



**ROCKETOWN OF MIDDLE TENNESSEE**  
**( A NONPROFIT ORGANIZATION )**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

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**ROCKETOWN OF MIDDLE TENNESSEE  
(A NONPROFIT ORGANIZATION)  
AUDITED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**CONTENTS**

	<b><u>Page</u></b>
<b>Independent auditor's report.....</b>	<b>1</b>
<b>Financial Statements:</b>	
Statements of financial position.....	3
Statements of activities and changes in net assets .....	4
Statements of functional expenses .....	6
Statements of cash flows.....	8
Notes to the financial statements .....	9

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Rockettown of Middle Tennessee  
Nashville, Tennessee

I have audited the accompanying financial statements of Rockettown of Middle Tennessee (a Tennessee not-for-profit corporation) which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocketown of Middle Tennessee as of June 30, 2019 and 2018, 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.

Greg Lemon CPA, PLLC  
Columbia, Tennessee  
November 4, 2019

**ROCKETOWN OF MIDDLE TENNESSEE  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

<b><u>ASSETS</u></b>		
	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Current assets</b>		
Cash	\$ 334,390	\$ 426,048
Accounts receivable	32,462	10,431
Contributions receivable	-	5,923
Prepays	448	20,757
Interest in net assets	4,898	4,898
Inventories	38,791	49,519
Deposits	662	662
<b>Total current assets</b>	<b>411,651</b>	<b>518,238</b>
<b>Property and equipment, net of accumulated depreciation</b>	<b>6,441,080</b>	<b>6,575,332</b>
<b>Endowment fund</b>	<b>19,176</b>	<b>18,444</b>
<b>Total assets</b>	<b><u>\$ 6,871,907</u></b>	<b><u>\$ 7,112,014</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 39,315	\$ 64,244
Accrued expenses	69,976	73,178
Deferred revenue	43,268	79,609
Current portion of note payable	29,924	28,681
Current portion of capital lease obligation	4,131	16,045
<b>Total current liabilities</b>	<b>186,614</b>	<b>261,757</b>
<b>Long term debt</b>		
Note payable, net of current portion	591,633	621,270
Capital lease obligation, net of current portion	-	4,557
<b>Total liabilities</b>	<b><u>778,247</u></b>	<b><u>887,584</u></b>
<b>Net assets</b>		
<b>Net assets without donor restrictions</b>		
Designated for property and equipment	6,441,080	6,575,332
Undesignated (deficit)	(482,996)	(449,346)
<b>Total net assets without donor restrictions</b>	<b>5,958,084</b>	<b>6,125,986</b>
<b>Net assets with donor restrictions</b>	<b>135,576</b>	<b>98,444</b>
<b>Total net assets</b>	<b><u>6,093,660</u></b>	<b><u>6,224,430</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 6,871,907</u></b>	<b><u>\$ 7,112,014</u></b>

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

**ROCKETOWN OF MIDDLE TENNESSEE**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenues</b>			
Membership dues, cover charges, session fees, and lessons	\$ 234,576	\$ -	\$ 234,576
Product revenue	275,174	-	275,174
Facility rentals	649,229	-	649,229
Investment income	-	732	732
Other	2,607	-	2,607
<b>Total operating revenue</b>	<b>1,161,586</b>	<b>732</b>	<b>1,162,318</b>
<b>Public support and other revenues</b>			
Contributions	155,913	-	155,913
Foundation contributions and grants	58,894	116,400	175,294
Special events	362,557	-	362,557
Net assets released from program restrictions	80,000	(80,000)	-
<b>Total public support and other revenues</b>	<b>657,364</b>	<b>36,400</b>	<b>693,764</b>
<b>Total revenues</b>	<b>1,818,950</b>	<b>37,132</b>	<b>1,856,082</b>
<b>Functional expenses</b>			
Program services	1,413,749	-	1,413,749
Supporting services			
Management and general	422,249	-	422,249
Fundraising	150,854	-	150,854
<b>Total functional expenses</b>	<b>1,986,852</b>	<b>-</b>	<b>1,986,852</b>
<b>Net increase (decrease) in net assets</b>	<b>(167,902)</b>	<b>37,132</b>	<b>(130,770)</b>
<b>Net assets, beginning of year</b>	<b>6,125,986</b>	<b>98,444</b>	<b>6,224,430</b>
<b>Net assets, end of year</b>	<b>\$ 5,958,084</b>	<b>\$ 135,576</b>	<b>\$ 6,093,660</b>

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

**ROCKETOWN OF MIDDLE TENNESSEE**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenues</b>			
Membership dues, cover charges, session fees, and lessons	\$ 250,368	\$ -	\$ 250,368
Product revenue	278,325	-	278,325
Facility rentals	524,019	-	524,019
Investment income	-	598	598
Other	31,592	-	31,592
<b>Total operating revenue</b>	<u>1,084,304</u>	<u>598</u>	<u>1,084,902</u>
<b>Public support and other revenues</b>			
Contributions	267,246	5,000	272,246
Foundation contributions and grants	173,408	80,000	253,408
Special events	417,727	-	417,727
Net assets released from program restrictions	94,897	(94,897)	-
<b>Total public support and other revenues</b>	<u>953,278</u>	<u>(9,897)</u>	<u>943,381</u>
<b>Total revenues</b>	<u>2,037,582</u>	<u>(9,299)</u>	<u>2,028,283</u>
<b>Functional expenses</b>			
Program services	1,361,291	-	1,361,291
Supporting services			
Management and general	461,560	-	461,560
Fundraising	240,997	-	240,997
<b>Total functional expenses</b>	<u>2,063,848</u>	<u>-</u>	<u>2,063,848</u>
<b>Net decrease in net assets</b>	(26,266)	(9,299)	(35,565)
<b>Net assets, beginning of year</b>	<u>6,152,252</u>	<u>107,743</u>	<u>6,259,995</u>
<b>Net assets, end of year</b>	<u><u>\$ 6,125,986</u></u>	<u><u>\$ 98,444</u></u>	<u><u>\$ 6,224,430</u></u>

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

**ROCKETOWN OF MIDDLE TENNESSEE**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 528,760	\$ 125,876	\$ 63,306	\$ 717,942
Payroll taxes	44,121	9,111	3,951	57,183
Employee benefits	68,900	-	4,057	72,957
<b>Total payroll and related expenses</b>	641,781	134,987	71,314	848,082
<b>Direct costs of operating revenues</b>				
Skatepark merchandise	115,156	-	-	115,156
Café merchandise	44,783	-	-	44,783
Bank fees	1,427	12,380	7,623	21,430
Design, photography, printing	285	-	1,729	2,014
Dues and subscriptions	3,229	17,184	3,456	23,869
Food and entertainment	42,140	8,238	530	50,908
Gifts	784	2,485	154	3,423
Giveaways and incentives	435	-	-	435
Insurance	-	64,288	-	64,288
Interest	27,452	-	-	27,452
Legal and professional	33	12,687	-	12,720
Marketing and advertising	1,355	80	-	1,435
Minor equipment	9,228	935	-	10,163
Miscellaneous	9,337	765	-	10,102
Office supplies	11	845	-	856
Postage and freight	5,362	975	315	6,652
Purchased services - other	127,071	110,077	2,528	239,676
Purchased services - personnel	-	12,040	-	12,040
Repairs and maintenance	39,462	8,534	-	47,996
Special events	2,394	-	55,993	58,387
Supplies	37,928	3,941	341	42,210
Taxes and licenses	46,207	-	-	46,207
Telephone	3,328	21,228	299	24,855
Travel	1,992	2,514	155	4,661
Tuition and training	99	1,660	11	1,770
Utilities	105,138	-	-	105,138
<b>Total functional expenses before depreciation</b>	1,266,417	415,843	144,448	1,826,708
<b>Depreciation of property and equipment</b>	147,332	6,406	6,406	160,144
<b>Total functional expenses</b>	<u>\$ 1,413,749</u>	<u>\$ 422,249</u>	<u>\$ 150,854</u>	<u>\$ 1,986,852</u>

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



**ROCKETOWN OF MIDDLE TENNESSEE  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 501,232	\$ 160,235	\$ 138,685	\$ 800,152
Payroll taxes	39,015	11,934	10,288	61,237
Employee benefits	53,969	16,384	9,908	80,261
<b>Total payroll and related expenses</b>	<b>594,216</b>	<b>188,553</b>	<b>158,881</b>	<b>941,650</b>
<b>Direct costs of operating revenues</b>				
Skatepark merchandise	103,258	-	-	103,258
Café merchandise	45,774	-	-	45,774
Bank fees	1,310	10,448	2,209	13,967
Design, photography, printing	-	348	6,024	6,372
Dues and subscriptions	1,894	8,490	3,513	13,897
Food and entertainment	43,497	6,359	2,573	52,429
Gifts	750	2,668	1,461	4,879
Giveaways and incentives	6,847	-	-	6,847
Insurance	-	66,102	-	66,102
Interest	28,647	-	-	28,647
Legal and professional	-	13,295	-	13,295
Marketing and advertising	2,107	81	19	2,207
Minor equipment	13,564	-	-	13,564
Miscellaneous	5,875	3,405	930	10,210
Office supplies	57	1,148	245	1,450
Postage and freight	6,239	766	959	7,964
Purchased services - other	121,816	71,981	-	193,797
Purchased services - personnel	-	29,365	-	29,365
Repairs and maintenance	41,223	17,840	-	59,063
Special events	5,759	-	55,161	60,920
Supplies	32,197	2,806	239	35,242
Taxes and licenses	51,418	3,501	-	54,919
Telephone	3,668	21,052	1,215	25,935
Travel	3,415	907	621	4,943
Tuition and training	801	6,058	560	7,419
Utilities	100,061	-	-	100,061
<b>Total functional expenses before depreciation</b>	<b>1,214,393</b>	<b>455,173</b>	<b>234,610</b>	<b>1,904,176</b>
<b>Depreciation of property and equipment</b>	<b>146,898</b>	<b>6,387</b>	<b>6,387</b>	<b>159,672</b>
<b>Total functional expenses</b>	<b>\$ 1,361,291</b>	<b>\$ 461,560</b>	<b>\$ 240,997</b>	<b>\$ 2,063,848</b>

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

**ROCKETOWN OF MIDDLE TENNESSEE**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Net decrease in net assets	\$ (130,770)	\$ (35,565)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	160,144	159,672
Net realized and unrealized gains and losses on endowment fund	(470)	(313)
Change in operating assets and liabilities:		
Accounts receivable	(22,031)	(611)
Contributions receivable	5,923	(5,923)
Prepaid	20,309	(20,757)
Inventories	10,727	7,233
Accounts payable	(24,929)	41,846
Accrued expenses	(3,202)	24,634
Deferred revenue	(36,341)	55,184
	<u>(20,640)</u>	<u>225,400</u>
Net cash provided (used) by operating activities		
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(25,891)	(22,224)
Purchase of investments	-	(5,000)
Interest and dividends reinvested in endowment fund	(262)	(285)
	<u>(26,153)</u>	<u>(27,509)</u>
Net cash used by investing activities		
<b>Cash flows from financing activities</b>		
Payments on note payable	(28,394)	(27,198)
Payments on capital lease obligation	(16,471)	(16,470)
	<u>(44,865)</u>	<u>(43,668)</u>
Net cash used by financing activities		
<b>Net increase (decrease) in cash and cash equivalents</b>	(91,658)	154,223
<b>Cash and cash equivalents, beginning of year</b>	<u>426,048</u>	<u>271,825</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 334,390</u></u>	<u><u>\$ 426,048</u></u>
Cash paid during the year for interest	<u><u>\$ 27,452</u></u>	<u><u>\$ 28,647</u></u>

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

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Rocketown of Middle Tennessee (the "Organization") was founded in 1994 as a Tennessee not for-profit corporation. The Organization's mission is to offer hope to the next generation through Christ's love. Rocketown's vision is to be the place of peace, purpose, and possibilities for youth.

The Organization offers creative, spiritual, educational, social, and job preparedness programs and support. A skate park, concert, and event venue are operated at 601 Fourth Avenue South, Nashville, TN and 526 Fifth Avenue South. This facility includes a 9,000 square foot indoor skateboarding park; a small venue, a large state-of-the-art music venue and performance space; the coffee bar, a full-service coffee shop; a dance studio that can be used as a multi purpose room; a recording studio; and four classroom spaces for after-school and summer camp programming. During 2019, the Organization had over 18,638 youth visits and another 253,789 community visits representing every social demographic of the greater Nashville area and surrounding counties.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

*Net assets with donor restrictions* – These net assets results from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates (Continued)

Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists principally of checking and savings account balances with financial institutions. Cash excludes cash restricted for the endowment fund.

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Organization expects to fully collect these items; therefore no allowance for uncollectible accounts has been recorded in the financial statements.

Property, Equipment and Depreciation

Land, building, equipment and furniture purchases in excess of \$1,000 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. Depreciation of property and equipment, other than land, is calculated by the straight-line method over estimated useful lives ranging from three to ten years for equipment and furniture and five to forty years for building and improvements.

Inventories

Inventories consist principally of coffee bar supplies and skate park store products and are reported at lower of cost (first-in, first-out method) or market.

Promises to Give

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 (unless immaterial). Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Organization expects to fully collect these items; therefore, no allowance for doubtful accounts has been recorded in the financial statements.

Promises to give in the future are recognized as net assets with restrictions and revenues in the period promised if the promise is unconditional or the possibility that a condition will not be met is remote.

Donated Goods and Services

Donated facilities and materials are recorded as contributions in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed.

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donated Goods and Services (Continued)

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs and exhibits. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Income taxes for such unrelated business income totaled \$16,499 and \$13,211 in 2019 and 2018, respectively.

Accounting principles generally accepted in the United States of America require the Organization's management 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 Organization's management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2019 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 routine audits by taxing jurisdictions for any tax periods beginning before 2016.

Advertising

All advertising costs are expensed when incurred. There were no direct response advertising costs incurred in 2019 and 2018.

Program and Supporting Services

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

Program Services - includes the direct cost of operating the Organization's indoor skate park, music venue, and coffee bar. Additionally, program services include numerous enrichment programs offered to teenagers visiting the facility, including skateboarding lessons, songwriting, video editing, graffiti art, and dance.

Management and General - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those 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 solicitations and creation and distribution of fundraising materials.

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Recently Issued Accounting Standards

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, and disclosures related to functional allocation of expenses were expanded.

The accompanying information for the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU No. 2016-14

Date of Management's Review

The Organization's management has evaluated subsequent events through November 4, 2019, which is the date the financial statements were available to be issued.

**NOTE B – CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2019 and 2018 were \$-0- and \$5,923, respectively. All amounts are due within one year and considered collectible.

**NOTE C – INTEREST IN NET ASSETS**

Amounts reported in the statements of financial position as interest in net assets represent the cumulative transfers by the Organization to the Firm Foundation of Middle Tennessee (the "Foundation") which is a component fund of the National Christian Charitable Foundation, Inc., as well as earnings thereon. These amounts totaled \$4,898 at June 30, 2019 and 2018. The Foundation holds and invests the funds on behalf of the Organization. The Foundation has variance power over the funds if the Organization fails to comply with the requirements for distribution. The funds are distributable upon request by the Organization and approval of the Foundation. Distributions will be approved if the Organization continues to operate as a 501(c)(3) and a religious Organization. Management does not expect the Organization to fail to comply with the requirements for distribution. Several members of the Organization's board of directors are also members of or related to members of the board of directors for the Foundation.

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE D – INVENTORIES**

Inventories consist of the following as of June 30:

	2019	2018
Skatepark shop merchandise	\$ 32,790	\$ 39,095
Coffee bar merchandise	6,001	10,424
	<u>\$ 38,791</u>	<u>\$ 49,519</u>

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	2019	2018
Land	\$ 2,367,032	\$ 2,367,032
Building and improvements	5,153,637	5,153,637
Machinery and equipment	753,024	734,179
Furniture and fixtures	37,163	37,163
	<u>8,310,856</u>	<u>8,292,011</u>
Less accumulated depreciation	<u>(1,869,776)</u>	<u>(1,716,679)</u>
	<u>\$ 6,441,080</u>	<u>\$ 6,575,332</u>

**NOTE F – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019 and 2018:

	2019	2018
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>		
General support for programs	<u>\$ 116,400</u>	<u>\$ 80,000</u>
<b>Endowment Funds:</b>		
Original gifts and required retained earnings (corpus)-		
Youth programs	15,000	15,000
Accumulated income	4,176	3,444
<b>Total Endowment Funds</b>	<u>19,176</u>	<u>18,444</u>
<b>Total Net Assets With Donor Restrictions</b>	<u>\$ 135,576</u>	<u>\$ 98,444</u>

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**NOTE G – ENDOWMENT FUND**

The Organization has received a donation to establish a permanent endowment fund to provide funds to help support the Organization's various youth programs. Terms of the donation require the funds to be segregated from other Organization funds. Gifts made to the donor-restricted endowment are reported as net assets with donor restrictions.

Changes in endowment net assets as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, Beginning of year	\$ -	\$ 18,444	\$ 18,444
Interest and dividends	-	445	445
Unrealized losses	-	541	541
Realized gains	-	(71)	(71)
Contributions	-	-	-
Amounts appropriated for expenditure	-	(183)	(183)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 19,176</u>	<u>\$ 19,176</u>

Changes in endowment net assets as of June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, Beginning of year	\$ -	\$ 12,846	\$ 12,846
Interest and dividends	-	285	285
Unrealized losses	-	(2,379)	(2,379)
Realized gains	-	2,692	2,692
Contributions	-	5,000	5,000
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 18,444</u>	<u>\$ 18,444</u>

**NOTE H – FAIR VALUE MEASUREMENTS**

The Organization has adopted the provisions of the Fair Value Measurement Topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.



**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

---

**NOTE H – FAIR VALUE MEASUREMENTS (CONTINUED)**

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2* Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2019 and 2018.

A description of the valuation methodologies used for assets measured at fair value is as follows:

Fixed income, mutual funds and other equities and bonds – valued at the closing price reported on the active market on which the individual securities are traded.

Investments and their fair value measurement consist of the following June 30:

	Level 1 2019	Level 1 2018
Cash equivalents	\$ 1,095	\$ 765
Mutual Funds	16,353	15,651
Bonds	1,728	2,028
Total investments	<u>\$ 19,176</u>	<u>\$ 18,444</u>

**NOTE I – LINE OF CREDIT**

The Organization has a \$250,000 revolving line of credit with a financial institution to help finance its short-term capital needs. This note is payable upon demand. Interest is payable monthly on outstanding balances at an interest rate of no less than 4.45%. At June 30, 2019, the line's effective rate of interest was 4.45%. No line of credit borrowings occurred during the years ended June 30, 2019 and 2018 and none have occurred through November 4, 2019. Subsequent to year end on July 26, 2019 they renewed the line of credit for \$500,000 at an interest rate of 6%.

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**NOTE J – LONG TERM DEBT**

Long term debt consists of the following for the Organization at June 30:

	<u>2019</u>	<u>2018</u>
Note payable to a financial institution, fixed interest of 4.25%, monthly principal and interest payments of \$4,654 with final payment due June 2021, secured by buildings and land.	\$ 621,557	\$ 649,951
Less current portion	<u>(29,924)</u>	<u>(28,681)</u>
	<u>\$ 591,633</u>	<u>\$ 621,270</u>

The following table represents future maturities of long-term debt:

<u>Fiscal Year Ending June 30,</u>	
2020	\$ 29,924
2021	31,221
2022	32,574
2023	33,986
Thereafter	<u>493,852</u>
	<u>\$ 621,557</u>

**NOTE K – CAPITAL LEASE OBLIGATION**

Capital lease obligation consists of the following for the Organization at June 30:

	<u>2019</u>	<u>2018</u>
Capital lease obligation to financing company, fixed interest of 3.00%, monthly principal and interest payments of \$1,373 with final payment due October 2019, secured by equipment.	\$ 4,131	\$ 20,602
Less current portion	<u>(4,131)</u>	<u>(16,045)</u>
	<u>\$ -</u>	<u>\$ 4,557</u>

The following table represents future maturities of the capital lease obligation:

<u>Fiscal Year Ending June 30,</u>	
2020	<u>\$ 4,131</u>

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**NOTE L – EMPLOYEE BENEFIT PLAN**

The Organization sponsors a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code in which substantially all employees of the Organization qualify after they have completed one year of service. The plan allows participants to contribute a percentage of their gross pay up to the amount allowable by the Internal Revenue Code. The Organization recognized \$20,961 and \$23,492 as expense under this plan during the years ended June 30, 2019 and 2018, respectively. These amounts were included in the statements of functional expenses as employee benefits.

**NOTE M – LEASE COMMITMENTS**

The Organization leases office equipment under four operating leases which expire at various times between 2018 and 2020. Lease expense for this equipment was \$12,435 and \$19,528 for the years ending June 30, 2019 and 2018, respectively.

The minimum lease payments required under the above operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	
2020	<u>\$ 86</u>

**NOTE N – CONCENTRATIONS**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit with several financial institutions. The Organization maintains balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to significant credit risk related to cash. Uninsured amounts at June 30, 2019 and 2018 were approximately \$55,230 and \$140,759, respectively.

The Organization was awarded seven grants which made up approximately 83% of total foundation contributions and grants revenue for the year ended June 30, 2019. The Organization was awarded six grants which made up approximately 81% of total foundation contributions and grants revenue for the year ended June 30, 2018. One corporation made contributions which comprised approximately 17% of the Organization's total contributions for the year ended June 30, 2019. One corporation made contributions which comprised approximately 20% of the Organization's total contributions for the year ended June 30, 2018.

**NOTE O – QUESTIONED COSTS**

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the granter agency or the granter agency may require that the funds already expended be refunded to the agency. These amounts can be "questioned" by the agency for the specific grant to which they apply.

**ROCKETOWN OF MIDDLE TENNESSE  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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**NOTE O – QUESTIONED COSTS (CONTINUED)**

The determination as to whether such costs will be allowed or disallowed under the grants will be made by the individual granter agency at a later date. No liability was required at June 30, 2019 and 2018 for the repayment of questioned costs as no granter agency has made a determination of the appropriateness of any questioned costs. Management deems the possibility of a refund request to be remote, as they believe that the Organization has accommodated their objective to the provisions of their grants.

**NOTE P – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization's primary sources of support are revenues generated through facility rentals, special events, and contributions. The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditures within one year:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 334,390	\$ 426,048
Accounts receivable	32,462	10,431
Contributions receivable	-	5,923
Interest in net assets	4,898	4,898
Investments	<u>19,176</u>	<u>18,444</u>
Total financial assets, excluding noncurrent receivables	390,926	465,744
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions		
Operating cash – time restrictions	(116,400)	(80,000)
Endowment fund	<u>(19,176)</u>	<u>(18,444)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 255,350</u>	<u>\$ 367,300</u>