

**EAST NASHVILLE HOPE EXCHANGE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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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), which comprise the statement of financial position as of December 31, 2018, the related statements of activities, 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 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 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 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 East Nashville Hope Exchange, Inc. as of December 31, 2018 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.

Emphasis of Matter

As discussed in Note 2, the entity adopted the provisions of Financial Accounting Standards Board ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of East Nashville Hope Exchange, Inc. as of and for the year ended December 31, 2017, were subject to a compilation engagement by us and our report thereon, dated February 27, 2018, stated we did not audit or review those financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we did not express an opinion, a conclusion nor provide any form of assurance on these financial statements.

Blankenship CPA Group, PLLC

February 28, 2019

EAST NASHVILLE HOPE EXCHANGE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018 (Audited)	2017 (Unaudited)
ASSETS		
Cash	\$ 77,363	\$ 69,103
Grants receivable	5,342	5,690
Books and supplies	6,360	6,400
Equipment, net	<u>1,948</u>	<u>4,437</u>
TOTAL ASSETS	<u><u>\$ 91,013</u></u>	<u><u>\$ 85,630</u></u>
NET ASSETS		
Without donor restrictions	\$ 78,263	\$ 79,630
With donor restrictions	<u>12,750</u>	<u>6,000</u>
Total Net Assets	<u><u>91,013</u></u>	<u><u>85,630</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 91,013</u></u>	<u><u>\$ 85,630</u></u>

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

EAST NASHVILLE HOPE EXCHANGE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018 (Audited)	2017 (Unaudited)
Changes in Net Assets Without Donor Restrictions		
Revenues and gains		
Grant/foundation contributions	\$ 110,119	\$ 87,300
Individual and corporate contributions	36,058	38,318
Special event (net of direct benefits to donors of \$7,006 and \$7,947 for 2018 and 2017, respectively)	22,680	21,593
In-kind contributions (other than special events)	56,715	47,793
Fees	5,449	4,720
Gain on disposal of equipment	-	826
	<u>231,021</u>	<u>200,550</u>
Total revenues and gains without donor restrictions	231,021	200,550
Net assets released from restrictions	<u>6,000</u>	<u>10,000</u>
	<u>237,021</u>	<u>210,550</u>
Total revenues, gains and other support without donor restrictions	<u>237,021</u>	<u>210,550</u>
Expenses		
Program services	195,188	190,414
Supporting services		
Management and general	26,290	29,269
Fundraising	16,910	18,101
	<u>238,388</u>	<u>237,784</u>
Total expenses	<u>238,388</u>	<u>237,784</u>
Decrease in net assets without donor restrictions	<u>(1,367)</u>	<u>(27,234)</u>
Changes in Net Assets With Donor Restrictions		
Grant/foundation contributions	12,750	6,000
Net assets released from restrictions	<u>(6,000)</u>	<u>(10,000)</u>
	<u>6,750</u>	<u>(4,000)</u>
Increase (decrease) in net assets with donor restrictions	<u>6,750</u>	<u>(4,000)</u>
INCREASE (DECREASE) IN NET ASSETS	5,383	(31,234)
NET ASSETS - BEGINNING OF YEAR	<u>85,630</u>	<u>116,864</u>
NET ASSETS - END OF YEAR	<u>\$ 91,013</u>	<u>\$ 85,630</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, 2018

		<u>Supporting Services</u>		
		<u>Management</u>	<u>Fund-</u>	
	<u>Program</u>	<u>and</u>	<u>raising</u>	<u>Total</u>
	<u>Services</u>	<u>General</u>		
Compensation and benefits	\$ 112,272	\$ 14,024	\$ 8,415	\$ 134,711
Books and curriculum	33,990	-	-	33,990
Food service	17,835	-	-	17,835
Occupancy	9,720	1,540	1,540	12,800
Special event expense	-	-	11,812	11,812
Professional services	-	8,350	-	8,350
Program supplies	5,411	-	-	5,411
Insurance	3,777	-	-	3,777
Family engagement workshops	2,951	-	-	2,951
Storage rent	2,738	-	-	2,738
Miscellaneous	1,348	674	674	2,696
Depreciation	1,244	622	622	2,488
Field trips	1,782	-	-	1,782
Technology	154	1,080	445	1,679
Staff training	1,255	-	-	1,255
Postage	711	-	98	809
Printing	-	-	310	310
	<u>195,188</u>	<u>26,290</u>	<u>23,916</u>	<u>245,394</u>
Total expenses	195,188	26,290	23,916	245,394
Less direct benefits to donors	<u>-</u>	<u>-</u>	<u>(7,006)</u>	<u>(7,006)</u>
Total functional expenses	<u>\$ 195,188</u>	<u>\$ 26,290</u>	<u>\$ 16,910</u>	<u>\$ 238,388</u>

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

EAST NASHVILLE HOPE EXCHANGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES - UNAUDITED
YEAR ENDED DECEMBER 31, 2017

		<u>Supporting Services</u>		
	Program	Management	Fund-	Total
	Services	and	raising	
		General		
Compensation and benefits	\$ 116,789	\$ 14,376	\$ 8,625	\$ 139,790
Books and curriculum	27,689	-	-	27,689
Food service	16,292	-	-	16,292
Occupancy	8,260	1,520	1,520	11,300
Special event expense	-	-	13,073	13,073
Professional services	-	10,950	-	10,950
Program supplies	6,463	-	-	6,463
Insurance	4,189	-	-	4,189
Family engagement workshops	2,604	-	-	2,604
Storage rent	2,259	-	-	2,259
Miscellaneous	1,019	509	509	2,037
Depreciation	1,416	708	708	2,832
Field trips	1,194	-	-	1,194
Technology	400	1,105	445	1,950
Staff training	1,412	-	-	1,412
Postage	428	101	592	1,121
Printing	-	-	576	576
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	190,414	29,269	26,048	245,731
Less direct benefits to donors	<hr/> -	<hr/> -	<hr/> (7,947)	<hr/> (7,947)
Total functional expenses	<u>\$ 190,414</u>	<u>\$ 29,269</u>	<u>\$ 18,101</u>	<u>\$ 237,784</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, 2018 AND 2017

	2018 (Audited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 5,383	\$ (31,234)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	2,488	2,832
Gain on disposal of equipment	-	(826)
Decrease in grants receivable	349	4,310
Decrease in books and supplies	40	-
	<u>8,260</u>	<u>(24,918)</u>
Net Cash Provided By (Used In) Operating Activities		
	<u>8,260</u>	<u>(24,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Insurance proceeds for equipment	-	997
Payments for equipment	-	(880)
	<u>-</u>	<u>117</u>
Net Cash Provided By Investing Activities		
	<u>-</u>	<u>117</u>
NET INCREASE (DECREASE) IN CASH	8,260	(24,801)
CASH - BEGINNING OF YEAR	69,103	93,904
	<u>69,103</u>	<u>93,904</u>
CASH - END OF YEAR	<u>\$ 77,363</u>	<u>\$ 69,103</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, 2018 AND 2017

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 financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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 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, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-kind Donations

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are not reflected in the financial statements because the activities do not meet the necessary criteria for recognition under US GAAP. 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 contribution based upon information provided by third-party providers.

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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Compensation and benefits	Time and effort
Miscellaneous	Time and effort
Depreciation	Time and effort
Technology	Time and effort

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

EAST NASHVILLE HOPE EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018 and 2017:

	2018	2017
Financial assets at year end:		
Cash	\$77,363	\$69,103
Grants receivable	<u>5,342</u>	<u>5,690</u>
Total financial assets	<u>82,705</u>	<u>74,793</u>
Less amounts not available to be used within one year:		
Board designations - operating reserves	<u>10,000</u>	<u>10,000</u>
Financial assets available to meet general expenditures		
Over the next twelve months	<u>\$72,705</u>	<u>\$64,793</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has designated a portion of its operating surplus as an operating reserve which represents additional funds that can be made available for immediate use in the event of an urgent liquidity need.

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consists of grants awarded prior to year-end and will be collected in the subsequent year. No allowance for uncollectible receivables was deemed necessary as of December 31, 2018 and 2017.

**EAST NASHVILLE HOPE EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 5 - EQUIPMENT

Equipment consists of the following:

	2016	2017
Equipment	\$ 14,071	\$ 14,071
Less: Accumulated depreciation	<u>(12,123)</u>	<u>(9,634)</u>
	<u>\$ 1,948</u>	<u>\$ 4,437</u>

Depreciation expense was \$2,488 and \$2,832 for 2018 and 2017, respectively.

NOTE 6 - NET ASSETS

Net assets with donor restrictions 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 2018, approximately 19% (15% for 2017) represents funds received from three government grants. Additionally, revenues from in-kind contributions totaled 25% of revenues in 2018 (26% in 2017).

NOTE 8 - IN-KIND CONTRIBUTIONS

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

	2018	2017
Included in contributions/expenses		
Books	\$ 30,580	\$ 22,851
Food service	17,835	16,292
Occupancy	8,300	8,300
Professional services	<u>-</u>	<u>350</u>
	<u>\$ 56,715</u>	<u>\$ 47,793</u>
Included in special events/expenses		
Beverages	\$ 3,450	\$ 3,450
Rent	<u>1,825</u>	<u>1,825</u>
	<u>\$ 5,275</u>	<u>\$ 5,275</u>

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled \$8,820 for 2018 (\$9,635 for 2017). These assets were subsequently sold during fundraising events with the proceeds recorded in special event revenue.

EAST NASHVILLE HOPE EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 - LEASING ARRANGEMENTS

St. Ann's Episcopal Church (St. Ann's) provides office space and classroom space for the Organization. The Organization has a month-to-month agreement with St. Ann's to pay \$250 per month to cover the classroom portion of the costs of occupancy. As described in Note 8, an in-kind contribution and occupancy expense of \$8,300 for office space at St. Ann's and classroom space at two area elementary schools was recorded in both 2018 and 2017 for the use of these facilities.

NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. The Organization's adoption of the new standard in fiscal 2020 will require quantitative and qualitative financial statement disclosures regarding the Organization's lease arrangements and balance sheet presentation of right of use assets and lease liabilities representative of the Organization's discounted future lease payments. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.

In August 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 will result in treatment of most government grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. The new standard also clarifies the criteria for evaluating whether contributions are unconditional or conditional. The Organization does not expect the timing of grant or gift revenue recognition to change significantly as a result of this ASU. The Center will implement ASU 2018-08 in fiscal 2020.

NOTE 11 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 28, 2019, which is the date the financial statements were available to be issued.