

TENNESSEE PRISON OUTREACH MINISTRY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

(With Independent Auditors' Report Thereon)

TENNESSEE PRISON OUTREACH MINISTRY, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Tennessee Prison Outreach Ministry, Inc.

We have audited the accompanying financial statements of Tennessee Prison Outreach Ministry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Prison Outreach Ministry, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Botts & Rubio, PLLC

Nashville, Tennessee
April 29, 2015

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Statement of Financial Position

December 31, 2014

ASSETS

Cash and cash equivalents	\$ 443,631
Property and equipment, net	<u>202,965</u>
Total assets	<u>\$ 646,596</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 49,708</u>
Total liabilities	<u>49,708</u>
Unrestricted	319,970
Temporarily restricted	276,918
Permanently restricted	<u>-</u>
Total net assets	<u>596,888</u>
Total liabilities and net assets	<u>\$ 646,596</u>

See accompanying notes to the financial statements.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Statement of Activities and Change in Net Assets

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support				
Contributions	\$ 497,081	\$ 249,690	\$ -	\$ 746,771
Grants	300	60,000	-	60,300
Special events	32,322	-	-	32,322
Program service fees	57,374	-	-	57,374
Other	5,150	-	-	5,150
Net assets released from restrictions	32,772	(32,772)	-	-
Total revenue and other support	624,999	276,918	-	901,917
Expenses				
Program services	95,562	-	-	95,562
Management and general	180,464	-	-	180,464
Fundraising	60,988	-	-	60,988
Total expenses	337,014	-	-	337,014
Change in net assets	287,985	276,918	-	564,903
Net assets at beginning of year	31,985	-	-	31,985
Net assets at end of year	<u>\$ 319,970</u>	<u>\$ 276,918</u>	<u>\$ -</u>	<u>\$ 596,888</u>

See accompanying notes to the financial statements.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Statement of Functional Expenses

Year Ended December 31, 2014

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses	\$ 63,067	\$ 135,968	\$ 41,010	\$ 240,045
Meals and entertainment	3,154	803	-	3,957
Travel	-	4,864	-	4,864
Repairs and maintenance	1	-	-	1
Operations expense	25	5,695	-	5,720
Postage	-	2,731	-	2,731
Printing	-	6,328	562	6,890
Supplies	5,840	212	180	6,232
Utilities	2,138	2,504	-	4,642
Advertising	-	-	3,346	3,346
Bank fees	-	947	-	947
Fundraising event expenses	-	-	15,791	15,791
Dues and subscriptions	-	53	-	53
Miscellaneous expense	800	4,499	99	5,398
Facilities and equipment	16,801	13,838	-	30,639
Vehicle expense	2,636	-	-	2,636
Education	1,100	2,022	-	3,122
	<u>\$ 95,562</u>	<u>\$ 180,464</u>	<u>\$ 60,988</u>	<u>\$ 337,014</u>

See accompanying notes to the financial statements.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Statement of Cash Flows

Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 564,903
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	-
Donated property and equipment included in contributions	(180,000)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>49,708</u>
Net cash provided by operating activities	<u>434,611</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(22,965)</u>
Net cash used by investing activities	<u>(22,965)</u>
Net change in cash and cash equivalents	411,646
Beginning cash and cash equivalents	<u>31,985</u>
Ending cash and cash equivalents	<u>\$ 443,631</u>

See accompanying notes to the financial statements.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Notes to the Financial Statements

December 31, 2014

(1) Summary of Significant Accounting Policies

(a) *Nature of Activities*

Tennessee Prison Outreach Ministry, Inc. is a not-for-profit Tennessee Corporation chartered in 2013 and is a wholly owned subsidiary of Harpeth Hills Church of Christ, as such, certain expenses are incurred by Harpeth Hills Church of Christ on behalf of Tennessee Prison Outreach Ministry, Inc. and are reimbursed during the same period. Tennessee Prison Outreach Ministry, Inc. was organized to conduct preventative, rehabilitative and aftercare programming for offenders and their families. Tennessee Prison Outreach Ministry, Inc. accomplishes this function through operation of a halfway house, a re-entry facility, educational programs, and various programs conducted for offenders and their families. Support is primarily received through donor contributions, grants, and church contributions.

Tennessee Prison Outreach Ministry, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Tennessee Prison Outreach Ministry, Inc.'s Form 990, *Return of Organization Exempt from Income Tax*, for the year ending December 31, 2013, is subject to examination by the IRS generally for three years after it was filed.

(b) *Basis of Accounting*

The financial statements of the Tennessee Prison Outreach Ministry, Inc. have been prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

All financial transactions have been recorded and reported as unrestricted, temporarily restricted, or permanently restricted net assets.

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of the Tennessee Prison Outreach Ministry, Inc. These include those expendable resources, which have been designated for special use by the board of directors.
- Temporarily restricted net assets represent those amounts that are not available until future periods and/or are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Temporarily restricted gifts that are received and expended in the same fiscal year may be classified as unrestricted revenue.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Notes to the Financial Statements

December 31, 2014

- Permanently restricted net assets result from gifts from donors who place restrictions on the use of the funds, which mandate that the original principal be invested in perpetuity. Generally, gains and related investment income on these gifts are available for unrestricted purposes, unless the donor designates restrictions on the use of earnings for a specific purpose, in which case the earnings are then considered temporarily restricted.

(c) Liquidity

Assets are presented in the accompanying financial statements according to their nearness to cash and liabilities according to their maturity and resulting use of cash.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Tennessee Prison Outreach Ministry, Inc. considers all cash or investments with original maturities of three months or less to be cash equivalents.

(e) Property and Equipment

Property and equipment are stated at cost, if purchased, or at estimated fair value at date of receipt if acquired by gift. Property and equipment are being depreciated using the straight-line method and asset lives are determined by federal income tax reporting requirements. Buildings and building improvements are being amortized using the straight-line method and asset lives as determined by federal income tax reporting requirements.

(f) Revenue Recognition

In the absence of donor restrictions, contributions are considered to be available for unrestricted use and related income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

Grants are recorded as unrestricted revenue as funds or reimbursements for expenditures are made of specific needs of the Tennessee Prison Outreach Ministry, Inc.

(g) Contributed Services

Contributed services are recognized as in-kind revenue at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills, which would need to be purchased if they were not donated. Contributed services are included as a component of contributions in the statements of activities. No such contributions were received for 2014.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Notes to the Financial Statements

December 31, 2014

(h) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

(i) Subsequent Events

The Tennessee Prison Outreach Ministry, Inc. has evaluated subsequent events from the statement of financial position date through April 29, 2015, the date the financial statements were available to be issued.

(2) Property and Equipment, net

Property and equipment, net at December 31, 2014 are as follows:

Unrestricted land	\$	20,000
Unrestricted building		160,000
Building improvements		<u>22,965</u>
		202,965
Less accumulated depreciation		<u>-</u>
	\$	<u><u>202,965</u></u>

(3) Restrictions and Limitations on Net Assets

Temporarily restricted net assets at December 31, 2014 represent funds raised through a Capital Campaign, a drive to raise funds to obtain and renovate a halfway house and re-entry facility. Tennessee Prison Outreach Ministry, Inc. intends to complete these facilities during 2015. During 2014, Tennessee Prison Outreach Ministry, Inc. received \$309,690 in temporarily restricted contributions for this purpose, including \$60,000 of grant income from The Memorial Foundation. As of December 31, 2014, \$276,918 remained unexpended.

There were no permanently restricted net assets as of December 31, 2014.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Notes to the Financial Statements

December 31, 2014

(4) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended December 31, 2014 as follows:

Building improvements	\$ 22,965
Re-entry center expenses	9,807
	<u>\$ 32,772</u>

(5) Concentration of Credit Risk

Tennessee Prison Outreach Ministry, Inc. maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2014. As of December 31, 2014, uninsured balances totaled \$193,631.