

# **East Nashville Hope Exchange, Inc.**

Financial Statements  
For the Year Ended December 31, 2022

**East Nashville Hope Exchange, Inc**  
Financial Statements  
For the Year Ended December 31, 2022

**Contents**

<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10



## Independent Auditor's Report

Board of Directors  
East Nashville Hope Exchange

### Opinion

We have audited the financial statements of East Nashville Hope Exchange (the Organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts, and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Brentwood, Tennessee  
July 31, 2023

**East Nashville Hope Exchange, Inc**

## Statement of Financial Position

December 31, 2022

**Assets**

Cash	\$	266,437
Grants receivable		10,000
Books and supplies		19,877
Equipment, net		-
Total assets	<b>\$</b>	<b>296,314</b>

**Liabilities and Net Assets**

Liabilities		
Accounts payable	\$	500
Net assets		
Without donor restrictions		276,314
With donor restrictions		19,500
Total net assets		295,814
Total liabilities and net assets	<b>\$</b>	<b>296,314</b>

**East Nashville Hope Exchange, Inc**  
Statement of Activities  
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
<b>Support and Revenues</b>			
Contributions of cash and other financial assets			
Grant and foundation contributions	\$ 90,003	\$ 19,500	\$ 109,503
Individual and corporate contributions	54,267	-	54,267
Contributions of nonfinancial assets	7,020	-	7,020
Special events		-	-
Contributions of cash and other financial assets	21,714	-	21,714
Contributions of nonfinancial assets	5,125	-	5,125
Less: direct benefit to donors	(9,399)	-	(9,399)
Total special events	17,440	-	17,440
Fees	4,057	-	4,057
Other income	62,404	-	62,404
Interest	3,391	-	3,391
Net assets released from restriction	33,319	(33,319)	-
Total support and revenues	271,901	(13,819)	258,082
<b>Expenses</b>			
Program services	145,478	-	145,478
Management and general	33,642	-	33,642
Fundraising	16,904	-	16,904
Total expenses	196,024	-	196,024
Change in net assets	75,877	(13,819)	62,058
Net assets, beginning of year	200,437	33,319	233,756
Net assets, end of year	<b>\$ 276,314</b>	<b>\$ 19,500</b>	<b>\$ 295,814</b>

**East Nashville Hope Exchange, Inc**  
Statement of Functional Expenses  
For the Year Ended December 31, 2022

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Compensation and benefits	\$ 107,870	\$ 20,911	\$ 11,433	\$ 140,214
Books and curriculum	10,297	-	-	10,297
Depreciation	51	26	26	103
Family engagement events	3,197	-	-	3,197
Field trips	1,036	-	-	1,036
Insurance	5,775	-	-	5,775
Merchant fees	-	1,271	-	1,271
Occupancy	7,696	1,540	1,540	10,776
Professional services	-	8,159	-	8,159
Program supplies	3,524	-	-	3,524
Special event expense	-	-	12,404	12,404
Staff training and appreciation	988	-	-	988
Storage facility	3,774	-	-	3,774
Technology	362	1,280	445	2,087
Miscellaneous	908	455	455	1,818
Total expenses	<u>145,478</u>	<u>33,642</u>	<u>26,303</u>	<u>205,423</u>
Less: direct benefits to donors	<u>-</u>	<u>-</u>	<u>(9,399)</u>	<u>(9,399)</u>
Total functional expenses	<b>\$ 145,478</b>	<b>\$ 33,642</b>	<b>\$ 16,904</b>	<b>\$ 196,024</b>

**East Nashville Hope Exchange, Inc**  
Statement of Cash Flows  
For the Year Ended December 31, 2022

Cash, beginning of year	\$ 182,950
<b>Cash flows from operating activities</b>	
Change in net assets	62,058
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	103
Change in:	
Grants receivable	21,298
Books and supplies	528
Accounts payable	<u>(500)</u>
Net change in cash	<u>83,487</u>
Cash, end of year	<b>\$ 266,437</b>



**East Nashville Hope Exchange, Inc.**  
Notes to Financial Statements  
For the Year Ended December 31, 2022

---

**Note 1. Organization and Nature of Activities**

East Nashville Hope Exchange (the Organization) is a nonprofit organization with the mission of strengthening children's literacy through the exchange of knowledge and support among families and the East Nashville community to affirm the right to read for all. We work with rising kindergarten through 5th graders from East Nashville and surrounding areas. 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, foundations, and government grants.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Investments**

The Organization's policy is to liquidate investments as soon as practical after the donation of investment securities is received. Occasionally, the Organization will have investment securities on the statements of financial position that have not been liquidated at year-end. Any such investments typically consist of equity securities and are stated in the aggregate at fair value and are considered Level 1 securities.

**Equipment**

The Organization's policy is to capitalize all equipment over \$200. Equipment acquisitions are recorded at cost. Donations of 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 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 the straight-line method.

**East Nashville Hope Exchange, Inc.**  
Notes to Financial Statements  
For the Year Ended December 31, 2022

---

**Note 2. Summary of Significant Accounting Policies**

**Contributions of Cash and Other Financial Assets**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Contributions of Nonfinancial Assets**

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are not reflected in the financial statements because the activities do not meet the necessary criteria for recognition under US GAAP. Property, equipment, classroom space, materials, and other assets received as donations are recorded and reflected in the accompanying financial statements.

**Functional Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	<b>Method of allocation</b>
Compensation and benefits	Time and effort
Miscellaneous	Time and effort
Depreciation	Estimated usage
Technology	Time and effort

**Income Taxes**

The Organization is exempt from federal and state income taxes under Internal Revenue Code (IRS) Section 501(c)(3) and the tax laws of the state of Tennessee.

**Recently Issued Accounting Pronouncements**

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Organization on January 1, 2022.

**East Nashville Hope Exchange, Inc.**  
Notes to Financial Statements  
For the Year Ended December 31, 2022

---

**Note 3. Liquidity and Availability**

The following represents the Organization's financial assets:

Cash	\$ 266,437
Grants receivable	<u>10,000</u>
Total financial assets	276,437
Less amounts not available to be used within one year	
Operating reserve	<u>(10,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<b>\$ 266,437</b>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has designated a portion of its operating surplus as an operating reserve which represents additional funds that can be made available for immediate use in the event of an urgent liquidity need.

**Note 4. Grants Receivable**

Grants receivable consist of grants awarded prior to year-end which will be collected in the subsequent year. No allowance for uncollectible receivables was deemed necessary as of year end.

**Note 5. Equipment**

Equipment consists of the following:

Equipment	\$ 14,071
Less: accumulated depreciation	<u>(14,071)</u>
	<b>\$ -</b>

Depreciation expense was \$103 for the year.

**Note 6. Net Assets**

Net assets with donor restrictions consist of grants for next year's programming. These funds will be released from restriction during the subsequent year.

**Note 7. Leasing Arrangements**

St. Ann's Episcopal Church (St. Ann's) provides office space and classroom space for the Organization. The Organization has a month-to-month agreement with St. Ann's to pay \$250 per month to cover the cost of the classroom. As described in note 8, a contribution of nonfinancial assets and occupancy expense of \$3,080 for office space at St. Ann's. The Organization also rents space on a temporary basis for programing at a local school with a total expense of \$4,696.

**East Nashville Hope Exchange, Inc.**  
Notes to Financial Statements  
For the Year Ended December 31, 2022

---

**Note 8. Contributions of Nonfinancial Assets**

The following contributions of nonfinancial assets are included in unrestricted revenues and expenses in the financial statements:

Included in contributions/assets	
Books	\$ 3,940
Included in contributions/expenses	
Office space	3,080
	<b>\$ 7,020</b>
Included in special events/expenses	
Beverages	\$ 4,800
Facility usage	325
	<b>\$ 5,125</b>

Books are valued at the estimated fair value at retail prices and are used as program materials given to the children attending the programs. The office space and facility usage are valued at the estimated rate of similar facility costs in the area and are used for the administration and one of the special events of the Organization, respectively. Beverages are valued at the estimated fair value at retail prices and were used in two of the Organization's special fundraising events.

**Note 9. Other Income**

The other income reported on the statement of activities consists of employee retention credits (ERC) received by the Organization from the IRS for periods prior to 2022.

**Note 10. Concentrations**

Of the Organization's total revenues for 2022, approximately 24% represented funds received from the ERC as further discussed in note 9.

**Note 11. Subsequent Events**

The Organization has evaluated subsequent events through July 31, 2023, the date on which the financial statements were available to be issued.