

**ROCKETOWN OF MIDDLE TENNESSEE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2017 AND 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Rockettown of Middle Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of Rockettown of Middle Tennessee (a Tennessee not-for-profit corporation, the "Organization") 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.

### 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 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 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 above present fairly, in all material respects, the financial position of Rockettown of Middle Tennessee as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group, PLLC*

October 11, 2017

**ROCKETOWN OF MIDDLE TENNESSEE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

<b>ASSETS</b>		
	<b>2017</b>	<b>2016</b>
Current Assets:		
Cash	\$ 271,825	\$ 387,800
Accounts receivable	9,820	11,594
Contributions receivable	-	100
Interest in net assets	4,898	4,736
Inventories	56,752	57,093
Deposits	662	662
Total current assets	343,957	461,985
Property and equipment, net	6,712,780	6,824,300
Endowment fund	12,846	11,756
Total assets	<u>\$ 7,069,583</u>	<u>\$ 7,298,041</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 22,398	\$ 28,281
Accrued expenses	48,544	46,566
Deferred revenue	24,425	60,159
Current portion of note payable	27,601	26,471
Current portion of capital lease obligation	15,571	-
Total current liabilities	138,539	161,477
Long term debt:		
Note payable, net of current portion	649,548	676,731
Capital lease obligation, net of current portion	21,501	-
Total liabilities	<u>809,588</u>	<u>838,208</u>
Net assets:		
Unrestricted:		
Designated for property and equipment	6,712,780	6,824,300
Undesignated	(560,528)	(471,223)
Total unrestricted	6,152,252	6,353,077
Temporarily restricted	97,743	96,756
Permanently restricted	10,000	10,000
Total net assets	<u>6,259,995</u>	<u>6,459,833</u>
Total liabilities and net assets	<u>\$ 7,069,583</u>	<u>\$ 7,298,041</u>

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

**ROCKETOWN OF MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Membership dues, cover charges, session fees and lessons	\$ 222,599	\$ -	\$ -	\$ 222,599
Product revenue	254,358	-	-	254,358
Facility rentals	493,323	-	-	493,323
Investment income	-	1,090	-	1,090
Other	5,904	-	-	5,904
Total operating revenues	976,184	1,090	-	977,274
Public support and other revenues:				
Contributions	226,648	-	-	226,648
Foundation contributions and grants	142,269	87,147	-	229,416
Special events	333,510	-	-	333,510
Net assets released from program restrictions	87,250	(87,250)	-	-
Total public support and other revenues	789,677	(103)	-	789,574
Total revenues	1,765,861	987	-	1,766,848
Functional expenses:				
Program services	1,357,792	-	-	1,357,792
Supporting services:				
Management and general	381,671	-	-	381,671
Fundraising	227,223	-	-	227,223
Total functional expenses	1,966,686	-	-	1,966,686
Net decrease in net assets	(200,825)	987	-	(199,838)
Net assets, beginning of year	6,353,077	96,756	10,000	6,459,833
Net assets, end of year	\$ 6,152,252	\$ 97,743	\$ 10,000	\$ 6,259,995

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

**ROCKETOWN OF MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Membership dues, cover charges, session fees and lessons	\$ 240,948	\$ -	\$ -	\$ 240,948
Product revenue	310,486	-	-	310,486
Facility rentals	406,825	-	-	406,825
Investment income	-	782	-	782
Other	6,747	-	-	6,747
Total operating revenues	965,006	782	-	965,788
Public support and other revenues:				
Contributions	281,769	-	-	281,769
Foundation contributions and grants	264,161	95,000	-	359,161
Special events	401,325	-	-	401,325
Sponsorships	10,000	-	-	10,000
Net assets released from program restrictions	36,648	(36,648)	-	-
Total public support and other revenues	993,903	58,352	-	1,052,255
Total revenues	1,958,909	59,134	-	2,018,043
Functional expenses:				
Program services	1,390,032	-	-	1,390,032
Supporting services:				
Management and general	394,878	-	-	394,878
Fundraising	225,387	-	-	225,387
Total functional expenses	2,010,297	-	-	2,010,297
Net increase in net assets	(51,388)	59,134	-	7,746
Net assets, beginning of year	6,404,465	37,622	10,000	6,452,087
Net assets, end of year	\$ 6,353,077	\$ 96,756	\$ 10,000	\$ 6,459,833

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



**ROCKETOWN OF MIDDLE TENNESSEE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 490,959	\$ 167,160	\$ 121,173	\$ 779,292
Payroll taxes	36,407	12,213	9,637	58,257
Employee benefits	54,843	8,403	9,665	72,911
Total payroll and related expenses	582,209	187,776	140,475	910,460
Direct costs of operating revenues:				
Skatepark merchandise	96,960	-	-	96,960
Café merchandise	44,487	-	-	44,487
Bank fees	436	9,831	4,336	14,603
Design, photography and printing	-	452	403	855
Dues and subscriptions	1,824	6,620	3,895	12,339
Food and entertainment	28,280	4,873	4,284	37,437
Gifts	4,061	170	552	4,783
Giveaways and incentives	7,680	-	89	7,769
Insurance	59,181	-	6,163	65,344
Interest	30,648	-	-	30,648
Legal and professional	109	13,767	-	13,876
Marketing and advertising	2,124	-	6,513	8,637
Minor equipment	5,324	250	-	5,574
Miscellaneous	13,151	4,931	459	18,541
Office supplies	733	1,861	327	2,921
Postage and freight	5,533	878	1,513	7,924
Purchased services - other	117,520	101,906	2,449	221,875
Purchased services - personnel	288	-	-	288
Repairs and maintenance	43,248	12,228	444	55,920
Special events	101	39	45,210	45,350
Supplies	41,725	2,871	933	45,529
Taxes and licenses	29,855	4,524	100	34,479
Telephone	3,895	19,820	1,170	24,885
Travel	4,568	315	631	5,514
Tuition and training	1,336	2,172	890	4,398
Utilities	85,619	-	-	85,619
Total functional expenses before depreciation	1,210,895	375,284	220,836	1,807,015
Depreciation of property and equipment	146,897	6,387	6,387	159,671
Total functional expenses	\$ 1,357,792	\$ 381,671	\$ 227,223	\$ 1,966,686

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

**ROCKETOWN OF MIDDLE TENNESSEE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 567,103	\$ 168,367	\$ 111,116	\$ 846,586
Payroll taxes	41,909	11,254	9,827	62,990
Employee benefits	46,227	15,182	6,732	68,141
Total payroll and related expenses	655,239	194,803	127,675	977,717
Direct costs of operating revenues:				
Skatepark merchandise	124,878	-	-	124,878
Café merchandise	39,334	-	-	39,334
Bank fees	-	15,126	3,811	18,937
Dues and subscriptions	1,774	6,962	3,562	12,298
Food and entertainment	23,182	4,224	3,979	31,385
Gifts	1,548	2,282	599	4,429
Giveaways and incentives	1,497	-	-	1,497
Insurance	62,966	-	6,702	69,668
Interest	30,971	-	-	30,971
Legal and professional	38	16,943	-	16,981
Marketing and advertising	7,309	-	5,645	12,954
Minor equipment	6,851	1,681	-	8,532
Miscellaneous	4,423	2,813	100	7,336
Office supplies	596	2,365	1,327	4,288
Postage and freight	6,728	913	1,975	9,616
Purchased services - other	91,357	86,992	11,832	190,181
Purchased services - personnel	3,352	-	-	3,352
Repairs and maintenance	31,219	16,123	146	47,488
Special events	2,338	-	45,002	47,340
Supplies	35,317	4,224	1,343	40,884
Taxes and licenses	29,446	6,977	-	36,423
Telephone	3,335	18,676	915	22,926
Travel	2,407	4,827	3,914	11,148
Tuition and training	1,550	2,759	672	4,981
Utilities	80,062	-	-	80,062
Total functional expenses before depreciation	1,247,717	388,690	219,199	1,855,606
Depreciation of property and equipment	142,315	6,188	6,188	154,691
Total functional expenses	<u>\$ 1,390,032</u>	<u>\$ 394,878</u>	<u>\$ 225,387</u>	<u>\$ 2,010,297</u>

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



**ROCKETOWN OF MIDDLE TENNESSEE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (199,838)	\$ 7,746
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities:		
Depreciation	159,671	154,691
Unrealized gain on endowment fund	(979)	(90)
Change in operating assets and liabilities:		
Accounts receivable	1,774	(4,976)
Contributions receivable	100	25,975
Interest in net assets	(162)	411
Inventories	341	(15,882)
Accounts payable	(5,883)	(11,071)
Accrued expenses	1,978	10,636
Deferred revenue	(35,734)	(4,279)
Total adjustments	121,106	155,415
Net cash (used) provided by operating activities	(78,732)	163,161
Cash flows from investing activities:		
Purchase of property and equipment	(954)	(11,570)
Interest and dividends reinvested in endowment fund	(111)	(692)
Net cash used by investing activities	(1,065)	(12,262)
Cash flows from financing activities:		
Payments on note payable	(26,053)	(24,875)
Payments on capital lease obligation	(10,125)	-
Net cash used by financing activities	(36,178)	(24,875)
Net (decrease) increase in cash	(115,975)	126,024
Cash, beginning of year	387,800	261,776
Cash, end of year	\$ 271,825	\$ 387,800
Other cash flow disclosures:		
Cash paid during the year for interest	\$ 30,648	\$ 30,971
Non-cash investing activities:		
Equipment acquired with capital lease	\$ 47,197	\$ -

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

**ROCKETOWN OF MIDDLE TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

Rocketown of Middle Tennessee (the "Organization") was founded in 1994 as a Tennessee not-for-profit corporation. The Organization's mission is to offer hope to the next generation through Christ's love. Rocketown's vision is to be the place of peace, purpose, and possibilities for youth.

The Organization offers creative, spiritual, educational, social, and job preparedness programs and support. We also operate a skate park, concert, and event venue at 601 Fourth Avenue South, Nashville, TN and 526 Fifth Avenue South. This facility includes a 9,000 square foot indoor skateboarding park; a small venue, a large state-of-the-art music venue and performance space; the coffee bar, a full service coffee shop; a dance studio that can be used as a multi-purpose room; a recording studio; and four classroom spaces for after-school and summer camp programming. During 2017, the Organization had over 30,450 youth visits and another 161,865 community visits representing every social demographic of the greater Nashville area and surrounding counties.

**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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash

Cash consists principally of checking and savings account balances with financial institutions. Cash excludes cash restricted for the endowment fund.

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Organization expects to fully collect these items; therefore no allowance for uncollectible accounts has been recorded in the financial statements.

Property, Equipment and Depreciation

Land, building, equipment and furniture purchases in excess of \$1,000 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. Depreciation of property and equipment, other than land, is calculated by the straight-line method over estimated useful lives ranging from three to ten years for equipment and furniture and five to forty years for building and improvements.

**ROCKETOWN OF MIDDLE TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Inventories

Inventories consist principally of coffee bar supplies and skate park store products and are reported at lower of cost (first-in, first-out method) or market.

Contributions

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 designated for future periods or restricted by the donor 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 program restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows (unless immaterial). Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Organization expects to fully collect these items; therefore no allowance for doubtful accounts has been recorded in the financial statements.

Promises to give in the future are recognized as temporarily restricted net assets and revenues in the period promised if the promise is unconditional or the possibility that a condition will not be met is remote.

Donated Goods and Services

Donated facilities and materials are recorded as contributions in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs and exhibits. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

**ROCKETOWN OF MIDDLE TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Income taxes for such unrelated business income totaled \$11,113 and \$6,873 in 2017 and 2016, respectively.

Accounting principles generally accepted in the United States of America require the Organization's management 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 Organization's management has analyzed the tax positions taken by the Organization 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 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 routine audits by taxing jurisdictions for any tax periods beginning before 2014.

Advertising

All advertising costs are expensed when incurred. There were no direct response advertising costs incurred in 2017 and 2016.

Program and Supporting Services

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

Program Services – includes the direct cost of operating the Organization's indoor skate park, music venue, and coffee bar. Additionally, program services include numerous enrichment programs offered to teenagers visiting the facility, including skateboarding lessons, songwriting, video editing, graffiti art, and dance.

Management and General – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

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

Allocation of Functional Expenses

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 reasonable subjective methods determined by management.

**ROCKETOWN OF MIDDLE TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2016 were \$100. All amounts are due within one year. There were no contributions receivable as of June 30, 2017.

**NOTE 4 - INTEREST IN NET ASSETS**

Amounts reported in the statements of financial position as interest in net assets represent the cumulative transfers by the Organization to the Firm Foundation of Middle Tennessee (the "Foundation") which is a component fund of the National Christian Charitable Foundation, Inc., as well as earnings thereon. These amounts totaled \$4,898 and \$4,736 at June 30, 2017 and 2016, respectively. The Foundation holds and invests the funds on behalf of the Organization. The Foundation has variance power over the funds if the Organization fails to comply with the requirements for distribution. The funds are distributable upon request by the Organization and approval of the Foundation. Distributions will be approved if the Organization continues to operate as a 501(c)(3) and a religious Organization. Management does not expect the Organization to fail to comply with the requirements for distribution. Several members of the Organization's board of directors are also members of or related to members of the board of directors for the Foundation.

**NOTE 5 - INVENTORIES**

Inventories consist of the following as of June 30:

	2017	2016
Skatepark shop merchandise	\$ 44,492	\$ 42,080
Coffee bar merchandise	12,260	15,013
	<u>\$ 56,752</u>	<u>\$ 57,093</u>

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	2017	2016
Land	\$ 2,367,032	\$ 2,367,032
Building and improvements	5,162,227	5,161,272
Machinery and equipment	696,318	649,122
Furniture and fixtures	37,163	37,163
	<u>8,262,740</u>	<u>8,214,589</u>
Less accumulated depreciation	<u>(1,549,960)</u>	<u>(1,390,289)</u>
	<u>\$ 6,712,780</u>	<u>\$ 6,824,300</u>



**ROCKETOWN OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 7 - ENDOWMENT FUND**

The Organization has received a donation to establish a permanent endowment fund to provide funds to help support the Organization's various youth programs. Terms of the donation require the funds to be segregated from other Organization funds. Gifts made to donor-restricted endowment is reported as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization according to the terms of the donation.

Endowment net asset composition as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment fund	<u>\$ -</u>	<u>\$ 2,846</u>	<u>\$ 10,000</u>	<u>\$ 12,846</u>

Changes in endowment net assets as of June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets,				
Beginning of year	\$ -	\$ 1,756	\$ 10,000	\$ 11,756
Interest and dividends	-	111	-	111
Unrealized gains	-	979	-	979
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,846</u>	<u>\$ 10,000</u>	<u>\$ 12,846</u>

Endowment net asset composition as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment fund	<u>\$ -</u>	<u>\$ 1,756</u>	<u>\$ 10,000</u>	<u>\$ 11,756</u>

Changes in endowment net assets as of June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets,				
Beginning of year	\$ -	\$ 974	\$ 10,000	\$ 10,974
Interest and dividends	-	692	-	692
Unrealized gains	-	90	-	90
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,756</u>	<u>\$ 10,000</u>	<u>\$ 11,756</u>



**ROCKETOWN OF MIDDLE TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 8 - LINE OF CREDIT**

The Organization has a \$250,000 revolving line of credit with a financial institution to help finance its short-term capital needs. This note is payable upon demand. Interest is payable monthly on outstanding balances at an interest rate of no less than 3.25%. At June 30, 2017, the line's effective rate of interest was 3.25%. No line of credit borrowings occurred during the years ended June 30, 2017 and 2016, and none have occurred through the date of the independent auditors' report.

**NOTE 9 - LONG TERM DEBT**

Long term debt consists of the following for the Organization at June 30:

	2017	2016
Note payable to a financial institution, fixed interest of 4.25%, monthly principal and interest payments of \$4,654 with final payment due June 2021, secured by buildings and land.	\$ 677,149	\$ 703,202
Less current portion	(27,601)	(26,471)
	<u>\$ 649,548</u>	<u>\$ 676,731</u>

The following table represents future maturities of long term debt:

<u>Fiscal Year Ending June 30,</u>	
2018	\$ 27,601
2019	28,797
2020	30,045
2021	590,706
	<u>\$ 677,149</u>

**NOTE 10 - CAPITAL LEASE OBLIGATION**

Capital lease obligation consists of the following for the Organization at June 30:

	2017	2016
Capital lease obligation to financing company, fixed interest of 3.00%, monthly principal and interest payments of \$1,373 with final payment due October 2019, secured by equipment.	\$ 37,072	\$ -
Less current portion	(15,571)	-
	<u>\$ 21,501</u>	<u>\$ -</u>

**ROCKETOWN OF MIDDLE TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 10 - CAPITAL LEASE OBLIGATION (CONTINUED)**

The following table represents future maturities of capital lease obligation:

<u>Fiscal Year Ending June 30,</u>	
2018	\$ 15,571
2019	16,045
2020	<u>5,456</u>
	<u>\$ 37,072</u>

**NOTE 11 - RESTRICTIONS ON NET ASSETS**

The temporary restrictions on net assets are as follows:

	2017	2016
Time restricted donations	\$ 94,897	\$ 95,000
Investment income from endowment fund	<u>2,846</u>	<u>1,756</u>
	<u>\$ 97,743</u>	<u>\$ 96,756</u>

As of June 30, 2017 and 2016, permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities.

**NOTE 12 - EMPLOYEE BENEFIT PLAN**

The Organization sponsors a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code in which substantially all employees of the Organization qualify after they have completed one year of service. The plan allows participants to contribute a percentage of their gross pay up to the amount allowable by the Internal Revenue Code. The Organization recognized \$21,062 and \$20,209 as expense under this plan during the years ended June 30, 2017 and 2016, respectively. These amounts were included in the statements of functional expenses as employee benefits.

**NOTE 13 - LEASE COMMITMENTS**

The Organization leases office equipment under four operating leases which expire at various times between 2017 and 2020. Lease expense for this equipment was \$10,071 and \$9,984 for the years ending June 30, 2017 and 2016, respectively.

**ROCKETOWN OF MIDDLE TENNESSEE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 13 - LEASE COMMITMENTS (CONTINUED)**

The minimum lease payments required under the above operating leases are as follows:

Fiscal Year Ending June 30,

2018	\$ 6,247
2019	1,630
2020	<u>86</u>
	<u>\$ 7,963</u>

**NOTE 14 - CONCENTRATIONS**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit with several financial institutions. The Organization maintains balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to significant credit risk related to cash. Uninsured amounts at June 30, 2017 and 2016 were approximately \$15,000 and \$132,000, respectively.

The Organization was awarded six grants which made up approximately 88% of total foundation contributions and grants revenue for the year ended June 30, 2017. The Organization was awarded five grants which made up approximately 84% of total foundation contributions and grants revenue for the year ended June 30, 2016. One corporation made contributions which comprised approximately 23% of the Organization's total contributions for the year ended June 30, 2017. One corporation made contributions which comprised approximately 18% of the Organization's total contributions for the year ended June 30, 2016.

**NOTE 15 - QUESTIONED COSTS**

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the grantor agency or the grantor agency may require that the funds already expended be refunded to the agency. These amounts can be "questioned" by the agency for the specific grant to which they apply. The determination as to whether such costs will be allowed or disallowed under the grants will be made by the individual grantor agency at a later date. No liability was required at June 30, 2017 and 2016 for the repayment of questioned costs as no grantor agency has made a determination of the appropriateness of any questioned costs. Management deems the possibility of a refund request to be remote, as they believe that the Organization has accommodated their objective to the provisions of their grants.

**NOTE 16 - SUBSEQUENT EVENTS**

The Organization's management has evaluated subsequent events through October 11, 2017, the date which the financial statements were available to be issued.