

**PRESTON TAYLOR MINISTRIES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Preston Taylor Ministries, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Preston Taylor Ministries, Inc. (a Tennessee not-for-profit corporation, the "Ministry"), which comprise the statements of financial position as of December 31, 2016 and 2015 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 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 Ministry'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 Ministry'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 Preston Taylor Ministries, Inc. as of December 31, 2016 and 2015, 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
August 1, 2017

PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	ASSETS	
	2016	2015
Cash	\$ 636,904	\$ 720,995
Certificate of deposit	75,611	-
Prepaid expenses	7,657	7,468
Grants receivable	-	8,290
Property and equipment, net	<u>840,649</u>	<u>473,598</u>
TOTAL ASSETS	<u>\$ 1,560,821</u>	<u>\$ 1,210,351</u>
 LIABILITIES AND NET ASSETS 		
LIABILITIES		
Accounts payable	\$ 12,620	\$ 7,318
Note payable	<u>171,648</u>	<u>-</u>
Total Liabilities	<u>184,268</u>	<u>7,318</u>
 NET ASSETS		
Unrestricted		
Undesignated	1,222,835	757,965
Designated - capital expenditures	<u>89,368</u>	<u>190,368</u>
Total Unrestricted	<u>1,312,203</u>	<u>948,333</u>
Temporarily restricted	<u>64,350</u>	<u>254,700</u>
Total Net Assets	<u>1,376,553</u>	<u>1,203,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,560,821</u>	<u>\$ 1,210,351</u>

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Changes in Unrestricted Net Assets		
Revenues:		
Contributions		
Individuals	\$ 486,337	\$ 473,043
Foundations/corporate	253,964	131,498
Churches	122,192	145,436
In-kind interest	74,368	-
Special events	66,871	53,813
T-shirt sales	306	500
Interest	1,823	870
	<u>1,005,861</u>	<u>805,160</u>
Total Revenues	1,005,861	805,160
Net assets released from restrictions	<u>327,314</u>	<u>42,691</u>
Total Revenues and Reclassifications	<u>1,333,175</u>	<u>847,851</u>
Functional Expenses:		
Program services	737,027	583,318
Supporting services		
Management and general	118,299	85,869
Fundraising	113,979	79,385
	<u>969,305</u>	<u>748,572</u>
Total Functional Expenses	969,305	748,572
Increase in Unrestricted Net Assets	<u>363,870</u>	<u>99,279</u>
Changes in Temporarily Restricted Net Assets		
Foundations/corporate contributions	64,250	59,500
Other contributions	72,714	208,066
Net assets released from restrictions	<u>(327,314)</u>	<u>(42,691)</u>
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(190,350)</u>	<u>224,875</u>
INCREASE IN NET ASSETS	173,520	324,154
NET ASSETS - BEGINNING OF YEAR	<u>1,203,033</u>	<u>878,879</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,376,553</u></u>	<u><u>\$ 1,203,033</u></u>

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Personnel	\$ 557,155	\$ 70,812	\$ 79,076	\$ 707,043
Depreciation	29,761	3,720	3,720	37,201
Community outreach	33,646	-	-	33,646
Transportation	20,985	3,935	1,312	26,232
Youth programming	21,556	-	-	21,556
Insurance	3,579	13,517	-	17,096
Intern programming	11,583	3,861	-	15,444
Special events	-	-	15,140	15,140
Facility maintenance	9,116	3,037	-	12,153
Camp	11,202	-	-	11,202
After school programming	8,870	-	-	8,870
Telephone	6,562	820	820	8,202
Development	-	-	7,245	7,245
Utilities	5,675	709	710	7,094
Volunteer training/appreciation	6,736	-	-	6,736
Copier and printing	1,101	1,656	2,759	5,516
Professional fees	-	4,675	825	5,500
Office supplies	2,433	2,433	539	5,405
Interest	-	4,350	-	4,350
Mentoring	3,632	-	-	3,632
Bank merchant fees	-	2,879	-	2,879
Office equipment	1,356	1,356	-	2,712
Training	2,079	260	260	2,599
Postage	-	279	1,573	1,852
Total functional expenses	\$ 737,027	\$ 118,299	\$ 113,979	\$ 969,305

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Personnel	\$ 458,947	\$ 56,510	\$ 55,534	\$ 570,991
Depreciation	21,310	2,664	2,664	26,638
Community outreach	15,836	-	-	15,836
Transportation	8,891	1,667	556	11,114
Youth programming	17,190	-	-	17,190
Insurance	2,238	8,453	-	10,691
Intern programming	11,780	3,926	-	15,706
Special events	-	-	13,063	13,063
Facility maintenance	6,014	2,004	-	8,018
Camp	4,470	-	-	4,470
After school programming	11,145	-	-	11,145
Telephone	6,152	769	769	7,690
Development	-	-	2,398	2,398
Utilities	5,485	685	686	6,856
Volunteer training/appreciation	5,697	-	-	5,697
Copier and printing	646	971	1,618	3,235
Professional fees	-	3,855	680	4,535
Office supplies	1,503	1,503	333	3,339
Interest	-	-	-	-
Mentoring	4,133	-	-	4,133
Bank merchant fees	-	1,742	-	1,742
Office equipment	818	818	-	1,636
Training	1,063	133	133	1,329
Postage	-	169	951	1,120
Total functional expenses	\$ 583,318	\$ 85,869	\$ 79,385	\$ 748,572

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 173,520	\$ 324,154
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	37,202	26,638
Amortization of discount on note payable	4,349	-
In-kind contribution of property and equipment	(26,695)	-
In-kind contribution of interest	(74,368)	-
Increase in prepaid expenses	(189)	(1,257)
Decrease (increase) in grants receivable	8,290	(8,290)
Increase (decrease) in accounts payable	5,302	(3,590)
	<u>127,411</u>	<u>337,655</u>
Net Cash Provided By Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	(75,611)	-
Payments for property and equipment	(377,558)	(3,343)
	<u>(453,169)</u>	<u>(3,343)</u>
Net Cash Used In Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	250,000	-
Payments on note payable	(8,333)	-
	<u>241,667</u>	<u>-</u>
Net Cash Provided By Financing Activities		
NET (DECREASE) INCREASE IN CASH	(84,091)	334,312
CASH - BEGINNING OF YEAR	<u>720,995</u>	<u>386,683</u>
CASH - END OF YEAR	<u>\$ 636,904</u>	<u>\$ 720,995</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	<u>\$ 4,349</u>	<u>\$ -</u>

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

PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Preston Taylor Ministries, Inc. (the "Ministry") is a Tennessee not-for-profit corporation that empowers Preston Taylor children and youth to discover and live their God-inspired dreams, develop a love for learning, and build joy-filled friendships that glorify Christ Jesus. The Ministry was founded in 1998 to confront many of the problems present in the Preston Taylor public housing area, problems like drug use, gang involvements, teenage pregnancy, illiteracy, poor school performance and crime. The Ministry is supported by grants and contributions from foundations, individuals, churches, and other organizations.

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 and Certificate of Deposit

Cash includes checking and money market deposits held by financial institutions. The certificate of deposit has an original maturity date longer than three months.

Property and Equipment and Depreciation

The Ministry follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. 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 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 the asset which ranges from two to forty years and is computed on the straight-line method.

**PRESTON TAYLOR MINISTRIES, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Ministry. 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. There were no permanently restricted net assets at December 31, 2016 and 2015.

Contributed Goods and Services

Various volunteers donate many hours to the Ministry's program services. These contributed services are only reflected in the financial statements when the services required specialized skills that would otherwise need to be purchased. Property, equipment, materials and other assets received as donations are recorded and reflected in the accompanying statements of financial position at their estimated fair values at the date of the receipt.

Income Taxes

The Ministry 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.

NOTE 3 - GRANTS

Grants receivable at December 31, 2015 consists of amounts due from a state government agency under a reimbursable grant. The Ministry can request reimbursement for expenses incurred up to the total amount of the award. All grants receivable are collectible within one year. The Ministry uses the allowance method to determine uncollectible grants receivable. The allowance is based on prior years' experience and management's analysis of specific grants. No allowance was deemed necessary as of December 31, 2015. The grant is subject to audit by the government agencies.

NOTE 4 - IN-KIND CONTRIBUTIONS

The following in-kind contributions have been included in unrestricted revenues and assets/expenses in the financial statements for the years ended December 31:

	2016	2015
Expenses - interest (Note 6)	\$ 74,368	\$ -
Expenses - community outreach	30,118	12,500
Assets - property and equipment	26,695	-
Expenses - supplies	1,647	-
Expenses - professional fees	<u>1,000</u>	<u>1,000</u>
	<u>\$ 133,828</u>	<u>\$ 13,500</u>

**PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2016	2015
Land	\$ 142,290	\$ 59,400
Building and improvements	792,681	496,735
Transportation vehicles	57,232	53,510
Computers and software	44,056	24,056
Furniture and equipment	<u>24,379</u>	<u>23,634</u>
	1,060,638	657,335
Accumulated depreciation	<u>(219,989)</u>	<u>(183,737)</u>
	 <u>\$ 840,649</u>	 <u>\$ 473,598</u>

Depreciation expense was \$37,202 and \$26,638 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 - NOTE PAYABLE – RELATED PARTY

During 2016, the Ministry entered into a \$250,000 note payable with a member of the board of directors that was used to purchase a facility for ministry use. The note calls for monthly payments of \$1,389 with a stated interest rate of zero percent with a maturity date of July 2031. An interest rate of 5.0% was imputed to the loan resulting in an implied in-kind contribution of interest totaling \$74,368. Interest expense related to the note payable totaled \$4,350 for 2016. The note is collateralized by the property which was purchased with the proceeds.

A schedule of expected future payments as of December 31, 2016 are as follows:

Year ending December 31,	
2017	\$ 16,667
2018	16,667
2019	16,667
2020	16,667
2021	16,667
Thereafter	<u>158,332</u>
Total payments	241,667
Less: interest imputed at 5.0%	<u>(70,019)</u>
	 <u>\$ 171,648</u>

**PRESTON TAYLOR MINISTRIES, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following at December 31:

	2016	2015
Time restricted programming funds	\$ 64,350	\$ 59,500
Program startup funding	-	120,200
Capital improvements	<u>-</u>	<u>75,000</u>
	<u>\$ 64,350</u>	<u>\$ 254,700</u>

NOTE 8 - LEASING ARRANGEMENTS

The Ministry provides programming at seven locations for which the ministry space is provided free of charge. No in-kind contribution or rent expense has been recorded on the statements of activities and changes in net assets.

NOTE 9 - CONCENTRATIONS

Of the Ministry's total revenues and support for 2015, approximately 11% represents funds received from an individual donor. No other revenue and support source represents 10% or more of total revenues and support.

The Ministry has cash balances and a certificate of deposit in banks in excess of amounts federally insured. The uninsured balances totaled approximately \$212,000 at December 31, 2016 (\$252,000 at December 31, 2015). The Ministry maintains its cash and certificate of deposit with high quality financial institutions which the Ministry believes limits these risks.

NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through August 1, 2017 which is the date the financial statements were available to be issued.