

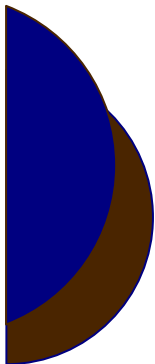
**HIGH HOPES, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

**For the Years Ended August 31, 2012 and 2011**

**HIGH HOPES, INC.**  
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## BROWN & MAGUIRE CPAs, PLLC

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### Independent Auditors' Report

To the Board of Directors of  
High Hopes, Inc.  
Brentwood, Tennessee

We have audited the accompanying statements of financial position of High Hopes, Inc. (a nonprofit organization) (the "Organization") as of August 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2012 and 2011, 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.

*Brown & Maguire CPAs, PLLC*

Brown & Maguire CPAs, PLLC  
Nashville, Tennessee  
January 4, 2013

**High Hopes, Inc.**  
**Statements of Financial Position**  
**As of August 31, 2012 and 2011**

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents .....	\$ 137,707	\$ 34,972
Contributions receivable, net .....	222,986	32,500
Accounts receivable, net .....	129,698	151,749
Deposits and prepaids .....	-	10,150
Total current assets.....	<u>490,391</u>	<u>229,371</u>
Property and equipment, net .....	<u>746,304</u>	<u>60,259</u>
Total assets.....	<u><u>\$ 1,236,695</u></u>	<u><u>\$ 289,630</u></u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable .....	\$ 21,396	\$ 16,480
Accrued expenses .....	31,345	25,753
Obligations under line of credit .....	129,838	114,190
Total current liabilities .....	<u>182,579</u>	<u>156,423</u>
Net assets		
Unrestricted.....	826,920	75,148
Temporarily restricted.....	227,196	58,059
Total net assets .....	<u>1,054,116</u>	<u>133,207</u>
Total liabilities and net assets .....	<u><u>\$ 1,236,695</u></u>	<u><u>\$ 289,630</u></u>

See accompanying notes.

**High Hopes, Inc.**  
**Statement of Activities**  
**For the Year Ended August 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions:			
United Way.....	\$ 1,624	\$ 41,000	\$ 42,624
Other.....	167,545	36,600	204,145
Therapy fees, net .....	845,546	-	845,546
Tuition and fees.....	618,704	-	618,704
Special events.....	186,716	-	186,716
Less: donor direct benefit costs .....	(89,528)	-	(89,528)
In-kind contributions .....	52,825	4,869	57,694
Capital campaign.....	-	1,045,110	1,045,110
Other income .....	740	-	740
Net assets released from restrictions	958,442	(958,442)	-
Total support and revenue.....	<u>2,742,614</u>	<u>169,137</u>	<u>2,911,751</u>
Expenses			
Program services .....	1,682,327	-	1,682,327
Management and general .....	200,898	-	200,898
Fundraising.....	107,617	-	107,617
Total expenses .....	<u>1,990,842</u>	<u>-</u>	<u>1,990,842</u>
Change in net assets .....	751,772	169,137	920,909
Net assets at beginning of year.....	75,148	58,059	133,207
Net assets at end of year.....	<u>\$ 826,920</u>	<u>\$ 227,196</u>	<u>\$ 1,054,116</u>

See accompanying notes.

**High Hopes, Inc.**  
**Statement of Activities**  
**For the Year Ended August 31, 2011**

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions:			
United Way.....	\$ 7,923	\$ 32,500	\$ 40,423
Other.....	171,013	25,559	196,572
Therapy fees, net .....	679,791	-	679,791
Tuition and fees.....	671,924	-	671,924
Special events.....	162,656	-	162,656
Less: donor direct benefit costs .....	(51,340)	-	(51,340)
In-kind contributions .....	47,807	-	47,807
Other income.....	8,693	-	8,693
Net assets released from restrictions	41,635	(41,635)	-
Total support and revenue.....	<u>1,740,102</u>	<u>16,424</u>	<u>1,756,526</u>
Expenses			
Program services .....	1,591,941	-	1,591,941
Management and general .....	198,891	-	198,891
Fundraising.....	50,427	-	50,427
Total expenses .....	<u>1,841,259</u>	<u>-</u>	<u>1,841,259</u>
Change in net assets.....	(101,157)	16,424	(84,733)
Net assets at beginning of year.....	176,305	41,635	217,940
Net assets at end of year.....	<u>\$ 75,148</u>	<u>\$ 58,059</u>	<u>\$ 133,207</u>

See accompanying notes.

**High Hopes, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2012**

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Education</u>	<u>Therapy</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>Total Functional Expenses</u>
Salaries	\$ 432,956	\$ 521,454	\$ 954,410	\$ 132,773	\$ 63,750	\$ 196,523	\$ 1,150,933
Payroll taxes	35,607	42,886	78,493	10,920	5,243	16,163	94,656
Employee benefits	16,403	19,755	36,158	5,030	2,415	7,445	43,603
Total salaries and related expenses	484,966	584,095	1,069,061	148,723	71,408	220,131	1,289,192
Advertising	4,494	5,412	9,906	1,378	662	2,040	11,946
Contractual services	29,062	72,213	101,275	-	-	-	101,275
Depreciation	13,362	16,092	29,454	4,098	1,967	6,065	35,519
Equipment maintenance	8,997	10,836	19,833	2,759	1,325	4,084	23,917
Insurance	5,976	7,197	13,173	1,832	880	2,712	15,885
Interest	6,216	7,487	13,703	1,907	915	2,822	16,525
Occupancy	92,653	111,591	204,244	28,413	13,643	42,056	246,300
Other	2,759	3,322	6,081	846	9,469	10,315	16,396
Postage	1,050	1,265	2,315	322	2,126	2,448	4,763
Professional fees	4,038	4,864	8,902	1,238	595	1,833	10,735
Special event costs	-	-	-	-	35,579	35,579	35,579
Bad debts	44,773	53,925	98,698	-	-	-	98,698
Printing	3,110	3,746	6,856	954	458	1,412	8,268
In-kind contributions	-	-	-	-	57,694	57,694	57,694
Supplies	16,677	73,401	90,078	1,997	-	1,997	92,075
Telephone	2,879	3,468	6,347	883	424	1,307	7,654
Training	744	1,657	2,401	5,548	-	5,548	7,949
Total expenses	721,756	960,571	1,682,327	200,898	197,145	398,043	2,080,370
Less expenses included with revenues on the statement of activities – donor direct benefit costs	-	-	-	-	(89,528)	(89,528)	(89,528)
Total expenses included in the expense section of the statement of activities	<u>\$ 721,756</u>	<u>\$ 960,571</u>	<u>\$ 1,682,327</u>	<u>\$ 200,898</u>	<u>\$ 107,617</u>	<u>\$ 308,515</u>	<u>\$ 1,990,842</u>

See accompanying notes.

**High Hopes, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2011**

	Program Services			Supporting Services			
	Education	Therapy	Total Program Services	Management and General	Fundraising	Total Support Services	Total Functional Expenses
Salaries	\$ 456,652	\$ 467,526	\$ 924,178	\$ 126,296	\$ 33,296	\$ 159,592	\$ 1,083,770
Payroll taxes	37,462	38,354	75,816	10,361	2,731	13,092	88,908
Employee benefits	22,991	23,539	46,530	6,359	1,676	8,035	54,565
Total salaries and related expenses	517,105	529,419	1,046,524	143,016	37,703	180,719	1,227,243
Advertising	1,471	1,506	2,977	407	107	514	3,491
Contractual services	15,356	63,266	78,622	-	-	-	78,622
Depreciation	16,204	16,590	32,794	4,482	1,182	5,664	38,458
Equipment maintenance	10,008	10,246	20,254	2,768	730	3,498	23,752
Insurance	6,346	6,497	12,843	1,755	463	2,218	15,061
Interest	1,213	1,242	2,455	335	88	423	2,878
Occupancy	103,780	106,251	210,031	28,702	7,567	36,269	246,300
Other	4,563	4,672	9,235	1,263	333	1,596	10,831
Postage	386	396	782	107	28	135	917
Professional fees	4,445	4,551	8,996	1,229	324	1,553	10,549
Special event costs	-	-	-	-	51,340	51,340	51,340
Bad debts	23,209	23,761	46,970	-	-	-	46,970
Printing	3,029	3,101	6,130	838	221	1,059	7,189
In-kind contributions	20,144	20,623	40,767	5,571	1,469	7,040	47,807
Supplies	12,971	52,975	65,946	1,276	-	1,276	67,222
Telephone	2,905	2,974	5,879	803	212	1,015	6,894
Training	511	225	736	6,339	-	6,339	7,075
Total expenses	743,646	848,295	1,591,941	198,891	101,767	300,658	1,892,599
Less expenses included with revenues on the statement of activities – donor direct benefit costs	-	-	-	-	(51,340)	(51,340)	(51,340)
Total expenses included in the expense section of the statement of activities	<u>\$ 743,646</u>	<u>\$ 848,295</u>	<u>\$ 1,591,941</u>	<u>\$ 198,891</u>	<u>\$ 50,427</u>	<u>\$ 249,318</u>	<u>\$ 1,841,259</u>

See accompanying notes.



**High Hopes, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Change in net assets .....	\$ 920,909	\$ (84,733)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation .....	35,519	38,458
Decrease in accounts receivable, net .....	22,051	27,062
Increase in contributions receivable, net .....	(190,486)	(11,667)
Decrease (increase) in deposits and prepaids .....	10,150	(10,150)
Increase in accounts payable and accrued expenses .....	10,508	6,099
Net cash provided by (used in) operating activities .....	<u>808,651</u>	<u>(34,931)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment .....	(721,564)	(32,943)
Net cash used in investing activities .....	<u>(721,564)</u>	<u>(32,943)</u>
<b>Cash flows from financing activities:</b>		
Net borrowings on revolving lines of credit .....	15,648	59,834
Net cash provided by financing activities .....	<u>15,648</u>	<u>59,834</u>
Net increase (decrease) in cash and cash equivalents .....	102,735	(8,040)
Cash and cash equivalents, at beginning of period .....	34,972	43,012
Cash and cash equivalents, at end of period .....	<u>\$ 137,707</u>	<u>\$ 34,972</u>
<b>Supplemental disclosure of cash flows information:</b>		
Interest paid .....	<u>\$ 16,525</u>	<u>\$ 2,879</u>
Income taxes paid .....	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2012 and 2011**

**1. Description of the Organization and Summary of Significant Accounting Policies**

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.

*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.

*Contributions and Support*

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

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor 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 the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Organization considers all cash funds and cash bank accounts with an original maturity of three months or less to be cash and cash equivalents.

*Contributions Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. Contributions receivable were \$222,986 and \$32,500 as of August 31, 2012 and 2011, respectively. Included within these balances were represent contributions receivable due from the United Way of Williamson County of \$34,167 and \$32,500 as of August 31, 2012 and 2012, respectively, which are scheduled to be collected in the Organization’s subsequent fiscal year. Additionally, contributions receivable included \$188,819 of capital campaign pledges to be received over subsequent years as well.

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2012 and 2011**

The capital campaign pledges are expected to be received for each of the years ended August 31 are as follows:

2013 .....	\$	<b>83,596</b>
2014 .....		<b>41,210</b>
2015 .....		<b>34,013</b>
2016 .....		<b>25,000</b>
2017 .....		<b>5,000</b>
Thereafter.....		<b>-</b>
		<hr/>
	\$	<b>188,819</b>

*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.

*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 payors 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 payor 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.

*Advertising Costs*

Advertising costs, which also include marketing and development, are expensed as incurred. Advertising costs were \$11,946 and \$3,491 for the years ended August 31, 2012 and 2011, respectively.

*Property and Depreciation*

Property and equipment are recorded at cost or at fair value as of the date purchased or contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated lives of the respective assets ranging from three to 10 years.

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2012 and 2011**

*Income Taxes*

The Organization, which is not a private foundation, is exempt from federal and state income taxes under section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

*Program and Supporting Services*

The following program and supporting services were 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.

*Allocation of Functional Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and support services based on estimates by management.

*Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management of the Organization to make estimates and assumptions that affect the reported assets and liabilities and contingency disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**2. Accounts Receivable**

Accounts receivable are from third-party payors and patients and are reported net of estimated contractual adjustments and allowances for bad debts. Third-party payors consist primarily of commercial insurance carriers. As of August 31, 2012 and 2011, accounts receivable consisted of the following:

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Accounts receivable from tuition and therapy services .....	\$ 252,303	\$ 187,789
Less allowance for contractual adjustments and allowances for bad debts.....	<u>(122,605)</u>	<u>(36,040)</u>
Account receivable, net	<u>\$ 129,698</u>	<u>\$ 151,749</u>

### 3. Property and Equipment

Property and equipment consisted of the following as of August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land .....	\$ 624,818	\$ -
Building .....	95,156	-
Furniture and equipment.....	140,893	145,795
Playground equipment.....	15,409	15,409
Leasehold improvements.....	<u>85,475</u>	<u>85,475</u>
	961,751	246,679
Less: accumulated depreciation....	<u>(215,447)</u>	<u>(186,420)</u>
Property and equipment, net.....	<u>\$ 746,304</u>	<u>\$ 60,259</u>

### 4. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets for the year ended August 31, 2012 were as follows:

	<u>Beginning of Year</u>	<u>Restricted Contributions</u>	<u>Released from Restriction</u>	<u>End of Year</u>
Programs .....	\$ 12	\$ 36,600	\$ (32,402)	\$ 4,210
Building .....	25,547	1,049,979	(886,707)	188,819
United Way .....	32,500	41,000	(39,333)	34,167
	<u>\$ 58,059</u>	<u>\$ 1,127,579</u>	<u>\$ (958,442)</u>	<u>\$ 227,196</u>

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2012 and 2011**

Changes in temporarily restricted net assets for the year ended August 31, 2011 were as follows:

	Beginning of Year	Restricted Contributions	Released from Restriction	End of Year
Programs .....	\$ 802	\$ 4,000	\$ (4,790)	\$ 12
Software .....	20,000	-	(20,000)	-
Building .....	-	35,753	(10,206)	25,547
United Way .....	20,833	32,500	(20,833)	32,500
	<u>\$ 41,635</u>	<u>\$ 72,253</u>	<u>\$ (55,829)</u>	<u>\$ 58,059</u>

## 5. 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, 2012 and 2011 were \$43,603 and \$54,565, respectively.

## 6. Lines of Credit

During 2005, the Organization obtained a line of credit from SunTrust ("SunTrust LOC") with maximum borrowing availability of \$50,000. The SunTrust LOC was secured by the Organization's tangible property and was payable on demand. The SunTrust LOC required monthly interest payments on the outstanding balance. The interest rate was 3.25% as of August 31, 2011. The outstanding balance on the SunTrust LOC was \$39,440 as of August 31, 2011. The SunTrust LOC was paid off and terminated in December 2011.

During August 2007, the Organization obtained a second line of credit from Tennessee Commerce Bank ("TCB LOC") with maximum borrowing availability of \$75,000. The TCB LOC was secured by the Organization's tangible property and was payable on demand. The TCB LOC required monthly interest payments on the outstanding balance. The interest rate was 7.00% as of August 31, 2011. The outstanding balance on the TCB LOC was \$74,750 as of August 31, 2011. The TCB LOC was paid off and terminated in December 2011.

During December 2012, the Organization obtained a line of credit from First Tennessee ("First TN LOC") with a maximum borrowing availability of \$125,000. The First TN LOC is secured by the Organization's tangible property. The First TN LOC is renewable annually each December. The First TN LOC requires monthly interest payments on the outstanding balance. The interest rate was 5.00% as of August 31, 2012. The outstanding balance on the line of credit was \$122,004 as of August 31, 2012. Additionally, the Organization obtained a construction loan ("Construction Loan") related to the construction of the building on the lot purchased with a maximum borrowing availability of \$2,623,503. The interest rate was 4.99% as of August 31, 2012. The outstanding balance on the Construction Loan was \$7,834 as of August 31, 2012. The availability under the Construction Loan was \$2,115,669 as of August 31, 2012.

**High Hopes, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2012 and 2011**

## **7. Operating Lease Commitments**

The Organization leases its current facility located on Mallory Lane in Brentwood, Tennessee, as well as certain office equipment. Lease expense under the Organization's operating leases was \$251,131 for both the years ended August 31, 2012 and 2011, respectively. Future minimum lease commitments under Organization's lease agreements are as follows:

2013 .....	\$	<b>3,402</b>
2014 .....		-
2015 .....		-
2016 .....		-
2017 .....		-
Thereafter.....		-
	\$	-

The Organization purchased a piece of property in Franklin, Tennessee and intends to build a new building on the property and relocate to Franklin, Tennessee. Prior to purchasing the property, the Organization requested and received an amendment (the "Amendment") to its current lease on its Brentwood, Tennessee location. Under the Amendment, the Organization will be allowed to continue to occupy its current facility until the new building is constructed and ready for occupancy on the same terms of the Organization's existing lease on a month-to-month basis.

## **8. Subsequent Events**

The Organization has evaluated all events or transactions that occurred after August 31, 2012, through January 4, 2013, the date these financial statements were issued. During this period the Organization did not have any material recognizable events that required recognition in the disclosures to the August 31, 2012 financial statements.

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