

**EAST NASHVILLE HOPE EXCHANGE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
East Nashville Hope Exchange, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of East Nashville Hope Exchange, Inc. (a Tennessee not-for-profit corporation, the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Organization'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 Organization'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 in the first paragraph present fairly, in all material respects, the financial position of East Nashville Hope Exchange, Inc. as of December 31, 2015 and 2014, 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.

Blankenship CPA Group, PLLC
April 19, 2016

EAST NASHVILLE HOPE EXCHANGE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash	\$ 89,609	\$ 75,747
Accounts receivable	-	2,635
Prepaid expenses	8,194	1,000
Equipment, net	<u>9,404</u>	<u>10,399</u>
 TOTAL ASSETS	 <u>\$ 107,207</u>	 <u>\$ 89,781</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Deferred special event revenue	\$ 500	\$ -
Accounts payable and accrued expenses	<u>5,600</u>	<u>7,903</u>
 Total Liabilities	 <u>6,100</u>	 <u>7,903</u>
 NET ASSETS		
Unrestricted		
Undesignated	86,837	61,778
Designated - Contingency	<u>10,000</u>	<u>10,000</u>
Total Unrestricted	<u>96,837</u>	<u>71,778</u>
 Temporarily restricted	 <u>4,270</u>	 <u>10,100</u>
 Total Net Assets	 <u>101,107</u>	 <u>81,878</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 107,207</u>	 <u>\$ 89,781</u>

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

EAST NASHVILLE HOPE EXCHANGE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Changes in Unrestricted Net Assets		
Revenues		
Grant/foundation contributions	\$ 103,587	\$ 66,909
Individual and corporate contributions	51,340	23,976
Special event (net of direct benefits to donors of \$3,481 and \$3,471 for 2015 and 2014, respectively)	22,938	23,231
In-kind contributions (other than special events)	47,252	22,070
Fees	<u>1,705</u>	<u>775</u>
Total Unrestricted Revenues	226,822	136,961
Net assets released from restrictions	<u>10,100</u>	<u>7,000</u>
Total Unrestricted Revenues and Reclassifications	<u>236,922</u>	<u>143,961</u>
Functional Expenses		
Program services	171,916	98,285
Supporting services		
Fundraising	16,846	7,542
Management and general	<u>23,101</u>	<u>10,231</u>
Total Unrestricted Functional Expenses	<u>211,863</u>	<u>116,058</u>
Increase in unrestricted net assets	<u>25,059</u>	<u>27,903</u>
Changes in Temporarily Restricted Net Assets		
Grant/foundation contributions	4,270	10,100
Net assets released from restrictions	<u>(10,100)</u>	<u>(7,000)</u>
(Decrease) increase in temporarily restricted net assets	<u>(5,830)</u>	<u>3,100</u>
INCREASE IN NET ASSETS	19,229	31,003
NET ASSETS - BEGINNING OF YEAR	<u>81,878</u>	<u>50,875</u>
NET ASSETS - END OF YEAR	<u><u>\$ 101,107</u></u>	<u><u>\$ 81,878</u></u>

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

EAST NASHVILLE HOPE EXCHANGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

		<u>Supporting Services</u>		
	Program Services	Fund- raising	Management and General	Total
Compensation and related costs	\$ 95,322	\$ 11,304	\$ 11,303	\$ 117,929
Books and curriculum	33,160	-	-	33,160
Program supplies	11,103	-	-	11,103
Food service	11,045	-	-	11,045
Professional services	-	-	9,107	9,107
Special event expense	-	6,790	-	6,790
Occupancy	4,540	770	770	6,080
Field trips	4,599	-	-	4,599
Insurance	3,740	-	-	3,740
Administrative	1,084	1,186	1,231	3,501
Family engagement workshops	2,900	-	-	2,900
Depreciation	2,292	277	133	2,702
Storage rent	2,131	-	-	2,131
Printing	-	-	451	451
Office supplies	-	-	106	106
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	171,916	20,327	23,101	215,344
Less direct benefits to donors	<hr/> -	<hr/> (3,481)	<hr/> -	<hr/> (3,481)
Total functional expenses	<u><u>\$ 171,916</u></u>	<u><u>\$ 16,846</u></u>	<u><u>\$ 23,101</u></u>	<u><u>\$ 211,863</u></u>

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

EAST NASHVILLE HOPE EXCHANGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

		<u>Supporting Services</u>		
	Program Services	Fund- raising	Management and General	Total
Compensation and related costs	\$ 55,472	\$ 2,400	\$ 2,000	\$ 59,872
Books and curriculum	12,436	-	-	12,436
Program supplies	9,373	-	-	9,373
Food service	5,795	-	-	5,795
Professional services	-	-	6,425	6,425
Special event expense	-	6,527	-	6,527
Occupancy	5,170	631	504	6,305
Field trips	3,992	-	-	3,992
Insurance	1,965	-	-	1,965
Administrative	1,025	977	893	2,895
Family engagement workshops	1,676	-	-	1,676
Depreciation	1,381	156	132	1,669
Storage rent	-	-	-	-
Printing	-	322	74	396
Office supplies	-	-	203	203
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	98,285	11,013	10,231	119,529
Less direct benefits to donors	<hr/> -	<hr/> (3,471)	<hr/> -	<hr/> (3,471)
Total functional expenses	<u>\$ 98,285</u>	<u>\$ 7,542</u>	<u>\$ 10,231</u>	<u>\$ 116,058</u>

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

EAST NASHVILLE HOPE EXCHANGE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 19,229	\$ 31,003
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,702	1,669
Decrease (increase) in accounts receivable	2,635	(2,635)
(Increase) decrease in prepaid expenses	(7,194)	225
Increase in deferred special event revenue	500	-
(Decrease) increase in accounts payable and accrued expenses	<u>(2,303)</u>	<u>6,481</u>
Net Cash Provided By Operating Activities	<u>15,569</u>	<u>36,743</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for equipment	<u>(1,707)</u>	<u>(8,529)</u>
Net Cash Used In Investing Activities	<u>(1,707)</u>	<u>(8,529)</u>
NET INCREASE IN CASH	13,862	28,214
CASH - BEGINNING OF YEAR	<u>75,747</u>	<u>47,533</u>
CASH - END OF YEAR	<u><u>\$ 89,609</u></u>	<u><u>\$ 75,747</u></u>

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

**EAST NASHVILLE HOPE EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

East Nashville Hope Exchange, Inc. (the "Organization") is a Tennessee not-for-profit corporation with the mission of strengthening literacy of at-risk children in East Nashville. The Organization provides a supportive, structured and safe environment where children can learn and have fun. We work with children from schools in the Stratford and Maplewood clusters. The Organization is headquartered in Nashville, Tennessee, and began as a community outreach program of St. Ann's Episcopal Church. In 2010, it became an independent 501(c)(3) organization. It has operated a summer program every year since 2004 and a school year program every year since 2013. The Organization's support primarily consists of funds received from individuals, foundations and government grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Cash

Cash includes checking deposits held by financial institutions.

Equipment and Depreciation

It is the Organization's policy to capitalize all equipment over \$200. Equipment acquisitions are recorded at cost. Donations of equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and changes in net assets for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful life of five years and is computed on a straight-line method.

EAST NASHVILLE HOPE EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the 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. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or 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 purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities and changes in net assets as net assets released from restrictions. There were no permanently restricted net assets as of December 31, 2015 and 2014.

Contributed Services

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are not reflected in the financial statements since the services do not require specialized skills. Property, equipment, classroom space, materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of the receipt.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the tax laws of the state of Tennessee.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2015, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012.

EAST NASHVILLE HOPE EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of billings made for reimbursable grants. All accounts receivable are considered current since they are expected to be collected within one year. No allowance for uncollectible receivables was deemed necessary as of December 31, 2014. There was no accounts receivable as of December 31, 2015.

NOTE 4 - EQUIPMENT

Equipment consists of the following:

	2015	2014
Equipment	\$ 14,221	\$ 12,514
Less: Accumulated depreciation	<u>(4,817)</u>	<u>(2,115)</u>
	<u><u>\$ 9,404</u></u>	<u><u>\$ 10,399</u></u>

Depreciation expense was \$2,702 and \$1,669 for 2015 and 2014, respectively.

NOTE 5 - UNRESTRICTED-DESIGNATED NET ASSETS

Certain unrestricted net assets have been internally designated by the board of directors as a contingency fund for the protection of the Organization.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of grants for the next year's summer programming. These funds will be released from restriction during the subsequent year.

NOTE 7 - CONCENTRATIONS

Of the Organization's total revenues for 2015, approximately 14% represents funds received from two grants by the same government entity. Of the Organization's total revenues for 2014, approximately 11% represents funds received from one grant. No other revenue source represents 10% or more of total revenues.

**EAST NASHVILLE HOPE EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 8 - IN-KIND CONTRIBUTIONS

The following in-kind contributions have been included in unrestricted revenues and expenses/assets in the financial statements for the years ended December 31.

	2015	2014
Included in contributions/prepaid expenses		
Books	\$ 8,194	\$ 1,000
Included in contributions/expenses		
Books	24,583	8,970
Food service	11,045	5,795
Occupancy	3,080	6,305
Professional services	<u>350</u>	<u>-</u>
	<u>\$ 47,252</u>	<u>\$ 22,070</u>
Included in special events/expenses		
Beverages	\$ 3,000	\$ 3,000
Rent	<u>325</u>	<u>325</u>
	<u>\$ 3,325</u>	<u>\$ 3,325</u>

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled \$9,887 and \$10,622 for 2015 and 2014, respectively. These assets were subsequently sold during fundraising events with the proceeds recorded in special events revenue.

NOTE 9 - LEASING ARRANGEMENTS

St. Ann's Episcopal Church (St. Ann's) provides office space and classroom space for the Organization. Effective, September 15, 2015, the Organization entered into an annual agreement with St. Ann's to pay \$250 per month to cover the classroom portion of the costs of occupancy. This agreement was made retroactive to January 1, 2015. As described in Note 8, an in-kind contribution and occupancy expense of \$3,080 (for office space) and \$6,305 (for office space and classroom space) was recorded in 2015 and 2014, respectively for this use of these facilities.

NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 19, 2016 which is the date the financial statements were available to be issued.