

NEW HOPE ACADEMY, INC.

FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2015

NEW HOPE ACADEMY, INC.

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statement	6-10
Supplementary Information:	
Schedule of Functional Expenses for the fiscal year ended June 30, 2015	11

TERRY PAGE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, 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.

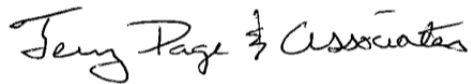
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Terry Page & Associates".

Nashville, Tennessee
November 12, 2015

NEW HOPE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS:

Cash and cash equivalents	\$ 10,567	
Restricted cash	<u>791,789</u>	
Total cash and cash equivalents		\$ 802,356
Investments, at market		100,577
Accounts receivable (net of allowance for bad debts)		16,833
Promises to give-restricted, net		872,998
Property and equipment (net of accumulated depreciation)		<u>1,993,383</u>
Total assets		<u><u>\$ 3,786,147</u></u>

LIABILITIES:

Accounts payable	\$ 28,584
Unearned tuition	9,940
Designated gifts	<u>190</u>
Total liabilities	<u>38,714</u>

NET ASSETS

Unrestricted	1,982,069
Temporarily restricted	<u>1,765,364</u>
Total net assets	<u>3,747,433</u>
Total liabilities and net assets	<u><u>\$ 3,786,147</u></u>

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

NEW HOPE ACADEMY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2015

CHANGES IN UNRESTRICTED NET ASSETS:

Revenues and other support	
Tuition and fees	\$ 2,248,589
Less financial aid	(<u>1,033,338</u>)
	1,215,251
Contributions	649,302
Speakers series	126,284
Rental income	13,750
Other revenues	<u>21,101</u>
	2,025,687
	<u>2,025,687</u>
Expenses	
Educational services	1,588,795
Supporting services	
Management and general	581,975
Fund raising	<u>241,207</u>
	2,411,977
	<u>2,411,977</u>
Change in Unrestricted net assets from operating activities	<u>-386,289</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:

Designated fund revenues	
Contributions	932,515
Other designated revenues	94,534
Designated fund expenses	(<u>81,283</u>)
	945,766
	<u>945,766</u>
Changes in temporarily restricted net assets	<u>945,766</u>
Increase in net assets	559,477
Net assets at beginning of year, restated	<u>3,187,956</u>
Net assets at end of year	\$ <u><u>3,747,433</u></u>

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

NEW HOPE ACADEMY, INC.
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 559,477
Adjustments to reconcile increase in net assets to cash flows provided by operations:	
Depreciation	83,342
Decrease in accounts receivable	15,316
Increase in pledges receivable	(227,631)
Increase in accounts payable	25,651
Increase in prepaid tuition	1,195
Decrease in God's story funds received	190
Net cash provided by operating activities	<u>457,540</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of computers	(18,873)
Purchase of classroom equipment	<u>(7,305)</u>
Net cash provided by investing activities	(26,178)

CASH FLOWS FROM FINANCING ACTIVITIES

No activity for 2014/2015	<u>0</u>
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NET INCREASE (DECREASE) IN CASH	431,362
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CASH, BEGINNING OF YEAR, RESTATED	<u>370,994</u>
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CASH, END OF YEAR	<u><u>802,356</u></u>
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The accompanying notes are an integral part of these financial statements.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

New Hope Academy, Inc. (“the Organization”) is a private, Christ centered community school which exists to serve low-income families by establishing a solid Biblical worldview, instill vision, confirming hope, and preparing each young person for a life of service. The Organization currently serves students from Pre-K through 6th Grade. The Organization reserves approximately one-half of its 220 seats each year for scholarship students based solely on financial need. Revenues are derived primarily from tuition and charitable contributions. The Organization was founded in Tennessee as non-profit corporation on May 31, 1996.

Management

The Organization is managed by a nine-member 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 of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, pledges, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

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*.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$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 restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using primarily the straight-line method over estimated useful lives ranging from five to forty years.

Revenue Recognition

Tuition and fees are recorded as earned monthly. This allows a matching with expenses for the corresponding months.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Additional Service Revenues

The Organization recognizes Support received from the ACORN early life program, aftercare program, summer camps and lunch program as additional service revenue.

Income Taxes

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

The Organization follows 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.

The Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended June 30, 2011 through June 30, 2015.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Advertising Costs

Advertising costs, if any, are expensed in the year in which they are incurred. Advertising cost incurred for the year ending June 30, 2015 was \$10,468 and are included in designated expenses.

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, 2015, the balance of allowance for doubtful accounts was \$23,390.

Use of Estimates

The preparation of financial statements in conformity with 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.

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.

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 \$25,000 for fiscal year ending June 30, 2015.

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.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE D – INVESTMENTS

The Organization's 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 the Organization 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 the Organization's financial instruments at June 30, 2015:

Cash and money market	\$ 17,848
Mutual funds:	
Large cap	23,131
International	5,651
Emerging markets	1,823
Small cap	8,615
Real estate	1,613
Corporate bonds	<u>41,896</u>
Total investments	<u>\$ 100,577</u>

NOTE E – PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2015 are as follows:

Receivable in one year	\$ 265,685
Receivable in two to five years	<u>607,303</u>
Total pledges receivable	<u>\$ 872,998</u>

An allowance for uncollectible promises is based on management's evaluation of potential uncollectible promises receivable at year end. At June 30, 2015, management estimated \$154,059 in pledges as uncollectible.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 consists of the following:

	Cost	Accumulated Depreciation	Net
Land and improvements	\$ 661,500	\$	\$ 661,500
Buildings	2,511,670	(1,253,155)	1,258,515
Leasehold improvements	41,485	(20,704)	20,782
Furniture and fixtures	65,902	(61,990)	3,912
Equipment and machinery	<u>154,123</u>	<u>(105,448)</u>	<u>48,675</u>
Total	<u>\$ 3,434,680</u>	<u>\$(1,441,297)</u>	<u>\$ 1,993,383</u>

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE G - UNEARNED TUITION

The Organization requires a deposit upon application by new students and by current students to hold their spot in their class for the following school year. For current students, this deposit is due in February, prior to the new school year. The Organization also offers an early payment discount for parents who paid future tuitions in advance. These amounts are recorded as unearned tuition and recognized as revenue during the school year to which they apply.

NOTE H – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Management has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash and cash equivalents.

NOTE I – LINE OF CREDIT

The Organization has 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 4.5% at June 30, 2015. There was no balance outstanding at June 30, 2015. The credit agreement is set to expire on September 12, 2016.

NOTE J – PRIOR PERIOD ADJUSTMENT

During the year ending June 30, 2015, management adopted the policy to adhere to FASB ASC 958-605-25 whereby unconditional promises to give are recognized when the promise is made. Prior financial statements did not adhere to this generally accepted accounting principle. Therefore, beginning balances have been restated to reflect adherence. The effect to the financial statements ending June 30, 2014 resulted in an understatement to promises to give and net assets in the amount of \$645,367. Accordingly, net assets as of the beginning of the year-restated have been adjusted by \$645,367.

NOTE K –SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2015, the date at which the financial statements were available to be issued.

NEW HOPE ACADEMY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015

	Program Services	General & Administrative	Fundraising	Total
Salaries and wages	\$ 864,922	\$ 419,761	\$ 89,224	\$ 1,373,907
Other teachers	79,370	-	-	79,370
Payroll taxes expense	67,066	29,812	6,337	103,215
Accounting	-	16,600	-	16,600
Other fees for services		18,915		18,915
Office expenses	2,356	15,315	5,891	23,562
Occupancy	104,645	22,328	7,301	134,274
Depreciation expense	69,447	10,314	3,580	83,342
Insurance	110,071	48,929	10,400	169,401
Development	96,545	-		96,545
Speaker series			86,500	86,500
Food and beverage			31,974	31,974
Other costs of operations	42,480	-	-	42,480
Interest expense	-	-	-	-
Classroom expenses	66,232	-	-	66,232
Lunch program	44,113	-	-	44,113
ACORN program	8,134			8,134
Counseling program	33,413			33,413
	<u>\$ 1,588,795</u>	<u>\$ 581,975</u>	<u>\$ 241,207</u>	<u>\$ 2,411,977</u>
Percent of total	66%	24%	10%	100%

See the accompanying independent auditors' report.