

NEW HOPE ACADEMY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



Wilson & Wilson, PC
8122 Sawyer Brown Road
Suite 212
Bellevue, Tennessee 37221-1411
Phone: 615-673-1330
jcwcpa@bellsouth.net

**NEW HOPE ACADEMY, INC.
JUNE 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
 FINANCIAL STATEMENTS:	
Statement of Assets, Liabilities and Net Assets	3-4
Statement of Revenues and Expenses and Changes in Net Assets.....	5-6
Cash flow statement	7
Notes to Financial Statements.....	8-14
 SUPPLEMENTARY INFORMATION:	
Schedule of Functional Expenses for the fiscal year ended June 30, 2014	15



Wilson & Wilson, PC

Certified Public Accountants

Certified Fraud Examiners

Forensic Accountants

8122 Sawyer Brown Road, Suite 212

Bellevue, Tennessee 37221-1411

Phone: 615-673-1330 FAX: 615-673-1310

jcwcpa@bellsouth.net



July 7, 2014

**"Observe Carefully, Deduce Shrewdly and
Confirm with evidence." Dr. Joseph Bell
Circa 1877**

Dr. Harold O. Wilson, Ph.D., CPA, CFE
Of Counsel
James C. Wilson, Jr., MBA, CPA, CFE
President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of New Hope Academy
Franklin, Tennessee

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, 2014, 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. The organization has elected Income Tax Method, which is special purpose report known as other comprehensive basis of accounting.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wilson & Wilson, PC, CPA, CFE

Bellevue, Tennessee 37221

Date December 29, 2014



New Hope Academy, Inc.
Statements of Financial Position
June 30, 2014

ASSETS	<u>2014</u>
Current Assets	
Checking/Savings	
Cash on Hand and in Banks	\$9,697
Restricted Cash (See Note E)	461,355
	<hr/>
Total Cash on Hand and in Banks	471,052
Accounts Receivable	
Accounts Receivable	57,519
Less: Allowance for Uncollectibles	(24,851)
	<hr/>
Total Accounts Receivable	32,668
Other Current Assets	
Facility Improvements in Process	6,660
	<hr/>
Total Current Assets	510,379
Property and Equipment	
Furniture, Fixtures and Equipment	187,187
Land, Buildings and Improvements	3,214,655
Less: Accumulated Depreciation	(1,357,955)
	<hr/>
Total Fixed Assets	2,043,887
	<hr/>
TOTAL ASSETS	<u><u>\$2,554,266</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$2,933
Other Current Liabilities	
Prepaid Tuition	8,745
	<hr/>
Total Current Liabilities	11,678
	<hr/>
Total Liabilities	11,678
Net Assets and Fund Balances	
Designated Fund Balance (Note E)	477,520
General Fund Balance	2,010,593
Net from Activities--Current	54,475
	<hr/>
Net Assets and Fund Balances	2,542,588
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$2,554,266</u></u>

See independent accountants' audit report and notes to financial statements.

New Hope Academy, Inc.
Statement of Activities
for the fiscal year ended June 30, 2014

	<u>2014</u>
Total Support and Revenues	
Program Income and Contributions	
ACORN Revenue	\$35,755
Contributions Income	726,975
Fees	20,353
Interest Income	75
Lunch Revenue	39,691
Merchandise Income	1,059
Miscellaneous Income	1,177
Other Income	50
Realized Gains (Loss)	0
Rental Income	15,175
Tuition	876,477
Total Income	<u>1,716,786</u>
Program Expenses	
Accreditation	633
ACORN program expenses	5,778
Administrative	72,312
Classroom	41,874
Counseling Program	29,639
Development	111,872
Facility Costs	199,058
Interest Expense	5
Lunch Program Expenses	43,304
Personnel	1,500,870
Total Program Expenses	<u>2,005,345</u>
Net Total Support and Contributions	(288,559)
Other Income/Expense	
Other Designated Fund Income	
Designated Fund Revenue	427,933
Other Designated Fund Expenses	
Designated Fund Expenses	84,900
Total Other Expense	<u>343,033</u>
Change in Net Assets	<u><u>\$54,475</u></u>

See independent auditors' audit report and notes to financial statements.

New Hope Academy, Inc.
Statement of Cash Flows
for the fiscal year ended June 30, 2014

OPERATING ACTIVITIES	
Net Changes in Assets	\$54,475
Adjustments to reconcile Net Income to net cash provided by operations:	
Add: Accumulated Depreciation	75,046
Decrease in Accounts Receivable	42,431
Increase in Allowance for Doubtful Accounts	24,851
Increase Facility Improvement in Process	(6,660)
Decrease in Accounts Payable	(37,104)
Decrease in Visa - PNC	(2,062)
Decrease in Prepaid Tuition	(4,024)
Net cash provided by Operating Activities	146,952
INVESTING ACTIVITIES	
Purchase of Computers	(2,435)
Purchase of Classroom Equipment	(6,398)
Net cash provided by Investing Activities	(8,833)
FINANCING ACTIVITIES	
	0
Net cash increase for period	138,119
Cash at beginning of period	332,933
	<u>\$471,052</u>

See independent auditors' audit report and notes to financial statements.

New Hope Academy, Inc.
Allocation of Program, General and Administrative and Fundraising Expenses
For the fiscal year ended June 30, 2014

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and other assistance	\$1,253,274			\$1,253,274
Salaries and wages	\$795,234	\$333,268	\$53,462	\$1,181,964
Other teachers	\$82,874			\$82,874
Payroll taxes expense	\$63,881	\$24,245	\$3,889	\$92,015
Designated fund expense	\$84,900			\$84,900
Classroom expenses	\$77,290			\$77,290
Office expenses		\$23,015		\$23,015
Lunch program	\$43,304			\$43,304
Occupancy	\$124,012			\$124,012
Insurance	\$92,875	\$43,369	\$5,655	\$141,899
Accounting and technology		\$18,150		\$18,150
Development	\$4,838			\$4,838
Grants, tuition and other assistance				\$0
Other costs of operations	\$3,746	\$25,086	\$112,100	\$140,932
Interest expense		\$5		\$5
Depreciation expense	<u>\$52,100</u>	<u>\$19,774</u>	<u>\$3,172</u>	<u>\$75,046</u>
	<u>\$2,678,328</u>	<u>\$486,912</u>	<u>\$178,278</u>	<u>\$3,343,518</u>
Percent of total	80%	15%	5%	100%

See independent auditors' audit report and notes to financial statements.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

**NOTE A – NATURE OF ACTIVITIES AND 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 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 primarily in Tennessee as a non-profit corporation on May 31, 1996.

Management

The Organization is managed by a nine-member Board of Trustees 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 of Trustees, the day-to-day management is delegated to and performed by the Headmaster employed by the Board of Trustees.

Basis of Accounting

The financial statements were prepared on the basis of accounting the Organization uses for federal income tax reporting purposes. The Organization uses the accrual method of accounting for financial statements and income tax returns. Therefore, revenues are recognized when actually earned and expenses are provided when incurred. The income tax basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles now referred to as a statement for special purpose.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – CONTINUED**

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that have occurred between June 30, 2014 and December 29, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosures in the financial statements. No reportable events have occurred.

Related Party Transactions

The Organization provides financial aid and scholarships for students based 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 \$17,450 for the fiscal year ending June 30, 2014.

Cash and cash equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include cash in bank and money market funds.

Accounts receivable

Accounts receivable primarily represents unpaid tuition, lunch charges and other student fees. Accounts receivable are recorded at the amount the Organization expects to collect on balances outstanding at year-end. Our audit considered all outstanding invoices and recommended the write off of several invoices outstanding for an unusual period. Such write offs are charged to benevolence, since the school's creed includes the payment of fees for those students who are not financially able to afford the education provided.

Allowance for doubtful accounts

Management established an allowance for the amount of accounts receivable it deems collection as doubtful. Specific amounts deemed to be uncollectable are charged against the allowance for doubtful accounts account. Adjustments to the allowance account are charged to a provision for tuition assistance in the statement of revenues and expenses and changes in net assets – income tax basis. No accounts were written off during the fiscal year ended June 30, 2014.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – CONTINUED**

Investment securities

Investments in marketable securities with readily determinable fair values and all investments in certificates of deposit are value at their fair market values in the statement of assets, liabilities and net assets – income tax basis. These fair values are determined by level 1 input, which are based on unadjusted quoted market prices within active markets. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increased in unrestricted net assets if the restrictions are met (either by passage of time or by use) in 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 the donation.

Depreciation

The Organization prepares its financial statements on the income tax method of accounting and for income tax purposes has elected to not record depreciation expense or accumulated depreciation on depreciable property and equipment. Depreciation expense under accounting principles generally accepted in the United States of America (U.S. GAAP) is spread over the estimated useful lives of assets using straight-line and certain accelerated methods. Accordingly, the accompanying financial statements are not intended to present financial position, results of operation, and cash flows in conformity with U.S. GAAP.

Property and equipment

Property and equipment consists of buildings and land, equipment, furniture and fixtures, and capitalized costs of financing and are capitalized at cost or, if donated, the fair market value if readily determinable, in the statement of assets, liabilities and net assets. The Organization capitalizes expenditures for those items whose useful life is reasonably expected to last beyond the current year and the cost of which is above minimal values. Other expenditures are expense. Property and equipment are reported without depreciation expense or accumulated depreciation.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – CONTINUED**

Contributions

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

Tuition revenue

Tuition revenue is reflected as revenue when earned based on enrollment dates. Prepaid tuition is deferred until the revenue is actually earned and is presented in the financial statement as a current liability.

Income Taxes

The Organization has been granted tax exempt status by the Internal Revenue Service under section 501(c)(3), and accordingly is classified as "Organization Exempt from Income Tax." Likewise, the Organization is exempt from state income tax. At June 30, 2014, the 2010, 2011, 2012 and 2013 tax years are available for examination by the tax authorities.

NEW HOPE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE B – LONG-TERM INVESTMENT SECURITIES

The principal and investment earnings of the long-term investment securities are temporarily restricted by donor for student financial aid and scholarships. All principal and earnings may be expended for designated purposes according to guidelines.

Investment returns for the year ended June 30, 2014 are as follows:

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Interest and dividend income	\$0	\$75	\$75
Realized and unrealized gains	\$0	\$0	\$0
investment gains and (losses)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total investment returns	<u><u>\$0</u></u>	<u><u>\$75</u></u>	<u><u>\$75</u></u>

Investment returns for the year ended June 30, 2013 are as follows:

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Interest and dividend income	\$0	\$1,292	\$1,292
Realized and unrealized gains	\$0	\$0	\$0
investment gains and (losses)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total investment returns	<u><u>\$0</u></u>	<u><u>\$1,292</u></u>	<u><u>\$1,292</u></u>

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Furniture and equipment	\$187,186	\$178,353
Buildings and improvements	\$2,553,156	\$2,553,156
Land	<u>\$661,500</u>	<u>\$661,500</u>
Depreciation	(\$1,357,955)	(\$1,282,909)
Total	<u>\$2,043,887</u>	<u>\$2,110,099</u>

NOTE D – FUNCTIONAL ALLOCATIONS OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Allocations were made based on reviews of expenses as well as estimates made by management.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

	<u>2014</u>	<u>2013</u>
Blue Skies Endowment	\$206,687	\$205,584
Library fund	24,795	23,753
Ed Temple fund	41,337	42,337
Expanding Hope	165,726	200,203
6 th Grade Trip Fund	<u>37,974</u>	<u>9,225</u>
	<u>\$477,520</u>	<u>\$481,103</u>

New Hope Academy, Inc.
Allocation of Program, General and Administrative and Fundraising Expenses
For the fiscal year ended June 30, 2014

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and other assistance	\$1,253,274			\$1,253,274
Salaries and wages	\$795,234	\$333,268	\$53,462	\$1,181,964
Other teachers	\$82,874			\$82,874
Payroll taxes expense	\$63,881	\$24,245	\$3,889	\$92,015
Designated fund expense	\$84,900			\$84,900
Classroom expenses	\$77,290			\$77,290
Office expenses		\$23,015		\$23,015
Lunch program	\$43,304			\$43,304
Occupancy	\$124,012			\$124,012
Insurance	\$92,875	\$43,369	\$5,655	\$141,899
Accounting and technology		\$18,150		\$18,150
Development	\$4,838			\$4,838
Grants, tuition and other assistance				\$0
Other costs of operations	\$3,746	\$25,086	\$112,100	\$140,932
Interest expense		\$5		\$5
Depreciation expense	<u>\$52,100</u>	<u>\$19,774</u>	<u>\$3,172</u>	<u>\$75,046</u>
	<u>\$2,678,328</u>	<u>\$486,912</u>	<u>\$178,278</u>	<u>\$3,343,518</u>
Percent of total	80%	15%	5%	100%

See independent auditors' audit report and notes to financial statements.