PROJECT RETURN, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2017 AND 2016

PROJECT RETURN, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2017 AND 2016

TABLE OF CONTENTS

BLANKENSHIP CPA GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Project Return, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Project Return, Inc. (the "Agency"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, (collectively, 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. 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 Agency'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 Agency'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.

215 Ward Circle • Brentwood, TN 37027-5032 • 615-373-3771 • FAX 615-377-4915

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Return, Inc. as of June 30, 2017 and 2016, 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.

Blankenship CPA Group, PLLC

September 30, 2017

PROJECT RETURN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	$ 383,717	$ 151,371
Federal and state government receivables		
Financial assistance awards	96,066	140,467
Contractual agreements	90,734	36,845
Prepaid expenses	14,468	25,570
Inventory	20,461	9,194
TOTAL CURRENT ASSETS	605,446	363,447
PROPERTY AND EQUIPMENT, NET	341,197	65,370
TOTAL ASSETS	$ 946,643	$ 428,817

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable	$ 22,289	$ 23,687
Accrued expenses	36,998	25,300
Other liabilities	6,713	7,472
Long-term debt, current	7,632	-
TOTAL CURRENT LIABILITIES	73,632	56,459
Long-term debt	181,458	-
TOTAL LIABILITIES	255,090	56,459
NET ASSETS		
Unrestricted	642,675	285,292
Temporarily restricted	48,878	87,066
TOTAL NET ASSETS	691,553	372,358
TOTAL LIABILITIES AND NET ASSETS	$ 946,643	$ 428,817

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

PROJECT RETURN, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenues		
Public support		
Corporate and foundation grants	$ 174,334	$ 247,665
Contributions	84,881	44,478
Donated goods	48,474	13,571
Federal and state government		
Financial assistance awards	523,538	725,857
Contractual agreements	163,000	147,810
State of Tennessee appropriation	832,000	182,000
Net assets released from restrictions	87,066	-
Total public support	1,913,293	1,361,381
Operating revenues		
Rental Income	7,485	-
Contract services	611,911	279,775
Total operating revenues	619,396	279,775
Total unrestricted support	2,532,689	1,641,156
Other revenues		
Miscellaneous	675	1,860
Interest income	1,202	396
Total other revenues	1,877	2,256
Total Unrestricted Support and Revenues	2,534,566	1,643,412
Unrestricted Functional Expenses		
Program services	1,767,813	1,539,743
Supporting services		
Management and general	231,220	87,966
Fundraising	178,150	104,004
Total Unrestricted Functional Expenses	2,177,183	1,731,713
Increase (decrease) in unrestricted net assets	357,383	(88,301)
Changes in Temporarily Restricted Net Assets		
Corporate and foundation grants	43,500	80,100
Project restriction	5,378	6,966
Net assets released from restrictions	(87,066)	-
(Decrease) increase in temporarily restricted net assets	(38,188)	87,066
INCREASE (DECREASE) IN NET ASSETS	319,195	(1,235)
NET ASSETS - BEGINNING OF YEAR	372,358	373,593
NET ASSETS - END OF YEAR	$ 691,553	$ 372,358

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

PROJECT RETURN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

		Supporting Services		
	Program Services	Management and General	Fund-raising	Total
Compensation and related costs				
Salaries and contract labor	$ 1,060,425	$ 130,537	$ 107,379	$ 1,298,341
Employee benefits	126,118	14,210	14,218	154,546
Payroll taxes	85,992	10,458	8,602	105,052
	1,272,535	155,205	130,199	1,557,939
Aid to clients	220,798	-	-	220,798
Insurance	12,149	4,609	792	17,550
Dues and memberships	1,380	4,486	825	6,691
Equipment rental and maintenance	11,549	1,091	540	13,180
Building maintenance	7,833	646	260	8,739
Meetings	1,572	1,482	585	3,639
Miscellaneous	-	1,537	-	1,537
Office supplies	22,223	11,194	3,118	36,535
Postage	3,970	450	577	4,997
Printing	4,502	2,781	6,527	13,810
Professional fees	81,041	29,198	6,267	116,506
Program supplies	9,870	-	-	9,870
Rent	53,019	10,779	7,485	71,283
Staff development	925	36	5,169	6,130
Telecommunications	5,744	790	494	7,028
Travel	33,779	3,878	2,764	40,421
Fundraising	-	-	9,970	9,970
Taxes and fees	2,727	50	-	2,777
Utilities	8,621	1,167	1,163	10,951
Total expenses	1,754,237	229,379	176,735	2,160,351
Depreciation	13,576	1,841	1,415	16,832
Total functional expenses	$ 1,767,813	$ 231,220	$ 178,150	$ 2,177,183

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

PROJECT RETURN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

		Supporting Services		
	Program Services	Management and General	Fund-raising	Total
Compensation and related costs				
Salaries and contract labor	$ 851,578	$ 42,235	$ 56,244	$ 950,057
Employee benefits	139,938	6,940	9,241	156,119
Payroll taxes	75,442	3,742	4,983	84,167
	1,066,958	52,917	70,468	1,190,343
Aid to clients	170,189	14	-	170,203
Dues and memberships	262	2,226	199	2,687
Equipment rental and maintenance	11,432	1,631	434	13,497
Meetings	1,749	805	476	3,030
Postage	2,318	134	509	2,961
Printing	7,875	2,596	5,413	15,884
Professional fees	117,721	4,768	7,149	129,638
Program supplies	4,452	-	-	4,452
Rent	57,797	7,739	4,056	69,592
Staff development	475	250	1,020	1,745
Telecommunications	6,236	510	312	7,058
Travel	39,844	1,602	378	41,824
Fundraising	-	-	10,741	10,741
Utilities	8,556	1,117	592	10,265
Total expenses	1,527,858	87,286	103,200	1,718,344
Depreciation	11,885	680	804	13,369
Total functional expenses	$ 1,539,743	$ 87,966	$ 104,004	$ 1,731,713

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

PROJECT RETURN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$ 319,195	$ (1,235)
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities		
Depreciation	16,831	13,369
(Increase) Decrease in:		
Financial assistance awards receivable	(46,333)	(77,294)
Contractual agreements receivable	36,845	15,633
Other receivables	-	4,352
Prepaid expenses	11,102	(13,723)
Inventory	(11,267)	(962)
Increase (Decrease) in:		
Accounts payable	(1,397)	(18,793)
Accrued expenses	11,698	(988)
Other liabilities	(759)	7,472
Net Cash Provided (Used) By Operating Activities	335,915	(72,169)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(292,659)	-
Net Cash Used By Investing Activities	(292,659)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	191,000	-
Payments on long-term debt	(1,910)	-
Net Cash Provided By Financing Activities	189,090	-
Net Increase (Decrease) in Cash	232,346	(72,169)
CASH - BEGINNING OF YEAR	151,371	223,540
CASH - END OF YEAR	$ 383,717	$ 151,371
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	$ -	$ -

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

NOTE 1 - AGENCY AND NATURE OF ACTIVITIES

Project Return, Inc. (the "Agency") is a Tennessee not-for-profit corporation which provides counseling and the teaching of job skills to prisoners in conjunction with their release from institutional custody and return to society. The Agency is supported primarily through federal and state government financial assistance awards and contractual agreements, an appropriation from the State of Tennessee, corporate and foundation grants, and private contributions.

On February 3, 2017 the Agency formed a wholly owned limited liability company, InnoVestments, LLC (IVL), pursuant to the Tennessee Revised Limited Liability Company Act, Tenn. Code Ann. Section 48-249-101. The purpose of IVL is to own and operate real property used in the programs of the Agency. The accounts of IVL are included in this presentation and all intercompany transactions have been eliminated.

NOTE 2 - 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 and money market deposits held by financial institutions.

Property and Equipment and Depreciation

It is the Agency's policy to capitalize all property and equipment over $1,000. Furniture 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 statements of activities and changes in net assets and the statements of functional expenses 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 lives of the assets ranging from five to ten years and computed on the straight-line method.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support and Receivables

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor 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 statements of activities and changes in net assets as net assets released from restrictions.

Financial assistance awards revenues are recognized in the period that a liability is incurred for eligible expenditures under the terms of the grant agreements. Financial assistance awards received prior to expenditure are recorded initially as grantor advances.

Contractual agreement revenues are recognized in the period the services are performed.

The Agency uses the allowance method to determine uncollectible receivables related to contributions and support receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was deemed necessary as of June 30, 2017 and 2016. All receivables are classified as current as they are expected to be collected within one year.

Donated Goods and Services

Donated goods are recorded at fair value in the period the gift is received. Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by the donor who possesses such skills, and would have been purchased by the Agency if not provided by the donor. Such services are recognized at fair value as support and expense in the period the services are performed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Agency 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 Agency to evaluate tax positions taken by the Agency and recognize a tax liability (or asset) if the Agency 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 Agency and has concluded that as of June 30, 2017 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 Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Agency is no longer subject to U.S. federal income tax examinations by tax authorities for years ended prior to June 30, 2014.

Functional Allocation of Expenses

The following program and supporting services classifications are included in the accompanying financial statements.

Program services consist of an adult program, which provides direct referrals to employment services, educates the public regarding criminal justice issues, and supports successful transitions back into the community through life skills training.

Management and general includes the functions necessary to ensure an adequate working environment. These costs are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Agency. Specific activities include oversight, business management, budgeting, recordkeeping, financing, and other administrative activities.

Fundraising includes costs of activities directed toward appeals for financial support including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or subjective methods determined by management.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Furniture and equipment	$ 53,301	$ 49,427
Vehicles	81,225	81,225
Buildings	288,785	-
	423,311	130,652
Less accumulated depreciation	(82,114)	(65,282)
	$ 341,197	$ 65,370

Depreciation expense was $16,832 and $13,369 for 2017 and 2016 respectively

NOTE 4 - RESTRICTED NET ASSETS

The temporary restrictions on net assets at June 30, 2016 from corporate and foundation grants are attributable to various grants from various donors for specific program services or event sponsorships totaling $80,100. Temporary restrictions from project restrictions are the result of the Agency holding and disbursing funds on behalf of another charitable organization totaling $6,966.

The temporary restrictions on net assets at June 30, 2017 from corporate and foundation grants are attributable to various grants from various donors for specific program services or event sponsorships totaling $43,500. Temporary restrictions from project restrictions are the result of the Agency holding and disbursing funds on behalf of another charitable organization totaling $5,378.

There were no permanently restricted net assets as of June 30, 2017 and 2016.

NOTE 5 - DONATED GOODS AND SERVICES

In-kind contributions of food and supplies totaling $48,474 and $13,571 have been included in unrestricted support and revenues and unrestricted functional expenses in the financial statements for the years ended June 30, 2017 and 2016 respectively.

NOTE 6 - CONCENTRATIONS AND CREDIT RISK

Financial assistance awards, contractual agreements and appropriations comprised 60% and 64% of the Agency's total unrestricted support and revenues for the years ended June 30, 2017 and 2016 respectively. Contract services accounted for 24% and 17% of total unrestricted support and revenues for the years ended June 30, 2017 and 2016 respectively.

NOTE 6 - CONCENTRATIONS AND CREDIT RISK (CONTINUED)

Financial instruments that potentially subject the Agency to concentrations of credit risk include receivables from financial assistance awards and contractual agreements and support received from these agencies, corporate and foundation grants and contributions. Substantially all receivables for the years ended June 30, 2017 and 2016 were from these sources.

NOTE 7 - LEASING ARRANGEMENTS

The Agency has operating leases for the office building and certain office equipment. A schedule of future minimum lease payments under these operating leases are as follows for the years ending June 30:

Future Minimum Lease Payments

2018	$ 72,944
2019	54,441
2020	20,572
	$ 147,957

Rental expense for office equipment and office space was $77,124 and $75,330 for the years ended June 30, 2017 and 2016 respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Agency has received various government grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to grantors.

NOTE 9 - LONG TERM DEBT

The composition of the Agency's long term debt as of June 30, 2017 is as follows:

Installment note payable to CapStar Bank, due in 59 monthly payments of $636 and one final payment including interest due in March 2022. The interest rate is the greater of the published prime rate less 4% or 0%. The interest rate was 0% as of June 30, 2017. The note is collateralized by real estate.	$ 189,090
Less current portion	(7,632)
	$ 181,458

Long-term debt matures as follows:

Year ending June 30,	
2018	$ 7,632
2019	7,632
2020	7,632
2021	7,632
2022	158,562
	$ 189,090

NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through September 30, 2017 which is the date the financial statements were available to be issued.

BLANKENSHIP CPA GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

September 30, 2017

To the Board of Directors
Project Return, Inc.
Nashville, Tennessee

This letter is to inform the Board of Directors of Project Return, Inc. about significant matters related to the conduct of our audit as of and for the year ended June 30, 2017, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management
Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated August 11, 2017. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit
We have included in our arrangement letter dated August 11, 2017 regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Significant Accounting Practices, Including Policies, Estimates and Disclosures
In our meeting management, we discussed our views about the qualitative aspects of Project Return's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

Uncorrected Misstatements
We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Accountants
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Closing
We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Project Return, Inc.

This report is intended solely for the information and use of the Board of Directors of Project Return, Inc. and is not intended to be, and should not be, used by anyone other than this specified party.

Sincerely,

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC

215 Ward Circle • Brentwood, TN 37027-5032 • 615-373-3771 • FAX 615-377-4915