

MOVES & GROOVES, INC.

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

FOR YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

MOVES & GROOVES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Moves & Grooves, Inc.
2275 Murfreesboro Pike
Suite 101
Nashville, TN 37217

We have audited the accompanying financial statements of *Moves & Grooves, Inc.*, (a not-for-profit-organization), which comprise the statements of financial position as of December 31, 2017 and December 31, 2016, and the related statements of activities, functional expenses 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 controls 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 depends 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 the *Moves & Grooves, Inc.*, as of December 31, 2017 and December 31, 2016, 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.

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is written in a cursive, flowing style.

Hoskins & Company
Nashville, TN
February 23, 2018

MOVES & GROOVES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016

| | 2017 | 2016 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 18,577 | \$ 17,989 |
| Grants receivable (Note 2) | 24,636 | 29,260 |
| Security deposits | 1,750 | 1,750 |
| Total current assets | <u>44,963</u> | <u>48,999</u> |
| Total assets | <u><u>\$ 44,963</u></u> | <u><u>\$ 48,999</u></u> |
| Liabilities and net assets | | |
| Current liabilities | \$ 4,394 | \$ - |
| Total current liabilities | <u>4,394</u> | <u>-</u> |
| Net assets | | |
| Without donor restrictions | 40,569 | 48,999 |
| Total net assets | <u>40,569</u> | <u>48,999</u> |
| Total liabilities and net assets | <u><u>\$ 44,963</u></u> | <u><u>\$ 48,999</u></u> |

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

MOVES & GROOVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|-------------------------|-------------------------|
| Revenues and support | | |
| Program revenue | \$ 95,183 | \$ 115,238 |
| Agency grants | 27,200 | 30,365 |
| Local government grants (Note 3) | 90,579 | 157,252 |
| State grants (Note 3) | 162,107 | 94,322 |
| Corporate contributions | 2,887 | 6,272 |
| Non-Government grants | 5,500 | - |
| Total revenues and support | <u>383,456</u> | <u>403,449</u> |
| Expenses | | |
| Program services | 221,547 | 263,826 |
| Management & general | 170,339 | 135,625 |
| Total expenses | <u>391,886</u> | <u>399,451</u> |
| (Decrease) increase in net assets | (8,430) | 3,998 |
| Net assets at beginning of year | 48,999 | 45,001 |
| Net assets at end of year | <u><u>\$ 40,569</u></u> | <u><u>\$ 48,999</u></u> |

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

MOVES GROOVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

| | 2017 | 2016 |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| (Decrease) increase in net assets | \$ (8,430) | \$ 3,998 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Decrease in grants receivable | 4,624 | 4,490 |
| Increase in current liabilities | 4,394 | - |
| Net cash provided by operating activities | <u>588</u> | <u>8,488</u> |
| Cash flows from investing activities | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | <u>-</u> | <u>-</u> |
| Net increase in cash and cash equivalents | 588 | 8,488 |
| Cash and cash equivalents, beginning of year | 17,989 | 9,501 |
| Cash and cash equivalents, end of year | <u><u>\$ 18,577</u></u> | <u><u>\$ 17,989</u></u> |

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

MOVES & GROOVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Program Services | Management & General | Total Expenses |
|------------------------|---------------------|-------------------------|-------------------|
| Advertising | \$ - | \$ 4,596 | \$ 4,596 |
| Bank charges | - | 241 | 241 |
| Consulting fees | 1,620 | 3,780 | 5,400 |
| Contract services | 395 | - | 395 |
| Dues & subscriptions | - | 464 | 464 |
| Employee benefits | 1,625 | 3,075 | 4,700 |
| Insurance | - | 1,816 | 1,816 |
| Snacks for kids | 908 | - | 908 |
| Office expenses | - | 7,667 | 7,667 |
| Misc expenses | - | 609 | 609 |
| Payroll prep fees | - | 2,089 | 2,089 |
| Payroll taxes | 8,390 | 8,732 | 17,122 |
| Rent | 10,281 | 5,536 | 15,817 |
| Repairs & maintenance | - | 49 | 49 |
| Salaries | 109,667 | 114,144 | 223,811 |
| Information technology | 3,857 | 3,548 | 7,405 |
| Supplies & materials | 83,071 | - | 83,071 |
| Training | - | 6,981 | 6,981 |
| Travel | 1,733 | - | 1,733 |
| T-shirts | - | 46 | 46 |
| Utilities | - | 6,966 | 6,966 |
| Total | <u>\$ 221,547</u> | <u>\$ 170,339</u> | <u>\$ 391,886</u> |

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

MOVES & GROOVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Dance | Summer Camp & After School | Total Program Services | Management & General | Total Expenses |
|------------------------|------------------|----------------------------------|------------------------------|-------------------------|-------------------|
| Advertising | \$ - | \$ - | \$ - | \$ 2,080 | \$ 2,080 |
| Bank charges | - | - | - | 127 | 127 |
| College tour | - | 5,338 | 5,338 | - | 5,338 |
| Consulting fees | - | 3,690 | 3,690 | 8,610 | 12,300 |
| Contract services | 4,202 | 23,809 | 28,011 | - | 28,011 |
| Dance competition team | 2,936 | - | 2,936 | - | 2,936 |
| Dues & subscriptions | - | - | - | 2,737 | 2,737 |
| Employee benefits | 5,800 | - | 5,800 | 5,800 | 11,600 |
| Insurance | - | - | - | 6,779 | 6,779 |
| Snacks for kids | - | 1,033 | 1,033 | - | 1,033 |
| Office expenses | - | - | - | 5,759 | 5,759 |
| Misc expenses | 18,037 | - | 18,037 | 5 | 18,042 |
| Payroll prep fees | - | - | - | 1,418 | 1,418 |
| Payroll taxes | 778 | 9,196 | 9,974 | 5,735 | 15,709 |
| Rent | 8,000 | 5,000 | 13,000 | 10,750 | 23,750 |
| Repairs & maintenance | - | - | - | 138 | 138 |
| Salaries | 10,166 | 120,207 | 130,373 | 76,759 | 207,132 |
| Information technology | 1,350 | - | 1,350 | 530 | 1,880 |
| Summer field trip | - | 2,462 | 2,462 | - | 2,462 |
| Supplies & materials | - | 41,534 | 41,534 | - | 41,534 |
| Training | - | - | - | 1,163 | 1,163 |
| Travel | 288 | - | 288 | 1,632 | 1,920 |
| Utilities | - | - | - | 5,603 | 5,603 |
| Total | <u>\$ 51,557</u> | <u>\$ 212,269</u> | <u>\$ 263,826</u> | <u>\$ 135,625</u> | <u>\$ 399,451</u> |

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

MOVES & GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Moves & Grooves, Inc. (“Moves & Grooves”) is a not-for-profit corporation organized in the State of Tennessee on September 26, 2002 with a commitment to enhance the lives of at risk youth and young individuals ranging from ages 5 to 18, living in the Nashville Metropolitan Area. Moves & Grooves provides after school, dance, and summer camp programs that help aid in the ARTS, academics, character, fitness and nutrition of the youth.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly revenue is recognized when earned, support and promises to give are recognized when received and expenses are recorded when incurred.

The financial statement presentation follows the recommendations of the Financial Accounting Standard Board’s Accounting Standard Codification 958 (FASB ASC 958) financial statements of not-for-profit Organizations. Under FASB ASC 958, Moves & Grooves is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Net Assets without donor restrictions — Net assets that are not restricted by purpose or time either temporarily or perpetually by explicit donor stipulations or by law. Board designation does not constitute a donor restriction.

Net Assets with donor restrictions — Net assets that are restricted by purpose or time either temporarily or perpetually by explicit donor stipulations or by law. .

As of December 31, 2017 and December 31, 2016, Moves & Grooves had no net assets with donor restrictions.

Income Taxes

Moves and Grooves is qualified as a tax-exempt organization as defined under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provisions for income taxes are applicable.

MOVES & GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

Management allocates expenses on a functional basis among its various programs including support services. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and savings accounts. At year-end and throughout the year, the Moves & Grooves cash balances were deposited in two banks.

Accounts/Grants Receivable

Moves & Grooves records accounts receivable and grants receivable at their estimated net realizable value and consist primarily of fee-based revenues earned and billed to clients but not yet paid. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts determined by analysis of specific balances and a general reserve based upon aging of outstanding balances. Past due balances are charged against the allowance when they are determined to be uncollectible.

Revenue, Support, and Expenses

Contributions and grants received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

Moves & Grooves incurred and recorded advertising expense during the fiscal year 2017 to announce program activities available and to make the public aware of its programs. None of the expense is considered direct-response advertising costs.

MOVES & GROOVES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

NOTE 2--- GRANTS RECEIVABLE

Grants receivables for December 31, 2017 and December 31, 2016 were \$24,636 and \$29,260 respectively, which consists of reimbursements requests submitted under the Nashville After Zone Alliance grant. No allowance is deemed necessary as grantor has no history of default.

NOTE 3---CONCENTRATION OF REVENUE

Approximately 67% of Moves & Grooves' revenue is derived from a grant from the Tennessee Department of Education and Nashville After Zone Alliance. The current level of Moves & Grooves' operations and services may be impacted or discontinued if the funding is not renewed.

NOTE 4---LEASE AGREEMENT

On February 1, 2017, Moves & Grooves entered into a lease agreement for offices, for a term of three years at a rate of \$1,745 per month. The total rent expense under these leases for December 31, 2017 and December 31, 2016 were \$15,817 and \$23,750, respectively.

The future minimum lease payments are as follows:

| | |
|-------|-----------|
| 2018 | \$ 21,395 |
| 2019 | 22,008 |
| 2020 | 7,440 |
| Total | \$ 50,923 |

NOTE 5---SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of February 23, 2018, the date management evaluated such events. February 23, 2018 is the date the financial statements were available to be issued.