NEW HOPE ACADEMY, INC.
(A Tennessee Not-For-Profit Organization)

Independent Auditor's Report
And
Audited Financial Statements
June 30, 2019

NEW HOPE ACADEMY, INC.
(A Tennessee Not-For-Profit Organization)

Contents

HOPKINS-PAGE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Hope Academy, Inc.
1820 Downs Blvd
Franklin, Tennessee 37064

We have audited the accompanying financial statements of New Hope Academy, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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.

Auditor's 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 from 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 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 New Hope Academy, Inc. as of June 30, 2019, 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.

Hopkins Page

Nashville, TN
October 31, 2019

NEW HOPE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS		
Cash and cash equivalents	$	41,481
Restricted cash		224,612
Total cash and cash equivalents		266,093
Investments, at market		291,334
Accounts receivable, net of allowance for bad debts		11,388
Promises to give - restricted, net		145,000
Property and equipment, net of accumulated depreciation		1,687,013
Total assets	$	2,400,828
LIABILITIES		
Accounts payable	$	32,171
Accrued expenses		968
Total liabilities		33,139
NET ASSETS		
Without Donor Restrictions		1,823,478
With Donor Restrictions		544,211
Total net assets		2,367,689
Total liabilities and net assets	$	2,400,828

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

NEW HOPE ACADEMY, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the year ended

June 30, 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and other support		
Tuition and fees	$	2,491,298
Less financial aid		(1,268,550)
Total tuition revenue		1,222,748
Contributions		1,261,462
Rental income		20,130
Other revenues		52,252
Total revenues and support		2,556,592
Expenses		
Educational services		1,683,567
Supporting services		
Management and general		579,024
Fund raising		569,283
Total expenses		2,831,874
Change in net assets without donor restrictions		(275,282)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Designated fund revenues		
Contributions		80,806
Other designated revenues		34,813
Total revenues and support-designated		115,619
Designated fund expenses		
6th Grade Trip		51,673
Playground		25,929
Big Payback		21,719
Other		6,007
Total expenses-designated		105,328
Change in net assets with donor restrictions		10,291
Increase / (Decrease) in net assets		(264,991)
Net assets at beginning of year		2,632,680
Net assets at end of year	$	2,367,689

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

NEW HOPE ACADEMY
STATEMENT OF CASH FLOWS
For the year ended
June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase / (Decrease) in net assets	$	(264,991)
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation		74,706
Increase in accounts receivable, net of allowance		(6,207)
Decrease in promises to give, net of allowance		164,015
Increase in accounts payable		3,572
Increase in accrued expenses		(2,806)
Net cash provided / (used) by operating activities		(31,711)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments		(16,005)
Net cash provided / (used) by investing activities		(16,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
No activity		0
Net cash provided / (used) by financing activities		0
NET CASH INCREASE (DECREASE)		(47,716)
CASH AT BEGINNING OF YEAR		313,809
CASH AT END OF YEAR	$	266,093

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

NEW HOPE ACADEMY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended
June 30, 2019

	Program Services	General & Administrative	Fundraising	Total
Grants and other assistance	$ 1,268,550	$ -	$ -	$ 1,268,550
Educational services				
Officers salaries	-	-	-	-
Salaries and wages	1,123,568	307,978	367,232	1,798,778
Payroll taxes expense	78,410	21,500	26,558	126,468
Accounting	-	20,098	-	20,098
Other fees for services	-	34,827	-	34,827
Office expenses	4,587	29,814	11,467	45,868
Bad Debt	-	7,773	-	7,773
Miscellaneous	-	2,456	-	2,456
Occupancy	162,859	35,495	10,440	208,794
Depreciation expense	62,006	8,965	3,735	74,706
Travel	-	1,180	-	1,180
Insurance	134,397	59,962	12,406	206,765
Development	4,434	-	-	4,434
Classroom expenses	50,189	-	-	50,189
Lunch program	39,345	-	-	39,345
ACORN program	4,346	-	-	4,346
Counseling program	19,426	-	-	19,426
Advancement Expense		48,976	137,445	186,421
Total educational services	1,683,567	579,024	569,283	2,831,874
Designated fund expenses				
6th Grade Trip	38,254		13,419	51,673
Benevolence Fund Expenses	399			399
Big Payback	21,719	-	-	21,719
Mission driven improvement	5,608	-	-	5,608
Playground expenses	25,929	-	-	25,929
Total designated fund expenses	91,909	-	13,419	105,328
Total functional expenses	$ 3,044,026	$ 579,024	$ 582,702	$ 4,205,752
Percent of total	72%	14%	14%	100%

See the accompanying independent auditor's report.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

New Hope Academy, Inc. ("the Organization") was founded in Tennessee as non-profit corporation on May 31, 1996. We are a private, Christ-centered community school which exists to serve low-income families by establishing a solid Biblical worldview, instilling vision, confirming hope, and preparing each young person for a life of service. We do this by establishing, developing, and promoting all aspects of spiritual, educational and social activities within the White House, Tennessee and surrounding communities. We currently serve students from Pre-K through 12th Grade and we reserve approximately one-half of our 220 seats each year for scholarship students based solely on financial need. We are supported primarily through tuition and fees for services rendered and through generous donations of our valued donors.

Management

We are managed by our Board of Trustees ("the Board") elected by the current Trustees and each is entitled to one vote on all voting matters. The Headmaster also serves on the Board as a non-voting member. While major policies and decisions are determined by the Board, the day-to-day management is delegated to and performed by the Headmaster employed by the Board.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, pledges, payables, and other liabilities.

Cash and Cash Equivalents

We consider all cash and highly liquid investments with maturities less than three months, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in certificates of deposit are valued at their fair market value in the statement of assets, liabilities and net assets. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as an increase in unrestricted net assets if the restrictions are met during the reporting period in which the income and gains are recognized. Donations of investment securities are recorded as revenue at fair value, if readily determinable, on the date of donation.

Receivables and Credit Policies

Accounts receivable consist primarily of non-interest-bearing amounts due for tuition and educational programs. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance for uncollectible receivables amounted to $7,385.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give

Contributions are recognized when a donor makes a promise to give, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property and Equipment

Acquisitions of property and equipment in excess of $2,500 are capitalized. Lesser amounts are expensed. Property and equipment are reported at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service.

Property and equipment are depreciated using primarily the straight-line method over estimated useful lives ranging from five to forty years.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

Tuition and fees are recorded as earned monthly. This allows a matching with expenses for the corresponding months. Amounts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

The Organization receives a substantial amount of services donated by friends and families in carrying out its stated mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958-605, *Accounting for Contributions Received and Contributions Made.*

Additional Service Revenues

The Organization recognizes revenue received from the ACORN early life program, aftercare program, summer camps and lunch program as additional service revenue. The amount received during the year ending June 30, 2019 was $6,840.

Income Taxes

We are a not-for-profit organization that is exempt from Federal and state income taxes under Internal Revenue Code Section 501(c)(3).

We follow FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes.* There was no effect on the financial positions or cumulative adjustment to beginning net assets as a result of the implementation. Management has evaluated its tax positions taken and believes that the total amount of unrecognized tax benefits is not material to the financial statements as a whole. Therefore, no tax liability has been recorded.

We have not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years June 30, 2016 through June 30, 2019.

Advertising Costs

Advertising costs, if any, are expensed in the year in which they are incurred. No advertising cost were incurred for the year ending June 30, 2019.

Allowance for Uncollectible Accounts

The Organization reports receivables at estimated net realizable value. Management established an allowance for doubtful accounts based on historical losses and current economic conditions. Management analyzes delinquent receivables and once these receivables are determined to be uncollectible, they are written off through a charge to a provision for tuition assistance in the statement of activities. At June 30, 2019, the balance of allowance for doubtful accounts was $7,460.

Use of Estimates

We prepare our financial statements in conformity with generally accepted accounting principles which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - RELATED PARTY TRANSACTIONS

The Organization provides financial aid and scholarships for students solely on financial need. The dependents of certain employees and board members meet such need requirements. The financial aid and scholarships for those dependents were $54,000 for fiscal year ending June 30, 2019.

NOTE C – RESTRICTIONS ON CASH

Certain cash funds are temporarily restricted for the Organizations "Expanding Hope" building campaign, the 6th Grade trip, and other specific programs.

NOTE D – INVESTMENTS

$291,184
Our investments consist of cash and money market funds that are valued at the closing price reported on the active market on which the individual securities are traded, mutual funds valued at the net asset value of shares held by us at year end based on a quoted price in an active market, and corporate bonds valued at the closing price reported on the active market on which the individual securities are traded.

The following sets forth the fair value of our financial instruments at June 30, 2019:

Cash and money market	$ 5,870
Mutual funds:	
Large blend	124,144
International	26,291
Emerging markets	2,160
Small cap	34,029
Real estate	15,372
Corporate bonds	83,318
Total investments	$ 291,184

NOTE E – PROMISES TO GIVE

Unconditional promises to give at June 30, 2019 are as follows:

Receivable in one year	$ 145,000
Receivable in two to five years	-0-
Total pledges receivable	$ 145,000

An allowance for uncollectible promises is based on management's evaluation of potential uncollectible promises receivable at year end. At June 30, 2019, management estimated $83,609 in pledges as uncollectible.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consists of the following:

Land and improvements	$ 661,500
Buildings	2,511,670
Leasehold improvements	41,486
Furniture and fixtures	65,902
Equipment and machinery	156,194
Total	$ 3,436,752
Less: accumulated depreciation	(1,749,739)
Total	$ 1,687,013

NOTE G - UNEARNED TUITION

We recognize tuition payments received in advance of the school year for which the payment applies. These amounts are recorded as unearned tuition when received and are recognized as revenue during the school year to which they apply. Due to transition in the business office near the end of our school year, no invoices were generated for the 2019-2020 school year prior to July 1, 2019. Therefore, there were no unearned tuition as of June 30, 2019.

NOTE H – CONCENTRATION OF CREDIT RISK

We maintain our cash in bank deposit accounts, which, at times, may exceed federally insured limits. Management has not experienced any losses in such accounts. We have not experienced any losses in such accounts, and we believe that the Organization is not exposed to any significant credit risk on cash and cash equivalents

NOTE I – LINE OF CREDIT

We have a revolving line of credit agreement with a bank which provides that it may borrow up to $200,000 at the bank's prime rate plus 1%, which was 5.00% at June 30, 2019. There was no balance outstanding at June 30, 2019. The credit agreement is set to expire on February 12, 2020.

NOTE J – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE K –SUBSEQUENT EVENTS

We have evaluated subsequent events through October 31, 2019, the date at which the financial statements were available to be issued and has determined that no events occurred that warrant recording or disclosure in these financial statements or notes thereto.