

HIGH HOPES, INC.

**FINANCIAL STATEMENTS
& INDEPENDENT AUDITORS' REPORT**

AUGUST 31, 2016 and 2015

HIGH HOPES, INC.

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
High Hopes, Inc.:

We have audited the accompanying financial statements of High Hopes, Inc. (a nonprofit organization) as of August 31, 2016 and 2015, which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

Auditor's 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 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 High Hopes, Inc. as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mullins Clemmons & Meyer, PLLC

Brentwood, Tennessee
November 9, 2016

HIGH HOPES, INC.**STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 120,345	\$ 152,146
Investments	-	272
Unconditional promises to give, net	61,227	52,838
Accounts receivable, net	157,291	143,718
Deposits	-	15,145
Total current assets	<u>338,863</u>	<u>364,119</u>
OTHER ASSETS:		
Long-term unconditional promises to give, net	100,000	5,000
Property and equipment, net	<u>3,989,517</u>	<u>4,030,751</u>
Total other assets	<u>4,089,517</u>	<u>4,035,751</u>
TOTAL ASSETS	<u>\$ 4,428,380</u>	<u>\$ 4,399,870</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Obligation under line of credit	\$ -	\$ 44,856
Cash collected in advance of tuition revenue earnings	78,914	60,180
Accounts payable	29,484	23,064
Accrued expenses	54,784	51,789
Obligation under capital lease - current portion	4,934	4,706
Mortgage note payable - current portion	<u>23,903</u>	<u>41,233</u>
Total current liabilities	<u>192,019</u>	<u>225,828</u>
OTHER LIABILITIES:		
Obligation under capital lease - noncurrent portion	8,764	13,698
Mortgage note payable - noncurrent portion	<u>902,932</u>	<u>1,220,932</u>
Total other liabilities	<u>911,696</u>	<u>1,234,630</u>
TOTAL LIABILITIES	1,103,715	1,460,458
NET ASSETS:		
Unrestricted	3,129,112	2,813,810
Temporarily restricted	<u>195,553</u>	<u>125,602</u>
Total net assets	<u>3,324,665</u>	<u>2,939,412</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,428,380</u>	<u>\$ 4,399,870</u>

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

HIGH HOPES, INC.**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions:			
United Way	\$ 1,705	\$ 45,500	\$ 47,205
Other	222,996	55,413	278,409
Therapy fees, net	1,196,897	-	1,196,897
Tuition and fees	845,894	-	845,894
Special events	355,707	-	355,707
In-kind contributions	93,543	-	93,543
Capital campaign	-	282,595	282,595
Other income	1,702	-	1,702
Total	<u>2,718,444</u>	<u>383,508</u>	<u>3,101,952</u>
Net assets released			
due to satisfaction of restrictions	<u>313,557</u>	<u>(313,557)</u>	<u>-</u>
Total revenues and support	<u>3,032,001</u>	<u>69,951</u>	<u>3,101,952</u>
EXPENSES:			
Program services	2,257,165	-	2,257,165
Management and general	229,097	-	229,097
Fundraising	230,437	-	230,437
Total expenses	<u>2,716,699</u>	<u>-</u>	<u>2,716,699</u>
CHANGE IN NET ASSETS	315,302	69,951	385,253
NET ASSETS:			
Beginning of year	<u>2,813,810</u>	<u>125,602</u>	<u>2,939,412</u>
End of year	<u>\$ 3,129,112</u>	<u>\$ 195,553</u>	<u>\$ 3,324,665</u>

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

HIGH HOPES, INC.**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions:			
United Way	\$ 5,552	\$ 48,200	\$ 53,752
Other	149,794	85,704	235,498
Therapy fees, net	1,034,048	-	1,034,048
Tuition and fees	756,664	-	756,664
Special events	247,216	7,200	254,416
In-kind contributions	123,301	-	123,301
Capital campaign	-	673,062	673,062
Realized loss on investments	(714)	-	(714)
Total	<u>2,315,861</u>	<u>814,166</u>	<u>3,130,027</u>
Net assets released			
due to satisfaction of restrictions	<u>785,531</u>	<u>(785,531)</u>	<u>-</u>
Total revenues and support	<u>3,101,392</u>	<u>28,635</u>	<u>3,130,027</u>
EXPENSES:			
Program services	1,984,765	-	1,984,765
Management and general	203,055	-	203,055
Fundraising	225,113	-	225,113
Total expenses	<u>2,412,933</u>	<u>-</u>	<u>2,412,933</u>
CHANGE IN NET ASSETS	688,459	28,635	717,094
NET ASSETS:			
Beginning of year	<u>2,125,351</u>	<u>96,967</u>	<u>2,222,318</u>
End of year	<u>\$ 2,813,810</u>	<u>\$ 125,602</u>	<u>\$ 2,939,412</u>

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

HIGH HOPES, INC.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 385,253	\$ 717,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	102,342	94,841
Provision for doubtful accounts	11,468	12,989
Net changes in operating assets and liabilities:		
Unconditional promises to give	(114,857)	13,080
Accounts receivable	(13,573)	(20,008)
Investments	272	(272)
Prepaid expenses and other assets	-	(15,145)
Accounts payable and accrued liabilities	9,415	14,345
Tuition collected in advance of earnings	18,734	9,476
Net cash provided by operating activities	<u>399,054</u>	<u>826,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(45,963)</u>	<u>(443,884)</u>
Net cash used in investing activities	<u>(45,963)</u>	<u>(443,884)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) on revolving line of credit	(44,856)	(69,140)
Payments on capital lease	(4,706)	(3,840)
Repayment on mortgage note payable	<u>(335,330)</u>	<u>(247,802)</u>
Net cash used in financing activities	<u>(384,892)</u>	<u>(320,782)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(31,801)	61,734
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>152,146</u>	<u>90,412</u>
End of year	<u>\$ 120,345</u>	<u>\$ 152,146</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 58,738</u>	<u>\$ 74,776</u>

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

HIGH HOPES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016

	Program Services			Supporting Services			Total Functional Expenses
	Education	Therapy	Total Program Services	Management & General	Fundraising	Total Support Services	
Salaries	\$ 696,580	\$ 725,698	\$ 1,422,278	\$ 162,220	\$ 97,852	\$ 260,072	\$ 1,682,350
Payroll taxes	52,544	54,740	107,284	12,236	7,381	19,617	\$ 126,901
Employee benefits	37,891	39,475	77,366	8,824	5,323	14,147	\$ 91,513
Total salaries and related expenses	787,015	819,913	1,606,928	183,280	110,556	293,836	\$ 1,900,764
Advertising	1,954	2,036	3,990	455	275	730	\$ 4,720
Contractual services	-	126,187	126,187	-	-	-	\$ 126,187
Equipment maintenance	36,876	38,418	75,294	8,588	5,180	13,768	\$ 89,062
Insurance	10,012	10,430	20,442	2,332	1,406	3,738	\$ 24,180
Interest	23,725	24,717	48,442	5,525	3,333	8,858	\$ 57,300
Occupancy	4,140	4,313	8,453	964	582	1,546	\$ 9,999
Other	5,974	6,224	12,198	1,392	839	2,231	\$ 14,429
Postage	688	717	1,405	160	97	257	\$ 1,662
Professional services	16,416	17,102	33,518	3,823	2,306	6,129	\$ 39,647
Special events	-	-	-	-	68,099	68,099	\$ 68,099
Capital campaign	-	-	-	-	3,022	3,022	\$ 3,022
In-kind contributions	24,843	25,882	50,725	5,785	27,433	33,218	\$ 83,943
Supplies	17,794	116,824	134,618	1,353	-	1,353	\$ 135,971
Telephone	9,651	10,055	19,706	2,247	1,356	3,603	\$ 23,309
Training	250	3,111	3,361	3,325	-	3,325	\$ 6,686
Total expenses before depreciation and bad debts	939,338	1,205,929	2,145,267	219,229	224,484	443,713	\$ 2,588,980
Depreciation	42,375	44,146	86,521	9,868	5,953	15,821	\$ 102,342
Bad debts	1,800	23,577	25,377	-	-	-	\$ 25,377
Total expenses	\$ 983,513	\$ 1,273,652	\$ 2,257,165	\$ 229,097	\$ 230,437	\$ 459,534	\$ 2,716,699

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

HIGH HOPES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	Program Services			Supporting Services			Total Functional Expenses
	Education	Therapy	Total Program Services	Management & General	Fundraising	Total Support Services	
Salaries	\$ 614,967	\$ 606,317	\$ 1,221,284	\$ 139,706	\$ 77,277	\$ 216,983	\$ 1,438,267
Payroll taxes	47,126	46,463	93,589	10,705	5,922	16,627	110,216
Employee benefits	24,025	23,687	47,712	5,458	3,019	8,477	56,189
Total salaries and related expenses	686,118	676,467	1,362,585	155,869	86,218	242,087	1,604,672
Advertising	4,760	4,693	9,453	1,081	598	1,679	11,132
Contractual services	-	130,339	130,339	-	-	-	130,339
Equipment maintenance	33,647	33,174	66,821	7,644	4,228	11,872	78,693
Insurance	8,808	8,684	17,492	2,000	1,107	3,107	20,599
Interest	31,517	31,073	62,590	7,160	3,960	11,120	73,710
Occupancy	3,657	3,606	7,263	830	460	1,290	8,553
Other	3,966	3,910	7,876	901	498	1,399	9,275
Postage	580	572	1,152	131	73	204	1,356
Professional services	11,739	11,574	23,313	2,667	1,475	4,142	27,455
Special events	-	-	-	-	52,753	52,753	52,753
Capital campaign	-	-	-	-	808	808	808
Printing	272	269	541	62	34	96	637
In-kind contributions	25,654	25,294	50,948	5,828	66,525	72,353	123,301
Supplies	25,786	98,829	124,615	2,761	-	2,761	127,376
Telephone	10,183	10,040	20,223	2,313	1,280	3,593	23,816
Training	5,068	714	5,782	4,596	-	4,596	10,378
Total expenses before depreciation and bad debts	851,755	1,039,238	1,890,993	193,843	220,017	413,860	2,304,853
Depreciation	40,552	39,981	80,533	9,212	5,096	14,308	94,841
Bad debts	3,007	10,232	13,239	-	-	-	13,239
Total expenses	\$ 895,314	\$ 1,089,451	\$ 1,984,765	\$ 203,055	\$ 225,113	\$ 428,168	\$ 2,412,933

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

HIGH HOPES, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2016 AND 2015

NOTE 1 – THE ENTITY

High Hopes, Inc. (the "Organization") was organized in 1984. The Organization, located in Franklin, Tennessee, is an early intervention preschool and pediatric rehabilitation center which embraces the whole child with tools for learning and skills for life.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2016 and 2015 in these financial statements refer to the years ended August 31, 2016 and 2015, respectively, unless otherwise noted.

Basis of Presentation

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted – This class includes net assets that are not subject to any donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – This class includes net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – This class includes net assets subject to donor-imposed restrictions that require the assets to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At August 31, 2016 and 2015 the Organization had no permanently restricted assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash and cash equivalents.

The Organization may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

HIGH HOPES, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to give are recorded at fair value. The fair value of promises to give, which are payable within one year, is generally considered to be the same as the net realizable value of the promises. The fair value of promises to give, which are payable over a period greater than one year, is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. For 2016 and 2015, the Organization determined that the unamortized discount on the promises to give is insignificant to the financial statements taken as a whole. Accordingly, no discount has been recorded.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

See Note 3 for further details related to promises to give.

Net Tuition, Therapy and Other Service Fees

Net tuition, therapy and other service fees are recorded at the estimated net realizable amounts from families, third-party payers and others for services rendered. Tuition, therapy and other service fees are recorded at the Organization's established rates with contractual adjustments deducted to arrive at applicable net fees.

Contractual adjustments represent the difference between the Organization's established rates and third-party payer payments. An allowance for estimated contractual adjustments is recorded during the period in which the services are provided and adjusted to actual when payments are received.

Property and Equipment

The Organization's policy is to capitalize office equipment exceeding \$1,000 individually which is recorded at cost at the date of purchase or fair value at the date of gift. Items below \$1,000 are expensed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation expense is computed by using the straight-line method over the estimated useful lives of the related assets, which ranges from three to forty years.

See Note 5 for further details related to property and equipment.

HIGH HOPES, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

Advertising Costs

Advertising costs, which also include marketing and development, are expensed as incurred. Advertising costs were \$4,720 and \$11,132 for the years ended August 31, 2016 and 2015, respectively.

Income Taxes

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization files an annual information return (Form 990) with the U.S. government. At August 31, 2016, the Organization is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before August 31, 2013.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements.

Program Services - Includes activities carried out to fulfill the Organization's mission to provide an early intervention preschool and rehabilitation center for children with special needs in a traditional educational classroom with a concentration in physical, speech and occupational therapy.

Management and General - Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising - Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

HIGH HOPES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between August 31, 2016 and November 9, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted promises to give	\$ 129,067	\$ 22,911
Temporarily restricted promises to give	38,083	40,850
Gross promises to give	167,150	63,761
Allowance for uncollectible promises to give	(5,923)	(5,923)
Net unconditional promises to give	161,227	57,838
Due in less than one year	(61,227)	(52,838)
Promises due within one to five years	<u>\$ 100,000</u>	<u>\$ 5,000</u>

At August 31, 2016 and 2015, the Organization had individual unrestricted promises to give which exceeded 10% of the gross unrestricted promises to give. The combined balance of those unrestricted promises totaled 85% and 57% of the gross unrestricted promises to give at August 31, 2016 and 2015, respectively.

HIGH HOPES, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015****NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable are from families and third-party payers and patients and are reported net of estimated contractual adjustments and allowances for bad debts. Third-party payers consist primarily of commercial insurance carriers. As of August 31, 2016 and 2015, accounts receivable consisted of the following:

	<u>2016</u>	<u>2015</u>
Accounts receivable from:		
Tuition	\$ 2,807	\$ 4
Therapy services	287,343	262,203
Other receivable	-	2,902
	<u>290,150</u>	<u>265,109</u>
Less:		
Allowance for contractual adjustments	(114,619)	(103,416)
Allowance for bad debts	(18,240)	(17,975)
Accounts receivable, net	<u>\$ 157,291</u>	<u>\$ 143,718</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Depreciable assets:		
Buildings	\$ 3,014,176	\$ 3,014,176
Furniture and fixtures	138,894	81,786
Computer and software	44,088	40,088
Equipment	15,705	15,705
Capital leases	20,003	20,003
Total cost	<u>3,232,866</u>	<u>3,171,758</u>
Accumulated depreciation	(309,571)	(207,229)
Subtotal	<u>2,923,295</u>	<u>2,964,529</u>
Nondepreciable assets:		
Land	<u>1,066,222</u>	<u>1,066,222</u>
Property and equipment, net	<u>\$ 3,989,517</u>	<u>\$ 4,030,751</u>

NOTE 6 – LINE OF CREDIT AND LONG TERM DEBT

The Organization has a line of credit with a financial institution, which matures on March 31, 2017 and bears interest at the Lender's base commercial rate plus 1.500 percentage points, but in no event will the annual interest rate be less than 4.75%. The maximum availability under this line of credit is \$125,000. At August 31, 2016 there was no balance drawn on the line of credit. At August 31, 2015 the outstanding balance on the line of credit was \$44,856.

HIGH HOPES, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015**

NOTE 6 – LINE OF CREDIT AND LONG TERM DEBT (CONTINUED)

The Organization has an installment mortgage note payable. Effective January 2015, the monthly principal and interest payments were \$8,174. In 2016, the Organization made substantial principal payments, and the lender agreed to recast the monthly payment. Beginning June 2016, the new monthly principal and interest payments are \$5,812. This note bears interest at a fixed annual rate of 4.99%. This note matures on May 1, 2022, at which time the remaining unpaid principal balance and accrued interest will be due.

The installment mortgage note payable is collateralized by a deed of trust on the Organization's real property. The line of credit is collateralized by substantially all other assets of the Organization.

Future maturities of long term debt are as follows:

Year ending August 31,:	
2017	\$ 23,903
2018	25,256
2019	26,546
2020	27,901
2021	29,326
Thereafter	793,903
Total	<u>\$ 926,835</u>

NOTE 7 – LEASING ACTIVITIES

The Organization has a capital lease for certain office equipment. The related assets were included in the accompanying statements of financial position under property and equipment, net as of August 31, 2016 and 2015. Amortization expense related to the assets under the capital lease was \$5,001 and \$1,826 for the years ended August 31, 2016 and 2015, respectively.

Future minimum lease payments on the non-cancelable capital lease are as follows:

Year ending August 31,:	
2017	\$ 5,479
2018	5,479
2019	<u>3,653</u>
Total payments	14,611
Less amount representing interest	<u>(913)</u>
Present value of minimum lease payments	13,698
Current portion of capital lease obligation	<u>(4,934)</u>
Long-term portion of capital lease obligation	<u>\$ 8,764</u>

HIGH HOPES, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015**

NOTE 8 – EMPLOYEE BENEFITS

The Organization offers medical, dental, vision and supplemental insurance plans to all eligible full-time employees. The costs of these plans to the Organization for the years ended August 31, 2016 and 2015 were \$64,449 and \$46,189, respectively.

The Organization offers a defined contribution 401(k) plan, the High Hopes, Inc. 401(k) Plan (the "Plan") to eligible employees. Eligible employees may elect to contribute a portion of their compensation to the Plan up to the maximum amount as described in Section 414 of the Internal Revenue Code. The Organization may make discretionary employer contributions, as determined by the Board of Directors. In both 2016 and 2015, the Organization made \$10,000 of discretionary employer contributions to the Plan.

NOTE 9 – NET ASSETS

Temporarily restricted net assets consisted of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
For subsequent fiscal years:		
United Way	\$ 38,083	\$ 40,850
Capital campaign	110,300	18,861
For specific purposes:		
Scholarship fund	21,948	13,739
Preschool cameras	-	10,000
Fund development	19,778	26,258
Therapy outreach	4,219	9,940
Music and art tools	-	1,418
Strings and Stories	-	4,050
Clinic training	1,225	486
Total	<u>\$ 195,553</u>	<u>\$ 125,602</u>

Temporarily restricted net assets were released from donor restrictions during 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
For subsequent fiscal years:		
United Way	\$ 48,267	\$ 45,000
Capital campaign	191,156	705,905
For specific purposes:		
Scholarship fund	19,204	16,359
Strings and Stories	4,050	3,150
Miscellaneous grants	50,880	15,117
Total	<u>\$ 313,557</u>	<u>\$ 785,531</u>