

TENNESSEE PRISON OUTREACH MINISTRY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(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, 2015, and the related statements of activities and changes in net assets, 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.

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, 2015, 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
July 25, 2016

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Statement of Financial Position

December 31, 2015

ASSETS

Cash and cash equivalents	\$ 414,788
Property and equipment, net	<u>512,773</u>
Total assets	<u>\$ 927,561</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 4,692</u>
Total liabilities	<u>4,692</u>
Unrestricted	532,037
Temporarily restricted	390,832
Permanently restricted	<u>-</u>
Total net assets	<u>922,869</u>
Total liabilities and net assets	<u>\$ 927,561</u>

See accompanying notes to the financial statements.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support				
Contributions	\$ 265,853	\$ 403,515	\$ -	\$ 669,368
Grants	2,600	50,000	-	52,600
Special events	39,055	-	-	39,055
Program service fees	2,426	-	-	2,426
Other	23,469	-	-	23,469
Net assets released from restrictions	339,601	(339,601)	-	-
Total revenue and other support	673,004	113,914	-	786,918
Expenses				
Program services	247,832	-	-	247,832
Management and general	157,517	-	-	157,517
Fundraising	55,588	-	-	55,588
Total expenses	460,937	-	-	460,937
Change in net assets	212,067	113,914	-	325,981
Net assets at beginning of year	319,970	276,918	-	596,888
Net assets at end of year	<u>\$ 532,037</u>	<u>\$ 390,832</u>	<u>\$ -</u>	<u>\$ 922,869</u>

See accompanying notes to the financial statements.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Statement of Functional Expenses

Year Ended December 31, 2015

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation and related expenses	\$ 190,236	\$ 81,692	\$ 27,137	\$ 299,065
Meals and entertainment	1,794	957	-	2,751
Travel	114	3,495	-	3,609
Depreciation and amortization (noncash)	9,455	2,339	1,398	13,192
Repairs and maintenance	13,756	-	-	13,756
Operations expense	2,105	13,154	-	15,259
Postage	-	3,390	-	3,390
Printing	-	11,030	1,645	12,675
Supplies	2,955	9,027	36	12,018
Utilities	15,242	6,947	2,254	24,443
Advertising	-	-	637	637
Bank fees	-	1,749	-	1,749
Fundraising event expenses	-	-	21,906	21,906
Dues and subscriptions	-	1,058	-	1,058
Miscellaneous expense	1,294	3,732	575	5,601
Facilities and equipment	7,911	16,264	-	24,175
Vehicle expense	2,745	-	-	2,745
Education	225	2,683	-	2,908
	<u>\$ 247,832</u>	<u>\$ 157,517</u>	<u>\$ 55,588</u>	<u>\$ 460,937</u>

See accompanying notes to the financial statements.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Statement of Cash Flows

Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 325,981
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	13,192
Donated property and equipment included in contributions	(33,838)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>(45,016)</u>
Net cash provided by operating activities	<u>260,319</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(289,162)</u>
Net cash used by investing activities	<u>(289,162)</u>
Net change in cash and cash equivalents	(28,843)
Beginning cash and cash equivalents	<u>443,631</u>
Ending cash and cash equivalents	<u>\$ 414,788</u>

See accompanying notes to the financial statements.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Notes to the Financial Statements

December 31, 2015

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Tennessee Prison Outreach Ministry, Inc. (the Ministry) is a not-for-profit Tennessee Corporation chartered in 2013. Prior to November 5, 2015, the Ministry was a wholly-owned subsidiary of Harpeth Hills Church of Christ, as such, certain expenses were incurred by Harpeth Hills Church of Christ on behalf of Tennessee Prison Outreach Ministry, Inc. and were reimbursed during the same period. On November 5, 2015, Tennessee Prison Outreach Ministry, Inc. was incorporated independent of Harpeth Hills Church of Christ under the provisions of the Tennessee Non-Profit Corporation Act. The Ministry 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.

The Ministry 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 years ending December 31, 2013 and following, is subject to examination by the IRS generally for three years after it was filed.

(b) Basis of Accounting

The financial statements of the Ministry 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 Ministry. 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, 2015

- 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 Ministry 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 Ministry.

(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 2015.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Notes to the Financial Statements

December 31, 2015

(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 July 25, 2016, the date the financial statements were available to be issued. During this period there were no material recognizable subsequent events that required recognition in our disclosures to the financial statements.

(2) Property and Equipment, net

Property and equipment, net at December 31, 2015 are as follows:

Land	\$	173,965
Building		160,000
Building improvements		40,736
Furniture and equipment		44,921
Vehicle		25,938
Construction in process		80,405
		<u>525,965</u>
Less accumulated depreciation		<u>(13,192)</u>
	\$	<u>512,773</u>

(3) Restrictions and Limitations on Net Assets

Temporarily restricted net assets at December 31, 2015 represent funds raised through a Capital Campaign, a drive to raise funds to obtain and renovate a halfway house and re-entry facility. The Ministry intends to complete these facilities during 2016. During 2015, the Ministry received \$453,515 in temporarily restricted contributions for this purpose, including \$50,000 of grant income from The Memorial Foundation. As of December 31, 2015, \$390,832 remained unexpended.

There were no permanently restricted net assets as of December 31, 2015.

TENNESSEE PRISON OUTREACH MINISTRY, INC.

Notes to the Financial Statements

December 31, 2015

(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, 2015 as follows:

Building improvements	\$ 185,636
Re-entry center expenses	<u>153,965</u>
	<u>\$ 339,601</u>

(5) Concentration of Credit Risk

The Ministry 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, 2015. As of December 31, 2015, uninsured balances totaled \$202,173.