

HIGH HOPES, INC.

**FINANCIAL STATEMENTS
& INDEPENDENT AUDITORS' REPORT**

AUGUST 31, 2015 and 2014

HIGH HOPES, INC.

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
High Hopes, Inc.:

We have audited the accompanying financial statements of High Hopes, Inc. (a nonprofit organization) as of August 31, 2015 and 2014, which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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 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 High Hopes, Inc. as of August 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mullin Clemmons & Mayes, PLLC

Brentwood, Tennessee
November 2, 2015

HIGH HOPES, INC.**STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014**

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 152,146	\$ 90,412
Investments	272	-
Unconditional promises to give, net	52,838	73,907
Accounts receivable, net	143,718	123,710
Deposits	15,145	-
Total current assets	<u>364,119</u>	<u>288,029</u>
OTHER ASSETS:		
Long-term unconditional promises to give, net	5,000	10,000
Property and equipment, net	<u>4,030,751</u>	<u>3,664,504</u>
Total other assets	<u>4,035,751</u>	<u>3,674,504</u>
TOTAL ASSETS	<u>\$ 4,399,870</u>	<u>\$ 3,962,533</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Obligation under line of credit	\$ 44,856	\$ 113,996
Cash collected in advance of tuition revenue earnings	60,180	50,704
Accounts payable	23,064	27,259
Accrued expenses	51,789	33,249
Obligation under capital lease - current portion	4,706	3,361
Mortgage note payable - current portion	<u>41,233</u>	<u>33,059</u>
Total current liabilities	<u>225,828</u>	<u>261,628</u>
OTHER LIABILITIES:		
Obligation under capital lease - noncurrent portion	13,698	1,679
Mortgage note payable - noncurrent portion	<u>1,220,932</u>	<u>1,476,908</u>
Total other liabilities	<u>1,234,630</u>	<u>1,478,587</u>
TOTAL LIABILITIES	1,460,458	1,740,215
NET ASSETS:		
Unrestricted	2,813,810	2,125,351
Temporarily restricted	<u>125,602</u>	<u>96,967</u>
Total net assets	<u>2,939,412</u>	<u>2,222,318</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,399,870</u>	<u>\$ 3,962,533</u>

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

HIGH HOPES, INC.**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions:			
United Way	\$ 5,552	\$ 48,200	\$ 53,752
Other	149,794	85,704	235,498
Therapy fees, net	1,034,048	-	1,034,048
Tuition and fees	756,664	-	756,664
Special events	247,216	7,200	254,416
In-kind contributions	123,301	-	123,301
Capital campaign	-	673,062	673,062
Realized loss on investments	(714)	-	(714)
Total	<u>2,315,861</u>	<u>814,166</u>	<u>3,130,027</u>
Net assets released			
due to satisfaction of restrictions	<u>785,531</u>	<u>(785,531)</u>	<u>-</u>
Total revenues and support	<u>3,101,392</u>	<u>28,635</u>	<u>3,130,027</u>
EXPENSES:			
Program services	1,984,765	-	1,984,765
Management and general	203,055	-	203,055
Fundraising	225,113	-	225,113
Total expenses	<u>2,412,933</u>	<u>-</u>	<u>2,412,933</u>
CHANGE IN NET ASSETS	688,459	28,635	717,094
NET ASSETS:			
Beginning of year	<u>2,125,351</u>	<u>96,967</u>	<u>2,222,318</u>
End of year	<u>\$ 2,813,810</u>	<u>\$ 125,602</u>	<u>\$ 2,939,412</u>

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

HIGH HOPES, INC.**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions:			
United Way	\$ 801	\$ 45,000	\$ 45,801
Other	299,267	24,030	323,297
Therapy fees, net	883,162	-	883,162
Tuition and fees	647,366	-	647,366
Special events	200,851	-	200,851
In-kind contributions	51,179	-	51,179
Capital campaign	-	785,926	785,926
Total	2,082,626	854,956	2,937,582
Net assets released due to satisfaction of restrictions	1,206,134	(1,206,134)	-
Total revenues and support	3,288,760	(351,178)	2,937,582
EXPENSES:			
Program services	1,844,890	-	1,844,890
Management and general	226,501	-	226,501
Fundraising	170,088	-	170,088
Total expenses	2,241,479	-	2,241,479
CHANGE IN NET ASSETS	1,047,281	(351,178)	696,103
NET ASSETS:			
Beginning of year	1,078,070	448,145	1,526,215
End of year	\$ 2,125,351	\$ 96,967	\$ 2,222,318

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

HIGH HOPES, INC.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 717,094	\$ 696,103
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,841	71,328
Provision for doubtful accounts	12,989	23,815
Net changes in operating assets and liabilities:		
Unconditional promises to give	13,080	321,706
Accounts receivable	(20,008)	(19,347)
Investments	(272)	-
Prepaid expenses and other assets	(15,145)	-
Accounts payable and accrued liabilities	14,345	(85,558)
Tuition collected in advance of earnings	9,476	7,380
Net cash provided by operating activities	<u>826,400</u>	<u>1,015,427</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(443,884)</u>	<u>(2,090,513)</u>
Net cash used in investing activities	<u>(443,884)</u>	<u>(2,090,513)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on revolving lines of credit, net of payments	(69,140)	40,073
Payments on capital lease	(3,840)	(3,362)
Borrowings on mortgage note payable	-	1,045,023
Repayment on mortgage note payable	<u>(247,802)</u>	<u>(16,292)</u>
Net cash provided by (used in) financing activities	<u>(320,782)</u>	<u>1,065,442</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	61,734	(9,644)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>90,412</u>	<u>100,056</u>
End of year	<u><u>\$ 152,146</u></u>	<u><u>\$ 90,412</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid, including capitalized interest in the amount of \$21,717 in 2014	<u><u>\$ 74,776</u></u>	<u><u>\$ 62,557</u></u>

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

HIGH HOPES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	Program Services			Supporting Services			Total Functional Expenses
	Education	Therapy	Total Program Services	Management & General	Fundraising	Total Support Services	
Salaries	\$ 614,967	\$ 606,317	\$ 1,221,284	\$ 139,706	\$ 77,277	\$ 216,983	\$ 1,438,267
Payroll taxes	47,126	46,463	93,589	10,705	5,922	16,627	\$ 110,216
Employee benefits	24,025	23,687	47,712	5,458	3,019	8,477	\$ 56,189
Total salaries and related expenses	686,118	676,467	1,362,585	155,869	86,218	242,087	\$ 1,604,672
Advertising	4,760	4,693	9,453	1,081	598	1,679	\$ 11,132
Contractual services	-	130,339	130,339	-	-	-	\$ 130,339
Equipment maintenance	33,647	33,174	66,821	7,644	4,228	11,872	\$ 78,693
Insurance	8,808	8,684	17,492	2,000	1,107	3,107	\$ 20,599
Interest	31,517	31,073	62,590	7,160	3,960	11,120	\$ 73,710
Occupancy	3,657	3,606	7,263	830	460	1,290	\$ 8,553
Other	3,966	3,910	7,876	901	498	1,399	\$ 9,275
Postage	580	572	1,152	131	73	204	\$ 1,356
Professional fees	11,739	11,574	23,313	2,667	1,475	4,142	\$ 27,455
Special event costs	-	-	-	-	52,753	52,753	\$ 52,753
Capital campaign	-	-	-	-	808	808	\$ 808
Printing	272	269	541	62	34	96	\$ 637
In-kind contributions	25,654	25,294	50,948	5,828	66,525	72,353	\$ 123,301
Supplies	25,786	98,829	124,615	2,761	-	2,761	\$ 127,376
Telephone	10,183	10,040	20,223	2,313	1,280	3,593	\$ 23,816
Training	5,068	714	5,782	4,596	-	4,596	\$ 10,378
Total expenses before depreciation and bad debts	851,755	1,039,238	1,890,993	193,843	220,017	413,860	\$ 2,304,853
Depreciation	40,552	39,981	80,533	9,212	5,096	14,308	\$ 94,841
Bad debts	3,007	10,232	13,239	-	-	-	\$ 13,239
Total expenses	<u>\$ 895,314</u>	<u>\$ 1,089,451</u>	<u>\$ 1,984,765</u>	<u>\$ 203,055</u>	<u>\$ 225,113</u>	<u>\$ 428,168</u>	<u>\$ 2,412,933</u>

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

HIGH HOPES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2014**

	Program Services			Supporting Services			
	Education	Therapy	Total Program Services	Management & General	Fundraising	Total Support Services	Total Functional Expenses
Salaries	\$ 545,224	\$ 615,821	\$ 1,161,045	\$ 146,364	\$ 49,683	\$ 196,047	\$ 1,357,092
Payroll taxes	41,495	46,868	88,363	11,139	3,781	14,920	103,283
Employee benefits	17,898	20,215	38,113	4,805	1,631	6,436	44,549
Total salaries and related expenses	604,617	682,904	1,287,521	162,308	55,095	217,403	1,504,924
Advertising	3,141	3,548	6,689	843	286	1,129	7,818
Contractual services	2,232	78,563	80,795	-	-	-	80,795
Equipment maintenance	21,994	24,842	46,836	5,904	2,004	7,908	54,744
Insurance	8,510	9,612	18,122	2,285	776	3,061	21,183
Interest	19,106	21,580	40,686	5,129	1,741	6,870	47,556
Occupancy	41,231	46,569	87,800	11,068	3,757	14,825	102,625
Other	4,082	4,611	8,693	1,096	372	1,468	10,161
Postage	753	851	1,604	202	69	271	1,875
Professional fees	4,830	5,456	10,286	1,297	440	1,737	12,023
Special event costs	-	-	-	-	45,329	45,329	45,329
Capital campaigning	-	-	-	-	5,324	5,324	5,324
Printing	2,045	2,309	4,354	549	186	735	5,089
In-kind contributions	-	-	-	-	51,179	51,179	51,179
Supplies	46,127	104,205	150,332	18,014	-	18,014	168,346
Telephone	10,085	11,391	21,476	2,707	919	3,626	25,102
Training	-	769	769	7,406	-	7,406	8,175
Total expenses before depreciation and bad debts	768,753	997,210	1,765,963	218,808	167,477	386,285	2,152,248
Depreciation	28,657	32,367	61,024	7,693	2,611	10,304	71,328
Bad debts	4,342	13,561	17,903	-	-	-	17,903
Total expenses	<u>\$ 801,752</u>	<u>\$ 1,043,138</u>	<u>\$ 1,844,890</u>	<u>\$ 226,501</u>	<u>\$ 170,088</u>	<u>\$ 396,589</u>	<u>\$ 2,241,479</u>

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

HIGH HOPES, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

NOTE 1 – THE ENTITY

High Hopes, Inc. (the "Organization") was organized in 1984. The Organization, located in Brentwood, Tennessee, is an early intervention preschool and pediatric rehabilitation center which embraces the whole child with tools for learning and skills for life.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2015 and 2014 in these financial statements refer to the years ended August 31, 2015 and 2014, respectively, unless otherwise noted.

Basis of Presentation

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

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted – This class includes net assets that are not subject to any donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – This class includes net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – This class includes net assets subject to donor-imposed restrictions that require the assets to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At August 31, 2015 and 2014 the Organization had no permanently restricted assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash and cash equivalents.

The Organization may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

HIGH HOPES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AUGUST 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to give are recorded at fair value. The fair value of promises to give, which are payable within one year, is generally considered to be the same as the net realizable value of the promises. The fair value of promises to give, which are payable over a period greater than one year, is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. For the years 2015 and 2014, the Organization determined the unamortized discount on the promises to give is insignificant to the financial statements taken as a whole. Accordingly, no discount has been recorded.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

See Note 3 for further details related to promises to give.

Net Tuition, Therapy and Other Service Fees

Net tuition, therapy and other service fees are recorded at the estimated net realizable amounts from families, third-party payers and others for services rendered. Tuition, therapy and other service fees are recorded at the Organization's established rates with contractual adjustments deducted to arrive at applicable net fees.

Contractual adjustments represent the difference between the Organization's established rates and third-party payer payments. An allowance for estimated contractual adjustments is recorded during the period in which the services are provided and adjusted to actual when payments are received.

Property and Equipment

The Organization's policy is to capitalize office equipment exceeding \$1,000 individually which is recorded at cost at the date of purchase or fair value at the date of gift. Items below \$1,000 are expensed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation expense is computed by using the straight-line method over the estimated useful lives of the related assets, which ranges from three to forty years.

See Note 5 for further details related to property and equipment.

HIGH HOPES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AUGUST 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

Advertising Costs

Advertising costs, which also include marketing and development, are expensed as incurred. Advertising costs were \$11,132 and \$7,818 for the years ended August 31, 2015 and 2014, respectively.

Income Taxes

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is not classified as a private Organization. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization files an annual information return (Form 990) with the U.S. government. At August 31, 2015, the Organization is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before August 31, 2012.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements.

Program Services - Includes activities carried out to fulfill the Organization's mission to provide an early intervention preschool and rehabilitation center for children with special needs in a traditional educational classroom with a concentration in physical, speech and occupational therapy.

Management and General - Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising - Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

HIGH HOPES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AUGUST 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to make them consistent with the presentation in the 2015 financial statements. These reclassifications did not have a significant impact on the previously reported financial position, changes in net assets, and cash flows of the Organization.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between August 31, 2015 and November 2, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unrestricted promises to give	\$ 22,911	\$ 56,704
Temporarily restricted promises to give	<u>40,850</u>	<u>37,500</u>
Gross promises to give	63,761	94,204
Allowance for uncollectible promises to give	<u>(5,923)</u>	<u>(10,297)</u>
Net unconditional promises to give	57,838	83,907
Due in less than one year	<u>(52,838)</u>	<u>(73,907)</u>
Promises due within one to five years	<u>\$ 5,000</u>	<u>\$ 10,000</u>

At August 31, 2015 and 2014, the Organization had individual unrestricted promises to give which exceeded 10% of the gross unrestricted promises to give. The combined balance of those unrestricted promises totaled 57% and 55% of the gross unrestricted promises to give at August 31, 2015 and 2014, respectively.

HIGH HOPES, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
AUGUST 31, 2015 AND 2014**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable are from families and third-party payers and patients and are reported net of estimated contractual adjustments and allowances for bad debts. Third-party payers consist primarily of commercial insurance carriers. As of August 31, 2015 and 2014, accounts receivable consisted of the following:

	<u>2015</u>	<u>2014</u>
Accounts receivable from:		
Tuition	\$ 4	\$ 3,936
Therapy services	262,203	228,176
Other receivable	2,902	-
	<u>265,109</u>	<u>232,112</u>
Less:		
Allowance for contractual adjustments	(103,416)	(97,252)
Allowance for bad debts	(17,975)	(11,150)
Accounts receivable, net	<u>\$ 143,718</u>	<u>\$ 123,710</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Depreciable assets:		
Buildings	\$ 3,014,176	\$ 3,014,176
Furniture and fixtures	81,786	79,306
Computer and software	40,088	40,088
Equipment	15,705	15,705
Capital leases	20,003	10,083
Total cost	<u>3,171,758</u>	<u>3,159,358</u>
Accumulated depreciation	<u>(207,229)</u>	<u>(119,672)</u>
Subtotal	<u>2,964,529</u>	<u>3,039,686</u>
Nondepreciable assets:		
Land	<u>1,066,222</u>	<u>624,818</u>
Property and equipment, net	<u>\$ 4,030,751</u>	<u>\$ 3,664,504</u>

HIGH HOPES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AUGUST 31, 2015 AND 2014

NOTE 6 – LINES OF CREDIT AND LONG TERM DEBT

The Organization has a line of credit with a financial institution, which matures on March 21, 2016 and bears interest at the Lender's base commercial rate plus 1.500 percentage points, but in no event will the annual interest rate be less than 4.75%. The maximum availability under this line of credit is \$125,000. The outstanding balance on the line of credit was \$44,856 and \$113,996 at August 31, 2015 and 2014, respectively.

The Organization previously obtained a construction loan related to the construction of the building on the lot purchased with a maximum borrowing availability of \$2,623,503. In March 2014, the Organization amended the construction loan to effectively convert the remaining balance of \$1,526,004 to an installment mortgage note payable. Monthly principal and interest payments of \$8,947 began March 1, 2014. In December 2014, the Organization made a substantial principal payment, and the lender agreed to recast the monthly payment. Beginning January 2015, the new monthly principal and interest payments are \$8,174. This note bears interest at a fixed annual rate of 4.99%. This note matures on May 1, 2022, at which time the remaining unpaid principal balance and accrued interest will be due.

The above debt instruments are collateralized by a deed of trust on the Organization's real property, an assignment of any rents on real property, and substantially all other assets.

Future maturities of long term debt are as follows:

Year ending August 31,:	
2016	\$ 41,233
2017	38,026
2018	39,967
2019	42,008
2020	44,153
Thereafter	<u>1,056,778</u>
Total	<u>\$ 1,262,165</u>

NOTE 7 – LEASING ACTIVITIES

The Organization leased its previous facility located on Mallory Lane in Brentwood, Tennessee under an operating lease. This lease terminated in 2014. Lease expense under the Organization's operating leases was \$102,625 for the year ended August 31, 2014. No facilities were leased in 2015.

The Organization has a capital lease for certain office equipment. The related assets were included in the accompanying statements of financial position under property and equipment, net as of August 31, 2015 and 2014. Amortization expense related to the assets under the capital lease was \$1,826 and \$3,362 for the years ended August 31, 2015 and 2014, respectively.

HIGH HOPES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2015 AND 2014

NOTE 7 – LEASING ACTIVITIES (CONTINUED)

Future minimum lease payments on the capital lease, which is non-cancelable and exceeds one year, are as follows:

Year ending August 31,:	
2016	\$ 5,479
2017	5,479
2018	5,479
2019	<u>3,653</u>
Total payments	20,090
Less amount representing interest	<u>(1,686)</u>
Present value of minimum lease payments	18,404
Current portion of capital lease obligation	<u>(4,706)</u>
Long-term portion of capital lease obligation	<u>\$ 13,698</u>

NOTE 8 – EMPLOYEE BENEFITS

The Organization offers medical, dental and supplemental insurance plans to all full-time employees. The costs of this plan to the Organization for the years ended August 31, 2015 and 2014 were \$46,189 and \$44,549, respectively.

The Organization offers a defined contribution 401(k) plan, the High Hopes, Inc. 401(k) Plan (the "Plan") to eligible employees. Eligible employees may elect to contribute a portion of their compensation to the Plan up to the maximum amount as described in Section 414 of the Internal Revenue Code. The Organization may make discretionary employer contributions, as determined by the Board of Directors. In 2015, the employer made a \$10,000 employer contribution to the Plan. No such employer contributions were made to the Plan during 2014.

HIGH HOPES, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
AUGUST 31, 2015 AND 2014**NOTE 9 – NET ASSETS**

Temporarily restricted net assets at August 31, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
For subsequent fiscal years:		
United Way	\$ 40,850	\$ 37,500
Capital campaign	18,861	51,704
For specific purposes:		
Scholarship fund	13,739	6,563
Preschool cameras	10,000	-
Fund development	26,258	-
Therapy outreach	9,940	-
Music and art tools	1,418	-
Strings and Stories	4,050	-
Clinic training	486	1,200
Total	<u>\$ 125,602</u>	<u>\$ 96,967</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restrictions during 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
For subsequent fiscal years:		
United Way	\$ 45,000	\$ 41,667
Capital campaign	705,905	1,134,313
For specific purposes:		
Scholarship fund	16,359	17,854
Strings and Stories	3,150	-
Miscellaneous grants	15,117	12,300
Total	<u>\$ 785,531</u>	<u>\$ 1,206,134</u>