash	\$ 131,090	\$ 89,599
Grants receivable	12,000	20,665
Investments	<u>13,269</u>	<u>-</u>
Total financial assets	156,359	110,264
Less amounts not available to be used within one year	<u>(10,000)</u>	<u>(10,000)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ 146,359	\$ 100,264

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has designated a portion of its operating surplus as an operating reserve which represents additional funds that can be made available for immediate use in the event of an urgent liquidity need.

Note 4. Grants Receivable

Grants receivable consist of grants awarded prior to year-end which will be collected in the subsequent year. No allowance for uncollectible receivables was deemed necessary as of December 31, 2020 and 2019.

Note 5. Equipment

Equipment consist of the following at December 31:

	2020	2019
Equipment	\$ 14,071	\$ 14,071
Less: accumulated depreciation	<u>(13,792)</u>	<u>(13,474)</u>
	\$ 279	\$ 597

Depreciation expense was \$318 and \$1,351 for the year ended December 31, 2020 and 2019, respectively.

Note 6. PPP Loan

On May 12, 2020, the Organization received a loan in the amount of \$12,500 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. On February 21, 2021, the Organization was notified by that the debit was fully forgiven and, the Organization will not be responsible for any payments.

Note 7. Net Assets

Net assets with donor restrictions consist of grants for the next year's summer programming. These funds will be released from restriction during the subsequent year.

East Nashville Hope Exchange, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 8. Concentrations

Of the Organization's total revenues for 2020, approximately 43% represented funds received from three grants. Revenues from in-kind contributions totaled 25% of revenues in 2019.

Note 9. In-kind Contributions

The following in-kind contributions have been included in unrestricted revenues and expenses in the financial statements for the years ended December 31:

	2020	2019
Included in contributions/assets		
Books	\$ 1,419	\$ 38,500
Included in contributions/expenses		
Food service	-	19,248
Occupancy	3,080	5,690
Books	<u>3,069</u>	<u>-</u>
	7,568	63,438
Included in special events/expenses		
Beverages	-	4,035
Rent	<u>-</u>	<u>1,825</u>
	\$ 7,568	\$ 5,860

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled \$2,024 for 2020 (\$8,760 for 2019). These assets were subsequently sold during fundraising events with the proceeds recorded in special event revenues.

Note 10. Leasing Arrangements

St. Ann's Episcopal Church (St. Ann's) provides office space and classroom space for the Organization. The Organization has a month-to-month agreement with St. Ann's to pay \$250 per month to cover the cost of the classroom. As described in note 9, an in-kind contribution and occupancy expense of \$3,080 (\$5,690 in 2019) for office space at St. Ann's, and in 2019, classroom space at one area elementary school was recorded for the use of these facilities.

Note 11. Subsequent Events

The Organization has evaluated subsequent events through April 22, 2021, the date on which the financial statements were available to be issued.