

MOVES & GROOVES, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
DECEMBER 31, 2015

MOVES & GROOVES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Moves & Grooves, Inc.
5252 Hickory Hollow Pkwy
Suite 241
Antioch, TN 37013

We have audited the accompanying financial statements of *Moves & Grooves, Inc.*, (a not-for-profit-organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, statement of cash flows and statement of functional expenses, 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 controls 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 depends on the auditor's 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 the *Moves & Grooves, 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.

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is stylized with a large, sweeping flourish on the left side that extends under the word "Hoskins".

Hoskins & Company
Nashville, TN
April 26, 2016

MOVES & GROOVES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

Assets

Current assets

Cash and cash equivalents	\$ 9,501
Grants receivable (Note 2)	33,750
Security deposits	<u>1,750</u>
Total current assets	<u>45,001</u>

Total assets	<u><u>\$ 45,001</u></u>
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Liabilities and net assets

Current liabilities	<u>\$ -</u>
Total current liabilities	<u>-</u>

Net assets

Unrestricted	<u>45,001</u>
Total net assets	<u>45,001</u>

Total liabilities and net assets	<u><u>\$ 45,001</u></u>
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The accompanying notes are an integral part of these financial statements.

MOVES & GROOVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenues and support

Program revenue	\$ 115,086
Agency grants	18,062
Local government grants	138,195
State grants	<u>153,810</u>
Total revenues and support	425,153

Expenses

Program services	287,603
Management & general	<u>112,935</u>
Total expenses	400,538

Increase in net assets	24,615
Net assets at beginning of year	<u>20,386</u>
Net assets at end of year	<u><u>\$ 45,001</u></u>

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

MOVES GROOVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities	
Increase in net assets	\$ 24,615
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Increase in grants receivable	(33,750)
Increase in security deposits	(1,750)
Net cash used in operating activities	<u>(10,885)</u>
Cash flows from investing activities	-
Cash flows from financing activities	<u>-</u>
Net increase in cash and cash equivalents	(10,885)
Cash and cash equivalents, beginning of year	20,386
Cash and cash equivalents, end of year	<u><u>\$ 9,501</u></u>

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

MOVES & GROOVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Dance	Summer Camp & After School	Total Program Services	Management & General	Total Expenses
Advertising	\$ -	\$ -	\$ -	\$ 2,919	\$ 2,919
Bank charges	-	-	-	355	355
College tour	-	10,557	10,557	-	10,557
Consulting fees	-	5,711	5,711	13,327	19,038
Contract services	5,761	32,649	38,410	-	38,410
Dance competition team	2,379	-	2,379	-	2,379
Dues & subscriptions	478	-	478	515	993
Employee benefits	2,500	-	2,500	2,500	5,000
Insurance	-	-	-	3,821	3,821
Snacks for kids	-	4,058	4,058	-	4,058
Office expenses	-	-	-	11,741	11,741
Misc expenses	380	-	380	2,278	2,658
Payroll prep fees	-	-	-	1,227	1,227
Payroll taxes	808	10,919	11,727	3,362	15,089
Rent	7,500	5,000	12,500	13,600	26,100
Repairs & maintenance	-	-	-	755	755
Salaries	10,562	141,195	151,757	45,486	197,243
Shipping & delivery	-	-	-	189	189
Information technology	1,750	-	1,750	303	2,053
Summer field trip	-	5,964	5,964	-	5,964
Supplies & materials	-	28,801	28,801	-	28,801
Training	-	-	-	642	642
Travel	10,166	-	10,166	2,844	13,010
T-shirts	-	465	465	-	465
Utilities	-	-	-	7,071	7,071
Total	<u>\$ 42,284</u>	<u>\$ 245,319</u>	<u>\$ 287,603</u>	<u>\$ 112,935</u>	<u>\$ 400,538</u>

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

MOVES & GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Moves & Grooves, Inc. ("Moves & Grooves") is a not-for-profit corporation organized in the State of Tennessee on September 26, 2002 with a commitment to enhance the lives of at risk youth and young individuals ranging from ages 5 to 18, living in the Nashville Metropolitan Area. Moves & Grooves provides after school, dance, and summer camp programs that help aid in the ARTS, academics, character, fitness and nutrition of the youth.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly revenue is recognized when earned, support and promises to give are recognized when received and expenses are recorded when incurred.

The financial statement presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification 958 (FASB ASC 958) financial statements of not-for-profit Organizations. Under FASB ASC 958, Moves & Grooves is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Unrestricted Net Assets — Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law.

Temporarily Restricted Net Assets — Net assets of gifts of cash and other assets, accepted by board actions, that are received with donor stipulations that limit the use of the donated assets, or designated as support for future periods.

Permanently Restricted Net Assets — Net assets, accepted by board actions, subject to donor stipulations that require the asset be invested in perpetuity.

At December 31, 2015, Moves & Grooves had no temporarily or permanently restricted net assets.

Income Taxes

Moves and Grooves is qualified as a tax-exempt organization as defined under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provisions for income taxes are applicable.

MOVES & GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

Management allocates expenses on a functional basis among its various programs including support services. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and savings accounts. At year-end and throughout the year, the Moves & Grooves cash balances were deposited in two banks.

Accounts/Grants Receivable

Moves & Grooves records accounts receivable and grants receivable at their estimated net realizable value and consist primarily of fee-based revenues earned and billed to clients but not yet paid. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts determined by analysis of specific balances and a general reserve based upon aging of outstanding balances. Past due balances are charged against the allowance when they are determined to be uncollectible.

Revenue, Support, and Expenses

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions and grants are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Advertising Costs

Moves & Grooves incurred and recorded advertising expense during the fiscal year 2015 to announce program activities available and to make the public aware of its programs. None of the expense is considered direct-response advertising costs.

MOVES & GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2--- GRANTS RECEIVABLE

Grants receivable of \$33,750 consists of reimbursements requests submitted under the Nashville After Zone Alliance grant. No allowance is deemed necessary as grantor has no history of default.

NOTE 3---CONCENTRATION OF REVENUE

Approximately 69% of Moves & Grooves' revenue is derived from a grant from the Tennessee Department of Education and Nashville After Zone Alliance. The current level of Moves & Grooves' operations and services may be impacted or discontinued if the funding is not renewed.

NOTE 4---LEASE AGREEMENT

On March 17, 2015, Moves & Grooves entered into a lease agreement with The Global Crossings Mall, LLC, for a term of two years at a rate of \$1,750 per month. In addition, Moves & Grooves has a month to month lease for the dance studio at a monthly rate of \$1,500. The total rent expense under these leases was \$26,100 for the year ended December 31, 2015.

NOTE 5---SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of April 26, 2016, the date management evaluated such events. April 26, 2016 is the date the financial statements were available to be issued.