

**PRESTON TAYLOR MINISTRIES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 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 statement of financial position as of December 31, 2013 and the related statements of activities and changes in net assets and cash flows 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 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 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 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, 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

November 8, 2014

PRESTON TAYLOR MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Cash	\$ 389,102
Prepaid expenses	8,534
Property and equipment, net	<u>474,394</u>
TOTAL ASSETS	<u><u>\$ 872,030</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	<u>\$ 13,600</u>
Total Liabilities	<u>13,600</u>
NET ASSETS	
Unrestricted	810,955
Temporarily restricted	<u>47,475</u>
Total Net Assets	<u>858,430</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 872,030</u></u>

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

PRESTON TAYLOR MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013

Changes in Unrestricted Net Assets

Revenues:

Contributions	
Individuals	\$ 287,242
Churches	100,398
Foundations/corporate	73,247
In-kind	19,680
Special events	37,116
Interest	1,102
	<hr/>
Total Revenues	518,785

Net assets released from restrictions	<hr/> 72,358
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Total Revenues and Reclassifications	<hr/> 591,143
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Functional Expenses:

Program services	426,166
Supporting services	
Management and general	38,285
Fundraising	39,324
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Total Functional Expenses	<hr/> 503,775
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Increase in Unrestricted Net Assets	<hr/> 87,368
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Changes in Temporarily Restricted Net Assets

Foundations/corporate contributions	47,475
Other contributions	19,497
Net assets released from restrictions	<hr/> (72,358)

Decrease in Temporarily Restricted Net Assets	<hr/> (5,386)
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INCREASE IN NET ASSETS	81,982
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NET ASSETS - BEGINNING OF YEAR	<hr/> 776,448
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NET ASSETS - END OF YEAR	<hr/> <hr/> \$ 858,430
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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	\$ 320,674	\$ 20,536	\$ 21,467	\$ 362,677
Depreciation	13,900	1,635	818	16,353
Transportation	13,954	1,250	734	15,938
After school programming	13,116	-	-	13,116
Facility maintenance	10,142	1,789	-	11,931
Special events	-	-	11,498	11,498
Camp	11,133	-	-	11,133
Youth programming	10,085	-	-	10,085
Community outreach	8,824	-	-	8,824
Insurance	2,487	5,354	-	7,841
Volunteer training/appreciation	7,574	-	-	7,574
Utilities	4,557	536	268	5,361
Telephone	4,274	503	251	5,028
Office copier	876	1,314	2,191	4,381
Office supplies	1,673	1,673	371	3,717
Office equipment	1,102	1,102	-	2,204
Mentoring	1,795	-	-	1,795
Bank merchant fees	-	1,414	-	1,414
Postage	-	179	1,018	1,197
Professional fees	-	1,000	-	1,000
Development	-	-	708	708
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.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 81,982
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	16,353
In-kind contributions of property and equipment	(12,000)
Decrease in prepaid expenses	193
Increase in accounts payable	<u>7,773</u>
Net Cash Provided By Operating Activities	<u>94,301</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property and equipment	<u>(579)</u>
Net Cash Used In Investing Activities	<u>(579)</u>

Net Increase in Cash 93,722

CASH - BEGINNING OF YEAR 295,380

CASH - END OF YEAR \$ 389,102

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

**PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 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.

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.

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, 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 statement of financial position at their estimated fair values at the date of the receipt.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013, 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 2010.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

Land	\$ 59,400
Building and improvements	495,735
Transportation vehicles	29,500
Computers and software	10,637
Furniture and equipment	<u>13,731</u>
	609,003
Accumulated depreciation	<u>(134,609)</u>
	 <u>\$ 474,394</u>

Depreciation expense was \$16,353 for the year ended December 31, 2013.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following at December 31:

Time restricted programming funds	\$ 41,075
Bus fund	<u>6,400</u>
	 <u>\$ 47,475</u>

PRESTON TAYLOR MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

NOTE 5 - IN-KIND CONTRIBUTIONS

The following in-kind contributions have been included in unrestricted revenues and assets/expenses in the financial statements for the year ended December 31, 2013:

Assets - Property and equipment	\$ 12,000
Expenses - Community outreach	5,000
Expenses - Program supplies	<u>2,680</u>
	<u>\$ 19,680</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 statement of activities and changes in net assets.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through November 8, 2014 which is the date the financial statements were available to be issued.