

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

Independent Auditor's Report  
And  
Audited Financial Statements  
June 30, 2020

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

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
New Hope Academy  
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, 2020, and the related statements of activities 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, 2020, 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.



Nashville, TN  
January 14, 2021

**NEW HOPE ACADEMY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2020

**ASSETS**

Cash and cash equivalents	\$ 238,948
Restricted cash	1,237,786
Total cash and cash equivalents	<u>1,476,734</u>
Investments, at market	267,520
Accounts receivable, net of allowance for bad debts	27,965
Due from general fund	22,255
Property and equipment, net of accumulated depreciation	<u>1,666,957</u>
Total assets	<u><u>\$ 3,461,431</u></u>

**LIABILITIES**

Accounts payable	\$ 43,774
Due to restricted fund	22,255
Accrued expenses	1,592
Total current liabilities	<u>67,621</u>
Line of credit	188,000
Paycheck protection program loan	<u>437,300</u>
Total long term debt	625,300
Total liabilities	692,921

**NET ASSETS**

Without Donor Restrictions	1,231,916
With Donor Restrictions	<u>1,536,594</u>
Total net assets	<u>2,768,510</u>
Total liabilities and net assets	<u><u>\$ 3,461,431</u></u>

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

**NEW HOPE ACADEMY, INC.**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2020

<b>CHANGES IN NET ASSETS</b>	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>Total</b>
Revenues and other support			
Tuition and fees	\$ 2,357,947	\$ -	\$ 2,357,947
Less: financial aid	(1,321,308)	-	(1,321,308)
Total tuition revenue	<u>1,036,639</u>	<u>-</u>	<u>1,036,639</u>
Contributions	1,091,885	1,124,111	2,215,996
Other Designated revenues	51,749	-	51,749
Rental Income	23,560	-	23,560
Other revenues	<u>31,094</u>	<u>-</u>	<u>31,094</u>
Total revenues and support	<u>2,234,927</u>	<u>1,124,111</u>	<u>3,359,038</u>
Expenses			
Educational services	1,729,030	62,680	1,791,710
Supporting services			
General and administrative	710,421	-	710,421
Fundraising	<u>444,093</u>	<u>11,872</u>	<u>455,965</u>
Total expenses	<u>2,883,544</u>	<u>74,552</u>	<u>2,958,096</u>
Increase / (Decrease) in net assets	(648,617)	1,049,559	400,942
Transfers to/from net assets	57,176	(57,176)	-
Net assets at beginning of year	<u>1,823,357</u>	<u>544,211</u>	<u>2,367,568</u>
Net assets at end of year	<u>\$ 1,231,916</u>	<u>\$ 1,536,594</u>	<u>\$ 2,768,510</u>

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

**NEW HOPE ACADEMY, INC.**  
**STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase / (Decrease) in net assets	\$ 400,942
Adjustments to reconcile net income to net cash provided by operations:	
Depreciation	71,902
Unrealized loss on investments	22,669
Increase in accounts receivable, net of allowance	(16,577)
Decrease in promises to give, net of allowance	145,000
Increase in due from general fund	(22,255)
Increase in accounts payable	11,603
Increase in due to restricted funds	22,255
Increase in accrued expenses	624
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Net cash provided / (used) by operating activities	636,163

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in furniture & fixtures	(9,843)
Increase in office equipment	(1,510)
Increase in classroom equipment	(4,660)
Increase in facility improvements	(35,833)
Decrease in investment accounts	1,145
	<hr/>
Net cash provided / (used) in investing activities	(50,701)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Funding from line of credit	188,000
Funding from payroll protection program	437,300
Adjustment to Retained Earnings to prior year	(121)
	<hr/>
Net cash provided / (used) in financing activities	625,179
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NET CASH INCREASE (DECREASE)	1,210,641
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CASH AT BEGINNING OF YEAR	266,093
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CASH AT END OF YEAR	\$ <u><u>1,476,734</u></u>

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, 2020

	Program Services	General & Administrative	Fundraising	Total
Grants and other assistance	\$ 1,321,308	\$ -	\$ -	\$ 1,321,308
Educational services				
Officers salaries	-	-	-	-
Salaries and wages	1,118,780	441,943	290,901	1,851,624
Payroll taxes expense	83,757	22,966	28,370	135,093
Accounting	-	21,286	-	21,286
Other fees for services	-	11,612	-	11,612
Office expenses	6,752	43,884	16,879	67,515
Bad debt	-	2,822	-	2,822
Miscellaneous	-	8,136	-	8,136
Occupancy	186,186	40,579	11,935	238,700
Depreciation expense	59,679	8,629	3,594	71,902
Travel	-	1,913	-	1,913
Insurance	127,544	56,905	11,773	196,222
Development	13,412	-	-	13,412
Classroom expenses	83,074	-	-	83,074
Lunch program	23,199	-	-	23,199
ACORN program	7,017	-	-	7,017
Counseling program	19,630	-	-	19,630
Advancement expense	-	49,746	80,641	130,387
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Total educational services	1,729,030	710,421	444,093	2,883,544
Designated Fund Expense				
6th Grade Trip	9,724	-	11,872	21,596
Benevolence Fund expense	11,755	-	-	11,755
Blue Skies Fund expense	1,000	-	-	1,000
Ritzen Educational expense	25,102	-	-	25,102
Dining Hall Fund	11,450	-	-	11,450
Other	3,649	-	-	3,649
	<hr/>	<hr/>	<hr/>	<hr/>
Total designated fund expense	62,680	-	11,872	74,552
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Total functional expenses	3,113,018	710,421	455,965	4,279,404
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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, 2020

**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 6<sup>th</sup> 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 receivables 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, 2020, the allowance for uncollectible receivables amounted to \$0.



**NEW HOPE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2020

**NOTE A - 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.

**NEW HOPE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2020

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributed Services

The School receives a substantial number 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 School 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, 2020 was \$2,688

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, 2018 through June 30, 2020.

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, 2020.

Allowance for Uncollectible Accounts

The School 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, 2020, the balance of allowance for doubtful accounts was not material.

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.

**NEW HOPE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2020

**NOTE B – 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 School is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE C - RELATED PARTY TRANSACTIONS**

The School 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 \$28,100. Additionally, teacher and staff tuition discounts totaled \$160,620 for fiscal year ending June 30, 2020.

**NOTE D – INVESTMENTS**

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. All investments are considered class 1.

The following sets forth the fair value of our financial instruments at June 30, 2020:

Cash and money market	\$ 17,729
Mutual funds:	
Large blend	104,031
International	24,963
Emerging markets	2,067
Small cap	48,501
Real estate	14,129
Corporate bonds	<u>56,100</u>
Total investments	<u>\$ 267,520</u>

**NOTE E - FAIR VALUES OF FINANCIAL INSTRUMENTS**

The carrying amounts of cash and cash equivalents, and tuition receivables and accounts payables reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

**NOTE F – DUE FROM GENERAL FUND / DUE TO RESTRICTED FUND**

During the fiscal year ending June 30, 2020, the School received a donor restricted donations in the amount of \$22,255 that were inadvertently deposited to the general fund operating account. Subsequent to June 30, 2020, the funds were properly transferred to the appropriate restricted funds bank account.

**NEW HOPE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2020

**NOTE G - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2020 consists of the following:

Land and improvements	\$ 661,500
Buildings	2,547,503
Leasehold improvements	41,486
Furniture and fixtures	75,745
Equipment and machinery	<u>161,564</u>
Total	\$ 3,487,798
Less: accumulated depreciation	<u>(1,820,841)</u>
Total	<u>\$ 1,666,957</u>

**NOTE H - DONATED SERVICES, MATERIALS AND FACILITIES**

The School receives donated services from unpaid volunteers assisting the School in the administration of its program services. No amounts have been recognized in the accompanying statements of activities for the years ended June 30, 2020 because the criteria for recognition of such volunteer effort under FASB ASC 958 have not been satisfied.

The School made renovations to the property during the year ended June 30, 2020. Those renovations were made due to the generosity of local businesses. Specifically, improvements to the facilities restrooms were made. Management has estimated the approximate fair value of the materials and labor to make these renovations was, \$8,000 is included as part of support, sponsorships and contributions, and program service expenses in the statements of activities for 2018 and 2017 to reflect the fair value of use of the donated facilities.

**NOTE I - 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, 2020.

**NOTE J – 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, 2020. There was a balance outstanding at June 30, 2020 of \$188,000. The credit agreement is set to expire on February 12, 2020.

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in an interest bearing, short-term money market investment account, which is a cash equivalent.

**NEW HOPE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2020

**NOTE K - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of June 30, 2020, without donor-imposed restrictions within one year of the statement of financial position:

	<u>June 30, 2020</u>
Cash and cash equivalents	\$1,476,734
Investments	267,520
Receivables, currently due	<u>50,220</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,794,474</u>

**NOTE L – 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 M –SUBSEQUENT EVENTS**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, on April 2, 2020, Tennessee Governor Bill Lee ordered the closure of the physical location of every “non-life sustaining” (“non-essential”) business for what may be an extended period of time. This order required the School to close their physical location and all employees must work remotely as feasible. Future potential impacts may include continued disruptions or restrictions on the school's ability to meet in person, its employees' ability to work and impairment of its ability to obtain contributions and volunteers. The future effects of these issues are unknown.

We have evaluated subsequent events through January 14, 2021, 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.