

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

Independent Auditor's Report
And
Audited Financial Statements
June 30, 2021

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

We have audited the accompanying financial statements of New Hope Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses 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 as of June 30, 2021, 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
October 29, 2021

NEW HOPE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS

Cash and cash equivalents	\$ 184,923
Restricted cash	1,245,449
Total cash and cash equivalents	<u>1,430,372</u>
Investments, at market	653,451
Accounts receivable, net of allowance for bad debts	9,494
Due from general fund	135,000
Property and equipment, net of accumulated depreciation	<u>1,598,344</u>
Total assets	<u><u>\$ 3,826,661</u></u>

LIABILITIES

Accounts payable	\$ 40,181
Due to restricted fund	135,000
Accrued expenses	8,369
Total current liabilities	<u>183,550</u>
Line of credit	-
Paycheck protection program loan	900,007
Total long term debt	<u>900,007</u>
Total liabilities	1,083,557

NET ASSETS

Without Donor Restrictions	1,150,314
With Donor Restrictions	<u>1,592,790</u>
Total net assets	<u>2,743,104</u>
Total liabilities and net assets	<u><u>\$ 3,826,661</u></u>

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

NEW HOPE ACADEMY, INC.
STATEMENT OF ACTIVITIES
June 30, 2021

CHANGES IN NET ASSETS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
Revenues and other support			
Tuition and fees	\$ 2,600,627	\$ -	\$ 2,600,627
Less: financial aid	(1,466,204)	-	(1,466,204)
Total tuition revenue	<u>1,134,423</u>	<u>-</u>	<u>1,134,423</u>
Contributions	1,151,767	618,393	1,770,160
Other Designated revenues	5,236	-	5,236
Rental Income	23,020	-	23,020
Other revenues	<u>291,563</u>	<u>-</u>	<u>291,563</u>
Total revenues and support	<u>2,606,009</u>	<u>618,393</u>	<u>3,224,402</u>
Expenses			
Educational services	1,682,030	330,482	2,012,512
Supporting services			
General and administrative	789,657	-	789,657
Fundraising	<u>447,640</u>	<u>-</u>	<u>447,640</u>
Total expenses	<u>2,919,327</u>	<u>330,482</u>	<u>3,249,809</u>
Increase / (Decrease) in net assets	(313,318)	287,911	(25,407)
Transfers to/from net assets	231,715	(231,715)	-
Net assets at beginning of year	<u>1,231,917</u>	<u>1,536,594</u>	<u>2,768,511</u>
Net assets at end of year	<u>\$ 1,150,314</u>	<u>\$ 1,592,790</u>	<u>\$ 2,743,104</u>

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

NEW HOPE ACADEMY, INC.
STATEMENT OF CASH FLOWS
June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Increase / (Decrease) in net assets	\$ (25,407)
Adjustments to reconcile net income to net cash provided by operations:	
Depreciation	72,283
Unrealized (gain) on investments	(88,840)
Decrease in accounts receivable, net of allowance	18,471
Decrease in promises to give, net of allowance	-
Increase in due from general fund	(135,000)
Increase in accounts payable	(3,592)
Increase in due to restricted funds	135,000
Increase in accrued expenses	<u>6,777</u>
Net cash provided / (used) by operating activities	(20,308)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	(3,670)
Increase in investment accounts	<u>(297,091)</u>
Net cash provided / (used) in investing activities	(300,761)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of line of credit	(188,000)
Funding from payroll protection program	<u>462,707</u>
Net cash provided / (used) in financing activities	<u>274,707</u>
NET CASH INCREASE (DECREASE)	(46,362)
CASH AT BEGINNING OF YEAR	<u>1,476,734</u>
CASH AT END OF YEAR	<u><u>\$ 1,430,372</u></u>

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

NEW HOPE ACADEMY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
June 30, 2021

	Program Services	General & Administrative	Fundraising	Total
Grants and other assistance	\$ 1,466,204	\$ -	\$ -	\$ 1,466,204
Educational services				
Officers salaries	-	-	-	-
Salaries and wages	1,088,327	470,698	274,721	1,833,746
Payroll taxes expense	83,321	22,846	28,221	134,388
Accounting	-	19,433	-	19,433
Other fees for services	-	4,609	-	4,609
Office expenses	14,689	95,474	36,721	146,884
Bad debt	-	-	-	-
Miscellaneous	-	12,085	-	12,085
Occupancy	162,334	35,380	10,406	208,120
Depreciation expense	59,996	8,674	3,613	72,283
Travel	-	3,058	-	3,058
Insurance	139,836	62,388	12,908	215,132
Development	2,591	-	-	2,591
Classroom expenses	52,974	-	-	52,974
Lunch program	18,121	-	-	18,121
ACORN program	958	-	-	958
Counseling program	58,883	-	-	58,883
Advancement expense	-	55,012	81,050	136,062
	<u>1,682,030</u>	<u>789,657</u>	<u>447,640</u>	<u>2,919,327</u>
Total educational services	1,682,030	789,657	447,640	2,919,327
Designated Fund Expense				
6th Grade Trip	27,510	-	-	27,510
Benevolence Fund expense	7,098	-	-	7,098
Blue Skies Fund expense	-	-	-	-
Ritzen Educational expense	65,570	-	-	65,570
Dining Hall Fund	-	-	-	-
TN Grant Expenses	220,304	-	-	220,304
Other	10,000	-	-	10,000
	<u>330,482</u>	<u>-</u>	<u>-</u>	<u>330,482</u>
Total designated fund expense	330,482	-	-	330,482
Total functional expenses	<u>3,478,716</u>	<u>789,657</u>	<u>447,640</u>	<u>4,716,013</u>

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, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

New Hope Academy, Inc. (“the School”) 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 Franklin, Tennessee and surrounding communities. We currently serve students from Pre-K through 6th 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 receivables are written off when deemed uncollectable. At June 30, 2021, the allowance for uncollectible receivables amounted to \$0.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

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 those 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, 2021

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, 2021 was \$6,239

Income Taxes

We are a not-for-profit School 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, 2019 through June 30, 2021.

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, 2021.

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, 2021, 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, 2021

NOTE B – CONCENTRATION OF CREDIT RISK

We maintain our cash in bank deposit accounts, which, at times, may exceed federally insured limits. As of June 30, 2021, \$737,236 was in excess of federally insured limits. Management has not experienced any losses in such accounts. We have not experienced any losses in such accounts, and we believe 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, 2021.

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, 2021:

Cash and money market	\$ 326,500
Mutual funds:	
Large blend	172,505
Emerging markets	2,893
International	33,116
Small cap	51,435
Real estate	18,664
Corporate bonds	<u>48,338</u>
 Total investments	 <u>\$ 653,451</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.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

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 \$135,000 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.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 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>165,234</u>
Total	\$ 3,491,468
Less: accumulated depreciation	<u>(1,893,124)</u>
Total	\$ <u>1,598,344</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, 2021 because the criteria for recognition of such volunteer effort under FASB ASC 958 have not been satisfied.

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, 2021.

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, 2021. There was a balance outstanding at June 30, 2021 of \$0. The credit agreement is set to expire on February 12, 2022.

As part of the School'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, 2021

NOTE K – FORGIVABLE LOAN RECEIVED UNDER THE SBA PAYCHECK PROTECTION PROGRAM

In response to the coronavirus (COVID-19) outbreak, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, we obtained a PPP loan for \$437,300, which is included in our PPP loan payable balance on June 30, 2021. The note matures in May 2022 and bears interest of 1% per annum, with the first six months of interest deferred. We received a second PPP loan in the amount of \$462,707 on February 2021. This note matures in March 2023 and bears interest of 1%, per annum. We believe all of the proceeds from the note were used for qualifying expenses and thus expect to receive approval for the loan to be forgiven in the future, at which time we will recognize a gain on forgiveness of the loan.

NOTE L - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the School's financial assets as of June 30, 2021, without donor-imposed restrictions within one year of the statement of financial position:

	<u>June 30, 2021</u>
Cash and cash equivalents	\$1,430,372
Investments	653,451
Receivables, currently due	<u>9,494</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,093,317</u>

NOTE M – 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 N –SUBSEQUENT EVENTS

We have evaluated subsequent events through October 29, 2021, the date at which the financial statements were available to be issued. On July 20, 2021, the first PPP loan, in the amount of - \$437,300 was forgiven by the SBA.

No other events occurred that warrant recording or disclosure in these financial statements or notes thereto.