

**PRESTON TAYLOR MINISTRIES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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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, 2015 and 2014 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 statement, (collectively, 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, 2015 and 2014, 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 26, 2016

**PRESTON TAYLOR MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

ASSETS		
	2015	2014
Cash	\$ 720,995	\$ 386,683
Prepaid expenses	7,468	6,211
Grants receivable	8,290	-
Property and equipment, net	<u>473,598</u>	<u>496,893</u>
TOTAL ASSETS	<u>\$ 1,210,351</u>	<u>\$ 889,787</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	<u>\$ 7,318</u>	<u>\$ 10,908</u>
Total Liabilities	<u>7,318</u>	<u>10,908</u>
NET ASSETS		
Unrestricted		
Undesignated	757,965	777,527
Designated - capital expenditures	<u>190,368</u>	<u>71,527</u>
Total Unrestricted	<u>948,333</u>	<u>849,054</u>
Temporarily restricted	<u>254,700</u>	<u>29,825</u>
Total Net Assets	<u>1,203,033</u>	<u>878,879</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,210,351</u>	<u>\$ 889,787</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, 2015 AND 2014

	2015	2014
Changes in Unrestricted Net Assets		
Revenues:		
Contributions		
Individuals	\$ 459,543	\$ 259,176
Foundations/corporate	131,498	135,839
Churches	145,436	116,531
In-kind	13,500	16,800
Special events	53,813	28,737
T-shirt sales	500	1,425
Interest	870	989
	<hr/>	<hr/>
Total Revenues	805,160	559,497
Net assets released from restrictions	<hr/>	<hr/>
	42,691	72,470
	<hr/>	<hr/>
Total Revenues and Reclassifications	847,851	631,967
Functional Expenses:		
Program services	583,318	490,466
Supporting services		
Management and general	85,869	58,574
Fundraising	79,385	44,828
	<hr/>	<hr/>
Total Functional Expenses	748,572	593,868
	<hr/>	<hr/>
Increase in Unrestricted Net Assets	99,279	38,099
	<hr/>	<hr/>
Changes in Temporarily Restricted Net Assets		
Foundations/corporate contributions	59,500	29,825
Other contributions	208,066	24,995
Net assets released from restrictions	<hr/>	<hr/>
	(42,691)	(72,470)
	<hr/>	<hr/>
Increase (Decrease) in Temporarily Restricted Net Assets	224,875	(17,650)
	<hr/>	<hr/>
INCREASE IN NET ASSETS	324,154	20,449
NET ASSETS - BEGINNING OF YEAR	<hr/>	<hr/>
	878,879	858,430
	<hr/>	<hr/>
NET ASSETS - END OF YEAR	<u>\$ 1,203,033</u>	<u>\$ 878,879</u>

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
Youth programming	17,190	-	-	17,190
Community outreach	15,836	-	-	15,836
Special events	-	-	13,063	13,063
Intern programming	11,780	3,926	-	15,706
After school programming	11,145	-	-	11,145
Transportation	8,891	1,667	556	11,114
Insurance	2,238	8,453	-	10,691
Facility maintenance	6,014	2,004	-	8,018
Telephone	6,152	769	769	7,690
Utilities	5,485	685	686	6,856
Professional fees	-	3,855	680	4,535
Camp	4,470	-	-	4,470
Mentoring	4,133	-	-	4,133
Office supplies	1,503	1,503	333	3,339
Copier and printing	646	971	1,618	3,235
Volunteer training/appreciation	5,697	-	-	5,697
Development	-	-	2,398	2,398
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.
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
Community outreach	8,996	-	-	8,996
Special events	-	-	10,887	10,887
Intern programming	6,365	2,121	-	8,486
After school programming	14,119	-	-	14,119
Transportation	8,580	2,072	451	11,103
Insurance	2,377	8,391	-	10,768
Facility maintenance	6,152	1,959	-	8,111
Telephone	4,459	892	594	5,945
Utilities	5,522	650	325	6,497
Professional fees	-	4,675	825	5,500
Camp	13,114	-	-	13,114
Mentoring	2,569	-	-	2,569
Office supplies	1,037	1,037	230	2,304
Copier and printing	755	1,133	1,888	3,776
Volunteer training/appreciation	4,017	-	-	4,017
Development	-	-	2,425	2,425
Bank merchant fees	-	1,562	-	1,562
Office equipment	456	456	-	912
Training	993	1,564	87	2,644
Postage	-	193	1,093	1,286
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 324,154	\$ 20,449
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	26,638	22,489
In-kind contributions of property and equipment	-	(10,800)
(Increase) decrease in prepaid expenses	(1,257)	2,323
Increase in grants receivable	(8,290)	-
Decrease in accounts payable	<u>(3,590)</u>	<u>(2,692)</u>
Net Cash Provided By Operating Activities	<u>337,655</u>	<u>31,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	<u>(3,343)</u>	<u>(34,188)</u>
Net Cash Used In Investing Activities	<u>(3,343)</u>	<u>(34,188)</u>
NET INCREASE (DECREASE) IN CASH	334,312	(2,419)
CASH - BEGINNING OF YEAR	<u>386,683</u>	<u>389,102</u>
CASH - END OF YEAR	<u><u>\$ 720,995</u></u>	<u><u>\$ 386,683</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, 2015 AND 2014

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

Cash includes checking deposits held by financial institutions.

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, 2015 AND 2014

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, 2015 and 2014.

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, 2015, 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 2012.

NOTE 3 - GRANTS

Grants receivable consist 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 grants are subject to audit by the government agencies.

**PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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:

	2015	2014
Expenses - Community outreach	\$ 12,500	\$ 5,000
Expenses - Professional fees	1,000	1,000
Assets - Property and equipment	<u> -</u>	<u>10,800</u>
	<u>\$ 13,500</u>	<u>\$ 16,800</u>

Additionally, in-kind contributions for auction items were received and recorded as assets in 2015 that totaled \$1,125. These assets were subsequently sold during fundraising events with the proceeds recorded in special events income.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014
Land	\$ 59,400	\$ 59,400
Building and improvements	496,735	495,735
Transportation vehicles	53,510	53,510
Computers and software	24,056	22,834
Furniture and equipment	<u>23,634</u>	<u>22,513</u>
	657,335	653,992
Accumulated depreciation	<u>(183,737)</u>	<u>(157,099)</u>
	<u>\$ 473,598</u>	<u>\$ 496,893</u>

Depreciation expense was \$26,638 and \$22,489 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following at December 31:

	2015	2014
Program startup funding	\$ 120,200	\$ -
Capital improvements	75,000	-
Time restricted programming funds	59,500	28,425
Video production equipment	<u> -</u>	<u>1,400</u>
	<u>\$ 254,700</u>	<u>\$ 29,825</u>

PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 - LEASING ARRANGEMENTS

The Ministry provides programming at six (four in 2014) 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 8 - 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 in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$252,000 at December 31, 2015. The Ministry maintains its cash with a high quality financial institution which the Ministry believes limits these risks.

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through August 26, 2016 which is the date the financial statements were available to be issued.