

**PRESTON TAYLOR MINISTRIES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Preston Taylor Ministries, Inc.

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, 2014 and 2013 and the related statements of activities and changes in net assets 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, 2014 and 2013, 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.

Blankenship CPA Group, PLLC

July 21, 2015

PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	ASSETS	
	2014	2013
Cash	\$ 386,683	\$ 389,102
Prepaid expenses	6,211	8,534
Property and equipment, net	<u>496,893</u>	<u>474,394</u>
TOTAL ASSETS	<u>\$ 889,787</u>	<u>\$ 872,030</u>
 LIABILITIES AND NET ASSETS 		
LIABILITIES		
Accounts payable	<u>\$ 10,908</u>	<u>\$ 13,600</u>
Total Liabilities	<u>10,908</u>	<u>13,600</u>
NET ASSETS		
Unrestricted		
Undesignated	777,527	763,272
Designated - capital expenditures	<u>71,527</u>	<u>47,683</u>
Total Unrestricted	<u>849,054</u>	<u>810,955</u>
Temporarily restricted	<u>29,825</u>	<u>47,475</u>
Total Net Assets	<u>878,879</u>	<u>858,430</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 889,787</u>	<u>\$ 872,030</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, 2014 AND 2013

	2014	2013
Changes in Unrestricted Net Assets		
Revenues:		
Contributions		
Individuals	\$ 259,176	\$ 287,242
Foundations/corporate	135,839	73,247
Churches	116,531	100,398
In-kind	16,800	19,680
Special events	28,737	37,116
T-shirt sales	1,425	-
Interest	989	1,102
	<hr/>	<hr/>
Total Revenues	559,497	518,785
Net assets released from restrictions	<hr/>	<hr/>
	72,470	72,358
	<hr/>	<hr/>
Total Revenues and Reclassifications	631,967	591,143
	<hr/>	<hr/>
Functional Expenses:		
Program services	490,466	426,166
Supporting services		
Management and general	58,574	38,285
Fundraising	44,828	39,324
	<hr/>	<hr/>
Total Functional Expenses	593,868	503,775
	<hr/>	<hr/>
Increase in Unrestricted Net Assets	38,099	87,368
	<hr/>	<hr/>
Changes in Temporarily Restricted Net Assets		
Foundations/corporate contributions	29,825	47,475
Other contributions	24,995	19,497
Net assets released from restrictions	<hr/>	<hr/>
	(72,470)	(72,358)
	<hr/>	<hr/>
Decrease in Temporarily Restricted Net Assets	(17,650)	(5,386)
	<hr/>	<hr/>
INCREASE IN NET ASSETS	20,449	81,982
NET ASSETS - BEGINNING OF YEAR	<hr/>	<hr/>
	858,430	776,448
	<hr/>	<hr/>
NET ASSETS - END OF YEAR	<u>\$ 878,879</u>	<u>\$ 858,430</u>

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Personnel	\$ 376,705	\$ 29,620	\$ 24,899	\$ 431,224
Depreciation	19,116	2,249	1,124	22,489
Youth programming	15,134	-	-	15,134
After school programming	14,119	-	-	14,119
Camp	13,114	-	-	13,114
Transportation	8,580	2,072	451	11,103
Special events	-	-	10,887	10,887
Insurance	2,377	8,391	-	10,768
Community outreach	8,996	-	-	8,996
Intern programming	6,365	2,121	-	8,486
Facility maintenance	6,152	1,959	-	8,111
Utilities	5,522	650	325	6,497
Telephone	4,459	892	594	5,945
Professional fees	-	4,675	825	5,500
Volunteer training/appreciation	4,017	-	-	4,017
Copier and printing	755	1,133	1,888	3,776
Training	993	1,564	87	2,644
Mentoring	2,569	-	-	2,569
Development	-	-	2,425	2,425
Office supplies	1,037	1,037	230	2,304
Bank merchant fees	-	1,562	-	1,562
Postage	-	193	1,093	1,286
Office equipment	456	456	-	912
Total functional expenses	\$ 490,466	\$ 58,574	\$ 44,828	\$ 593,868

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Personnel	\$ 317,914	\$ 18,484	\$ 21,467	\$ 357,865
Depreciation	13,900	1,635	818	16,353
Youth programming	10,085	-	-	10,085
After school programming	13,116	-	-	13,116
Camp	11,133	-	-	11,133
Transportation	13,954	1,250	734	15,938
Special events	-	-	11,498	11,498
Insurance	2,487	5,354	-	7,841
Community outreach	8,824	-	-	8,824
Intern programming	-	-	-	-
Facility maintenance	10,142	1,789	-	11,931
Utilities	4,557	536	268	5,361
Telephone	4,274	503	251	5,028
Professional fees	-	1,000	-	1,000
Volunteer training/appreciation	7,574	-	-	7,574
Copier and printing	876	1,314	2,191	4,381
Training	2,760	2,052	-	4,812
Mentoring	1,795	-	-	1,795
Development	-	-	708	708
Office supplies	1,673	1,673	371	3,717
Bank merchant fees	-	1,414	-	1,414
Postage	-	179	1,018	1,197
Office equipment	1,102	1,102	-	2,204
Total functional expenses	\$ 426,166	\$ 38,285	\$ 39,324	\$ 503,775

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 20,449	\$ 81,982
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	22,489	16,353
In-kind contributions of property and equipment	(10,800)	(12,000)
Decrease in prepaid expenses	2,323	193
(Decrease) increase in accounts payable	<u>(2,692)</u>	<u>7,773</u>
Net Cash Provided By Operating Activities	<u>31,769</u>	<u>94,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	<u>(34,188)</u>	<u>(579)</u>
Net Cash Used In Investing Activities	<u>(34,188)</u>	<u>(579)</u>
Net (Decrease) Increase in Cash	(2,419)	93,722
CASH - BEGINNING OF YEAR	<u>389,102</u>	<u>295,380</u>
CASH - END OF YEAR	<u><u>\$ 386,683</u></u>	<u><u>\$ 389,102</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, 2014 AND 2013**

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.

Reclassifications

Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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 deposits held by financial institutions.

Property and Equipment and Depreciation

The Organization 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 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, 2014 AND 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. 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, 2014 and 2013.

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.

Accounting principles generally accepted in the United States of America require the Ministry to evaluate tax positions taken by the Ministry and recognize a tax liability (or asset) if the Ministry 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 Ministry and has concluded that as of December 31, 2014, 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 Ministry is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Ministry is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2011.

NOTE 3 - 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:

	2014	2013
Assets - Property and equipment	\$ 10,800	\$ 12,000
Expenses - Community outreach	5,000	5,000
Expenses - Professional fees	1,000	1,000
Expenses - Program supplies	<u>-</u>	<u>1,680</u>
	<u>\$ 16,800</u>	<u>\$ 19,680</u>

**PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2014	2013
Land	\$ 59,400	\$ 59,400
Building and improvements	495,735	495,735
Transportation vehicles	53,510	29,500
Computers and software	22,834	10,637
Furniture and equipment	<u>22,513</u>	<u>13,731</u>
	653,992	609,003
Accumulated depreciation	<u>(157,099)</u>	<u>(134,609)</u>
	<u>\$ 496,893</u>	<u>\$ 474,394</u>

Depreciation expense was \$22,489 and \$16,353 for the years ended December 31, 2014 and 2013, respectively.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following at December 31:

	2014	2013
Time restricted programming funds	\$ 28,425	\$ 41,075
Video production equipment	1,400	-
Bus fund	<u>-</u>	<u>6,400</u>
	<u>\$ 29,825</u>	<u>\$ 47,475</u>

NOTE 6 - LEASING ARRANGEMENTS

The Ministry provides programming at four church 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 7 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through July 21, 2015 which is the date the financial statements were available to be issued.