

**EAST NASHVILLE HOPE EXCHANGE, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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.

  
March 11, 2017

**EAST NASHVILLE HOPE EXCHANGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
Cash	\$ 93,904	\$ 89,609
Grant receivable	10,000	-
Prepaid expenses	6,400	8,194
Equipment, net	<u>6,560</u>	<u>9,404</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 116,864</u></b>	<b><u>\$ 107,207</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Deferred special event revenue	\$ -	\$ 500
Accounts payable and accrued expenses	<u>-</u>	<u>5,600</u>
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>6,100</u></b>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	96,864	86,837
Designated - Contingency	<u>10,000</u>	<u>10,000</u>
Total Unrestricted	106,864	96,837
Temporarily restricted	<u>10,000</u>	<u>4,270</u>
<b>Total Net Assets</b>	<b><u>116,864</u></b>	<b><u>101,107</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 116,864</u></b>	<b><u>\$ 107,207</u></b>

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, 2016 AND 2015**

	2016	2015
<b>Changes in Unrestricted Net Assets</b>		
Revenues		
Grant/foundation contributions	\$ 122,253	\$ 103,587
Individual and corporate contributions	36,731	51,340
Special event (net of direct benefits to donors of \$3,581 and \$3,481 for 2016 and 2015, respectively)	27,994	22,938
In-kind contributions (other than special events)	37,253	47,252
Fees	<u>14,988</u>	<u>1,705</u>
Total Unrestricted Revenues	239,219	226,822
Net assets released from restrictions	<u>4,270</u>	<u>10,100</u>
Total Unrestricted Revenues and Reclassifications	<u>243,489</u>	<u>236,922</u>
Functional Expenses		
Program services	187,737	171,916
Supporting services		
Management and general	25,696	23,101
Fundraising	<u>20,029</u>	<u>16,846</u>
Total Unrestricted Functional Expenses	<u>233,462</u>	<u>211,863</u>
Increase in unrestricted net assets	<u>10,027</u>	<u>25,059</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Grant/foundation contributions	10,000	4,270
Net assets released from restrictions	<u>(4,270)</u>	<u>(10,100)</u>
Increase (decrease) in temporarily restricted net assets	<u>5,730</u>	<u>(5,830)</u>
INCREASE IN NET ASSETS	15,757	19,229
NET ASSETS - BEGINNING OF YEAR	<u>101,107</u>	<u>81,878</u>
NET ASSETS - END OF YEAR	<u><u>\$ 116,864</u></u>	<u><u>\$ 101,107</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, 2016**

		<u>Supporting Services</u>		
	<b>Program</b>	<b>Management</b>	<b>Fund-</b>	<b>Total</b>
	<b>Services</b>	<b>and</b>	<b>raising</b>	
		<b>General</b>		
Compensation and related costs	\$ 113,447	\$ 12,327	\$ 12,119	\$ 137,893
Books and curriculum	28,090	-	-	28,090
Food service	14,306	-	-	14,306
Program supplies	12,011	-	-	12,011
Administrative	2,165	4,151	2,143	8,459
Professional services	-	8,315	-	8,315
Special event expense	-	-	6,725	6,725
Occupancy	4,540	770	770	6,080
Insurance	3,493	-	-	3,493
Family engagement workshops	2,904	-	-	2,904
Depreciation	2,434	133	277	2,844
Storage rent	2,307	-	-	2,307
Field trips	2,040	-	-	2,040
Printing	-	-	1,576	1,576
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	187,737	25,696	23,610	237,043
Less direct benefits to donors	<hr/> -	<hr/> -	<hr/> (3,581)	<hr/> (3,581)
Total functional expenses	<u><u>\$ 187,737</u></u>	<u><u>\$ 25,696</u></u>	<u><u>\$ 20,029</u></u>	<u><u>\$ 233,462</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>		
		<u>Management</u>	<u>Fund-</u>	
	<b>Program</b>	<b>and</b>	<b>raising</b>	<b>Total</b>
	<b>Services</b>	<b>General</b>		
Compensation and related costs	\$ 95,322	\$ 11,303	\$ 11,304	\$ 117,929
Books and curriculum	33,160	-	-	33,160
Food service	11,045	-	-	11,045
Program supplies	11,103	-	-	11,103
Administrative	1,084	1,337	1,186	3,607
Professional services	-	9,107	-	9,107
Special event expense	-	-	6,790	6,790
Occupancy	4,540	770	770	6,080
Insurance	3,740	-	-	3,740
Family engagement workshops	2,900	-	-	2,900
Depreciation	2,292	133	277	2,702
Storage rent	2,131	-	-	2,131
Field trips	4,599	-	-	4,599
Printing	-	451	-	451
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	171,916	23,101	20,327	215,344
Less direct benefits to donors	<u>          </u>	<u>          </u>	<u>(3,481)</u>	<u>(3,481)</u>
Total functional expenses	<u>\$ 171,916</u>	<u>\$ 23,101</u>	<u>\$ 16,846</u>	<u>\$ 211,863</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, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 15,757	\$ 19,229
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,844	2,702
(Increase) decrease in grant receivable	(10,000)	2,635
Decrease (increase) in prepaid expenses	1,794	(7,194)
Increase (decrease) in deferred special event revenue	(500)	500
Decrease in accounts payable and accrued expenses	<u>(5,600)</u>	<u>(2,303)</u>
Net Cash Provided By Operating Activities	<u>4,295</u>	<u>15,569</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for equipment	<u>-</u>	<u>(1,707)</u>
Net Cash Used In Investing Activities	<u>-</u>	<u>(1,707)</u>
NET INCREASE IN CASH	4,295	13,862
CASH - BEGINNING OF YEAR	<u>89,609</u>	<u>75,747</u>
CASH - END OF YEAR	<u><u>\$ 93,904</u></u>	<u><u>\$ 89,609</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, 2016 AND 2015**

**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, 2016 AND 2015**

**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, 2016 and 2015.

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, 2016, 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 2013.

**EAST NASHVILLE HOPE EXCHANGE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 3 - GRANT RECEIVABLE**

Grant receivable consists of a grant awarded in 2016. No allowance for uncollectible receivables was deemed necessary as of December 31, 2016. There were no receivables as of December 31, 2015.

**NOTE 4 - EQUIPMENT**

Equipment consists of the following:

	2016	2015
Equipment	\$ 14,221	\$ 14,221
Less: Accumulated depreciation	<u>(7,661)</u>	<u>(4,817)</u>
	<u>\$ 6,560</u>	<u>\$ 9,404</u>

Depreciation expense was \$2,844 and \$2,702 for 2016 and 2015, 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 2016, approximately 26% (14% for 2015) represents funds received from three grants (two in 2015). The 26% for 2016 represents two different grantors. The 14% for 2015 represents one grantor. 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, 2016 AND 2015**

**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.

	2016	2015
Included in contributions/prepaid expenses		
Books	\$ -	\$ 8,194
Included in contributions/expenses		
Books	19,517	24,583
Food service	14,306	11,045
Occupancy	3,080	3,080
Professional services	<u>350</u>	<u>350</u>
	<u>\$ 37,253</u>	<u>\$ 47,252</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 \$11,305 for 2016 (\$9,887 for 2015). These assets were subsequently sold during fundraising events with the proceeds recorded in special event revenue.

**NOTE 9 - LEASING ARRANGEMENTS**

St. Ann's Episcopal Church (St. Ann's) provides office space and classroom space for the Organization. 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. As described in Note 8, an in-kind contribution and occupancy expense of \$3,080 for office space was recorded in 2016 and 2015, respectively for this use of these facilities.

**NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through March 11, 2017 which is the date the financial statements were available to be issued.