

**EAST NASHVILLE HOPE EXCHANGE, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

**EAST NASHVILLE HOPE EXCHANGE, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1-2</b>
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	<b>3</b>
Statement of Activities and Changes in Net Assets	<b>4</b>
Statement of Functional Expenses	<b>5</b>
Statement of Cash Flows	<b>6</b>
Notes to Financial Statements	<b>7-10</b>

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
East Nashville Hope Exchange, Inc.

We have audited the accompanying financial statements of East Nashville Hope Exchange, Inc. (a Tennessee not-for-profit corporation, the "Organization"), which comprise the statement of financial position as of December 31, 2013, 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 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 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 of 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 Organization'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 Organization'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 in the first paragraph present fairly, in all material respects, the financial position of East Nashville Hope Exchange, Inc. as of December 31, 2013, 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Prior Year Basis of Accounting

The Organization has kept its records and prepared its financial statements for the previous year on the cash basis of accounting for which revenues and related assets are generally recognized when received rather than in the period earned and expenses are recognized when paid rather than when the obligation is incurred. As described in Note 2 to the financial statements, the Organization has adopted accounting principles generally accepted in the United States of America as of the beginning of the current year.

*Blankenship CPA Group, PLLC*

February 2, 2015

**EAST NASHVILLE HOPE EXCHANGE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

**ASSETS**

Cash	\$ 47,533
Prepaid expenses	1,225
Equipment, net	<u>3,539</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 52,297</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	<u>\$ 1,422</u>
<b>Total Liabilities</b>	<b><u>1,422</u></b>

**NET ASSETS**

Unrestricted	
Undesignated	33,875
Designated - Contingency	<u>10,000</u>
Total Unrestricted	<u>43,875</u>
Temporarily restricted	<u>7,000</u>
<b>Total Net Assets</b>	<b><u>50,875</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 52,297</u></b>

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

**EAST NASHVILLE HOPE EXCHANGE, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2013**

**Changes in Unrestricted Net Assets**

**Revenues**

Grant/foundation contributions	\$ 34,311
Special event (net of direct benefits to donors of \$3,202)	23,127
Individual and corporate contributions	16,797
In-kind contributions	14,769
Fees	<u>579</u>

Total Unrestricted Revenues	89,583
-----------------------------	--------

Net assets released from restrictions	<u>7,000</u>
---------------------------------------	--------------

Total Unrestricted Revenues and Reclassifications	<u>96,583</u>
---	---------------

**Functional Expenses**

Program services	65,363
Supporting services	
Fundraising	3,003
Management and general	<u>11,531</u>

Total Unrestricted Functional Expenses	<u>79,897</u>
--	---------------

Increase in unrestricted net assets	<u>16,686</u>
-------------------------------------	---------------

**Changes in Temporarily Restricted Net Assets**

Contributions	7,000
Net assets released from restrictions	<u>(7,000)</u>

Change in temporarily restricted net assets	<u>-</u>
---	----------

INCREASE IN NET ASSETS	16,686
------------------------	--------

NET ASSETS - BEGINNING OF YEAR (RESTATED)	<u>34,189</u>
---	---------------

NET ASSETS - END OF YEAR	<u><u>\$ 50,875</u></u>
--------------------------	-------------------------

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

**EAST NASHVILLE HOPE EXCHANGE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2013**

		<u>Supporting Services</u>		
	<b>Program</b>	<b>Fund-</b>	<b>Management</b>	
	<b>Services</b>	<b>raising</b>	<b>and</b>	<b>Total</b>
			<b>General</b>	
Compensation and related costs	\$ 36,593	\$ 400	\$ 1,300	\$ 38,293
Occupancy	5,946	77	282	6,305
Food service	6,061	-	-	6,061
Professional services	-	-	5,650	5,650
Special event expense	-	4,746	-	4,746
Program supplies	5,159	-	-	5,159
Books and curriculum	3,898	-	-	3,898
Field trips	3,811	-	-	3,811
Insurance	1,944	-	-	1,944
Storage rent	-	-	1,532	1,532
Printing	553	754	72	1,379
Strategic planning	-	-	1,350	1,350
Administrative	-	-	1,257	1,257
Office supplies	528	224	72	824
Depreciation	426	4	16	446
Family engagement workshops	444	-	-	444
<b>Total expenses</b>	<u>65,363</u>	<u>6,205</u>	<u>11,531</u>	<u>83,099</u>
<b>Less direct benefits to donors</b>	<u>-</u>	<u>(3,202)</u>	<u>-</u>	<u>(3,202)</u>
<b>Total functional expenses</b>	<u><u>\$ 65,363</u></u>	<u><u>\$ 3,003</u></u>	<u><u>\$ 11,531</u></u>	<u><u>\$ 79,897</u></u>

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

**EAST NASHVILLE HOPE EXCHANGE, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 16,686
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	446
Donations of equipment	(1,403)
Decrease in contributions receivable	7,875
Increase in prepaid expenses	(1,225)
Increase in accounts payable and accrued expenses	<u>1,422</u>
Net Cash Provided By Operating Activities	<u>23,801</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Payments for equipment	<u>(2,582)</u>
Net Cash Used In Investing Activities	<u>(2,582)</u>

Net Increase in Cash	21,219
CASH - BEGINNING OF YEAR	<u>26,314</u>
CASH - END OF YEAR	<u><u>\$ 47,533</u></u>

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

**EAST NASHVILLE HOPE EXCHANGE, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013**

**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 and foundations.

**NOTE 2 - CHANGE IN BASIS OF ACCOUNTING**

At the beginning of 2013, the Organization adopted accounting principles generally accepted in the United States of America. Previously, the Organization used the cash basis of accounting. This change had the effect of increasing beginning net asset by \$7,875.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity 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, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Cash

Cash includes checking deposits held by financial institutions.

**EAST NASHVILLE HOPE EXCHANGE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities and changes in net assets as net assets released from restrictions. There were no permanently restricted net assets as of December 31, 2013.

**Contributed Services**

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are not reflected in the financial statements since the services do not require specialized skills. 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 the receipt.

**Property and Equipment and Depreciation**

It is the Organization's policy to capitalize all property and equipment over \$200. Property and equipment acquisitions are recorded at cost. Donations of property and 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 statement of activities and changes in net assets 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 a straight-line method.

**EAST NASHVILLE HOPE EXCHANGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2013**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2013, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2010.

**NOTE 4 - EQUIPMENT**

Equipment consist of the following:

Computer equipment	\$ 3,985
Less: Accumulated depreciation	<u>(446)</u>
	<u>\$ 3,539</u>

Depreciation expense was \$446 for the year.

**NOTE 5 - UNRESTRICTED-DESIGNATED NET ASSETS**

Certain unrestricted net assets have been internally designated by the board of directors as contingency fund for the protection of the Organization.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of a grant restricted for summer 2014 programming. These funds will be released from restriction during 2014.

**EAST NASHVILLE HOPE EXCHANGE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013**

**NOTE 7 - IN-KIND CONTRIBUTIONS**

The following in-kind contributions have been included in unrestricted revenues and expenses/assets in the financial statements for the year ended December 31, 2013.

Included in contributions/equipment	
Computer equipment	\$ 1,403
Included in contributions/expenses	
Occupancy	6,305
Food service	6,061
Strategic planning	1,000
Included in special events/expenses	
Beverages	<u>3,000</u>
	<u>\$ 17,769</u>

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled \$12,255. These assets were subsequently sold during fundraising events with the proceeds recorded in special events income.

**NOTE 8 - CONCENTRATIONS**

Of the Organization's total revenues for the year, approximately 10% represents funds received from one individual donation. No other revenue source represents 10% or more of total revenues.

**NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through February 2, 2015 which is the date the financial statements were available to be issued.