

**HIGH HOPES, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

**For the Years Ended August 31, 2010 and 2009**

**HIGH HOPES, INC.**  
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### **Independent Auditors' Report**

To the Board of Directors of  
High Hopes, Inc.  
Brentwood, Tennessee

We have audited the accompanying statement of financial position of High Hopes, Inc. (a nonprofit organization) (the "Organization") as of August 31, 2010 and 2009, and the related statement of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2010 and 2009, 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.

*Brown & Maguire CPAs, PLLC*

Brown & Maguire CPAs, PLLC  
Nashville, Tennessee  
December 13, 2010

**High Hopes, Inc.**  
**Statements of Financial Position**  
**As of August 31, 2010 and 2009**

	<u>August 31, 2010</u>	<u>August 31, 2009</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents .....	\$ 43,012	\$ -
Contributions receivable, net .....	20,833	-
Accounts receivable, net .....	178,811	149,553
Total current assets.....	<u>242,656</u>	<u>149,553</u>
Property and equipment, net .....	<u>65,774</u>	<u>107,938</u>
Total assets.....	<u>\$ 308,430</u>	<u>\$ 257,491</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable .....	\$ 11,151	\$ 6,075
Accrued expenses .....	24,983	29,619
Over drafted cash .....	-	10,193
Obligations under line of credit .....	54,356	104,440
Total current liabilities .....	<u>90,490</u>	<u>150,327</u>
Net assets		
Unrestricted.....	176,305	106,089
Temporarily restricted.....	41,635	1,075
Total net assets .....	<u>217,940</u>	<u>107,164</u>
Total liabilities and net assets .....	<u>\$ 308,430</u>	<u>\$ 257,491</u>

See accompanying notes.

**High Hopes, Inc.**  
**Statement of Activities**  
**For the Year Ended August 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions:			
United Way.....	\$ 6,355	\$ 20,833	\$ 27,188
Other.....	310,235	20,802	331,037
Therapy fees, net .....	646,159	-	646,159
Tuition and fees.....	676,005	-	676,005
Special events.....	137,814	-	137,814
Less: donor direct benefit costs .....	(36,003)	-	(36,003)
In-kind contributions .....	31,720	-	31,720
Other income.....	870	-	870
Net assets released from restrictions	1,075	(1,075)	-
Total support and revenue.....	<u>1,774,230</u>	<u>40,560</u>	<u>1,814,790</u>
Expenses			
Program services .....	1,469,798	-	1,469,798
Management and general .....	169,470	-	169,470
Fundraising.....	64,746	-	64,746
Total expenses .....	<u>1,704,014</u>	<u>-</u>	<u>1,704,014</u>
Change in net assets.....	70,216	40,560	110,776
Net assets at beginning of year.....	106,089	1,075	107,164
Net assets at end of year.....	<u>\$ 176,305</u>	<u>\$ 41,635</u>	<u>\$ 217,940</u>

See accompanying notes.

**High Hopes, Inc.**  
**Statement of Activities**  
**For the Year Ended August 31, 2009**

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions:			
United Way.....	\$ 553	\$ -	\$ 553
Other.....	198,978	1,075	200,053
Therapy fees, net .....	552,700	-	552,700
Tuition and fees.....	621,749	-	621,749
Special events.....	208,628	-	208,628
Less: donor direct benefit costs .....	(48,631)	-	(48,631)
In-kind contributions .....	38,029	-	38,029
Other income.....	825	-	825
Net assets released from restrictions	520	(520)	-
Total support and revenue.....	<u>1,573,351</u>	<u>555</u>	<u>1,573,906</u>
Expenses			
Program services .....	1,367,758	-	1,367,758
Management and general .....	177,008	-	177,008
Fundraising.....	66,139	-	66,139
Total expenses .....	<u>1,610,905</u>	<u>-</u>	<u>1,610,905</u>
Change in net assets.....	(37,554)	555	(36,999)
Net assets at beginning of year.....	<u>143,643</u>	<u>520</u>	<u>144,163</u>
Net assets at end of year.....	<u>\$ 106,089</u>	<u>\$ 1,075</u>	<u>\$ 107,164</u>

See accompanying notes.

**High Hopes, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2010**

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Education</u>	<u>Therapy</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>Total Functional Expenses</u>
Salaries	\$ 452,289	\$ 440,742	\$ 893,031	\$ 104,910	\$ 42,000	\$ 146,910	\$ 1,039,941
Payroll taxes	40,057	39,034	79,091	9,291	3,720	13,011	92,102
Employee benefits	28,903	28,165	57,068	6,704	2,684	9,388	66,456
Total salaries and related expenses	521,249	507,941	1,029,190	120,905	48,404	169,309	1,198,499
Advertising	1,659	1,617	3,276	385	154	539	3,815
Contractual services	10,349	47,786	58,135	-	-	-	58,135
Depreciation	20,709	20,181	40,890	4,804	1,923	6,727	47,617
Equipment maintenance	8,600	8,381	16,981	1,995	799	2,794	19,775
Insurance	6,407	6,243	12,650	1,486	595	2,081	14,731
Interest	2,589	2,523	5,112	601	240	841	5,953
Occupancy	107,111	104,376	211,487	24,845	9,946	34,791	246,278
Other	3,268	3,186	6,454	759	304	1,063	7,517
Postage	1,041	1,014	2,055	241	97	338	2,393
Professional fees	4,857	4,733	9,590	1,127	451	1,578	11,168
Special event costs	-	-	-	-	36,003	36,003	36,003
Bad debts	(937)	(913)	(1,850)	-	-	-	(1,850)
Printing	3,070	2,991	6,061	712	285	997	7,058
In-kind contributions	13,795	13,443	27,238	3,200	1,281	4,481	31,719
Supplies	10,506	25,192	35,698	2,119	-	2,119	37,817
Telephone	2,877	2,804	5,681	667	267	934	6,615
Training	-	1,150	1,150	5,624	-	5,624	6,774
Total expenses	717,150	752,648	1,469,798	169,470	100,749	270,219	1,740,017
Less expenses included with revenues on the statement activities – donor direct benefit costs	-	-	-	-	(36,003)	(36,003)	(36,003)
Total expenses included in the expense section of the statement of activities	<u>\$ 717,150</u>	<u>\$ 752,648</u>	<u>\$ 1,469,798</u>	<u>\$ 169,470</u>	<u>\$ 64,746</u>	<u>\$ 243,216</u>	<u>\$ 1,704,014</u>

See accompanying notes.

**High Hopes, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2009**

	Program Services			Supporting Services			
	Education	Therapy	Total Program Services	Management and General	Fundraising	Total Support Services	Total Functional Expenses
Salaries	\$ 430,151	\$ 392,265	\$ 822,416	\$ 108,428	\$ 42,000	\$ 150,428	\$ 972,844
Payroll taxes	36,185	32,998	69,183	9,121	3,533	12,654	81,837
Employee benefits	27,830	25,379	53,209	7,015	2,717	9,732	62,941
Total salaries and related expenses	494,166	450,642	944,808	124,564	48,250	172,814	1,117,622
Advertising	4,707	4,293	9,000	1,187	460	1,647	10,647
Contractual services	11,170	33,461	44,631	-	-	-	44,631
Depreciation	18,034	16,447	34,481	4,546	1,761	6,307	40,788
Equipment maintenance	8,875	8,093	16,968	2,237	867	3,104	20,072
Insurance	6,554	5,977	12,531	1,652	640	2,292	14,823
Interest	1,287	1,173	2,460	324	126	450	2,910
Occupancy	108,729	99,152	207,881	27,407	10,616	38,023	245,904
Other	5,288	4,821	10,109	1,333	515	1,848	11,957
Postage	1,089	993	2,082	275	106	381	2,463
Professional fees	4,975	4,537	9,512	1,254	486	1,740	11,252
Special event costs	-	-	-	-	48,631	48,631	48,631
Bad debts	2,976	2,713	5,689	-	-	-	5,689
Printing	3,367	3,070	6,437	849	329	1,178	7,615
In-kind contributions	16,815	15,334	32,149	4,239	1,642	5,881	38,030
Supplies	9,505	12,243	21,748	5,631	-	5,631	27,379
Telephone	3,489	3,182	6,671	880	341	1,221	7,892
Training	196	405	601	630	-	630	1,231
Total expenses	701,222	666,536	1,367,758	177,008	114,770	291,778	1,659,536
Less expenses included with revenues on the statement activities – donor direct benefit costs	-	-	-	-	(48,631)	(48,631)	(48,631)
Total expenses included in the expense section of the statement of activities	<u>\$ 701,222</u>	<u>\$ 666,536</u>	<u>\$ 1,367,758</u>	<u>\$ 177,008</u>	<u>\$ 66,139</u>	<u>\$ 243,147</u>	<u>\$ 1,610,905</u>

See accompanying notes.



**High Hopes, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Change in net assets .....	\$ 110,776	\$ (36,999)
Adjustments to reconcile change in net assets to net cash Provided by (used in) operating activities:		
Depreciation .....	47,617	40,788
Loss on disposal of assets .....	-	520
Increase in accounts receivable, net .....	(29,258)	(33,956)
Increase in contributions receivable, net .....	(20,833)	-
Increase in accounts payable and accrued expenses.....	440	5,941
Net cash provided by (used in) operating activities .....	<u>108,742</u>	<u>(23,706)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment.....	<u>(5,453)</u>	<u>(11,514)</u>
Net cash used in investing activities .....	<u>(5,453)</u>	<u>(11,514)</u>
<b>Cash flows from financing activities:</b>		
Net payments on revolving lines of credit .....	<u>(50,084)</u>	<u>15,000</u>
Net cash (used in) provided by financing activities .....	<u>(50,084)</u>	<u>15,000</u>
Net increase (decrease in) cash and cash equivalents .....	53,205	(20,220)
Cash and cash equivalents, at beginning of period .....	<u>(10,193)</u>	<u>10,027</u>
Cash and cash equivalents, at end of period .....	<u>\$ 43,012</u>	<u>\$ (10,193)</u>
<b>Supplemental disclosure of cash flows information:</b>		
Interest paid .....	<u>\$ 5,953</u>	<u>\$ 2,910</u>
Income taxes paid .....	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2010 and 2009**

**1. Description of the Organization and Summary of Significant Accounting Policies**

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

*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.

*Contributions and Support*

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Organization considers all cash funds and cash bank accounts with an original maturity of three months or less to be cash and cash equivalents.

*Contributions Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. Contributions receivable were \$20,833 as of August 31, 2010. The balance represented contributions receivable due from the United Way of Williamson County and is temporarily restricted as of August 31, 2010 as the balance will not be collected until the Organization’s 2011 fiscal year. No contributions receivable were due as of August 31, 2009.

*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

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2010 and 2009**

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.

*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 payors 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 payor 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.

*Advertising Costs*

Advertising costs are expensed as incurred. Advertising costs were \$3,815 and \$10,647 for the years ended August 31, 2010 and 2009, respectively.

*Property and Depreciation*

Property and equipment are recorded at cost or at fair value as of the date purchased or contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated lives of the respective assets ranging from five to 10 years.

*Income Taxes*

The Organization, which is not a private foundation, is exempt from federal and state income taxes under section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

*Program and Supporting Services*

The following program and supporting services were 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.

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2010 and 2009**

**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.

*Allocation of Functional Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and support services based on estimates by management.

*Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management of the Organization to make estimates and assumptions that affect the reported assets and liabilities and contingency disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**2. Accounts Receivable**

Accounts receivable are from third-party payors and patients and are reported net of estimated contractual adjustments and allowances for bad debts. Third-party payors consist primarily of commercial insurance carriers. As of August 31, 2010 and 2009, accounts receivable consisted of the following:

	<u>2010</u>	<u>2009</u>
Accounts receivable from tuition and therapy services .....	\$ 195,921	\$ 166,903
Less allowance for contractual adjustments and allowances for bad debts.....	<u>(17,110)</u>	<u>(17,350)</u>
Account receivable, net	<u>\$ 178,811</u>	<u>\$ 149,553</u>

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2010 and 2009**

### **3. Property and Equipment**

Property and equipment consisted of the following as of August 31, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Furniture and equipment.....	<b>\$ 141,755</b>	\$ 138,745
Playground equipment.....	<b>15,409</b>	12,966
Leasehold improvements.....	<b>85,475</b>	85,475
	<b>242,639</b>	237,186
Less: accumulated depreciation....	<b>(176,865)</b>	(129,248)
Property and equipment, net.....	<b>\$ 65,774</b>	\$ 107,938

### **4. Temporarily Restricted Net Assets**

Changes in temporarily restricted net assets for the year ended August 31, 2010 were as follows:

	<b>Beginning of Year</b>	<b>Restricted Contributions</b>	<b>Released from Restriction</b>	<b>End of Year</b>
Programs .....	<b>\$ 1,075</b>	<b>\$ 10,138</b>	<b>\$ (10,411)</b>	<b>\$ 802</b>
Software .....	-	<b>20,000</b>	-	<b>20,000</b>
United Way .....	-	<b>25,000</b>	<b>(4,167)</b>	<b>20,833</b>
	<b>\$ 1,075</b>	<b>\$ 55,138</b>	<b>\$ (12,472)</b>	<b>\$ 41,635</b>

Changes in temporarily restricted net assets for the year ended August 31, 2009 were as follows:

	<b>Beginning of Year</b>	<b>Restricted Contributions</b>	<b>Released from Restriction</b>	<b>End of Year</b>
Programs .....	\$ -	\$ 2,650	\$ (1,575)	\$ 1,075
Video.....	520	10,377	(10,897)	-
	<b>\$ 520</b>	<b>\$ 13,027</b>	<b>\$ (12,472)</b>	<b>\$ 1,075</b>

### **5. Employee Benefits**

The Organization has a medical insurance plan for all full-time employees. The costs of this plan for the years ended August 31, 2010 and 2009 were \$66,455 and \$62,941, respectively.

### **6. Notes Payable**

During 2005, the Organization obtained a line of credit from SunTrust with maximum borrowing availability of \$50,000. The line of credit is secured by the Organization's tangible property and is payable on demand. The line of credit requires monthly interest payments on the outstanding balance. The interest rate was 3.25% as of August 31, 2010 and 2009, respectively. The

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2010 and 2009**

outstanding balance on the line of credit was \$39,440 as of August 31, 2010 and 2009, respectively.

During August 2007, the Organization obtained a second line of credit from Tennessee Commerce Bank with maximum borrowing availability of \$75,000. The line of credit is secured by the Organizations tangible property and is payable on demand. The line of credit requires monthly interest payments on the outstanding balance. The interest rate was 7.00% as of August 31, 2010 and 2009, respectively. The outstanding balance on the line of credit was \$14,916 and \$65,000 as of August 31, 2010 and 2009, respectively.

## **7. Operating Lease Commitments**

On December 5, 2005, the Organization entered into a five-year lease agreement, effective March 1, 2006, for its current facility located on Mallory Lane in Brentwood, Tennessee. Furthermore, during March 2007, the Organization entered into a second five-year lease to expand its operations at the Mallory Lane location. Terms of the leases were amended during July 2009, which resulted in a change in the lease rates and terminates both leases in March 2012. Lease expense for the facility was \$246,278 and \$245,905 for the year ended August 31, 2010 and 2009, respectively. Future minimum lease commitments under these lease agreements, as well as a lease entered into during March 2010 for a copier, are as follows:

2011 .....	\$	<b>250,836</b>
2012 .....		<b>250,836</b>
2013 .....		<b>3,402</b>
2014 .....		-
2015 .....		-
Thereafter.....		-
	\$	<b><u>505,074</u></b>

## **8. Subsequent Events**

The Organization has evaluated all events or transactions that occurred after August 31, 2010, through December 13, 2010, the date these financial statements were issued. During this period the Organization did not have any material recognizable events that required recognition in the disclosures to the August 31, 2010 financial statements.