STARS NASHVILLE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

STARS NASHVILLE

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December 19, 2018

Independent Auditor's Report

To the Board of Directors
STARS Nashville
Nashville, Tennessee

We have audited the accompanying financial statements of STARS Nashville (the Organization), a non-profit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, 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

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 audits 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 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.

James E. Hamilton : Jeffrey J. Hausman : Ronald T. Wood : Jami A. Pope : Stephanie A. Richerson : Troy J. Tschantz

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STARS Nashville as of June 30, 2018 and 2017, 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.

Puryear, Hamilton, Hausman & Wood, PLC

Franklin, Tennessee

STARS NASHVILLE

Statements of Financial Position

June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 245,192	$ 250,730	$ -	$ 495,922
Investments	1,437,942	235,411	-	1,673,353
Accounts receivable	76,613	-	-	76,613
Unconditional promises to give	-	731,947	-	731,947
Grants receivable	136,840	-	-	136,840
Prepaid expenses	21,271	-	-	21,271
Total current assets	1,917,858	1,218,088	-	3,135,946
Property and equipment, net	2,717,059	-	-	2,717,059
Other assets, net	-	5,250	-	5,250
Investments	-	-	167,150	167,150
Total assets	$4,634,917	$1,223,338	$ 167,150	$6,025,405
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$ 76,040	$ -	$ -	$ 76,040
Accrued wages and benefits	180,859	-	-	180,859
Unearned revenue	9,840	-	-	9,840
Total current liabilities	266,739	-	-	266,739
Net assets	4,368,178	1,223,338	167,150	5,758,666
Total liabilities and net assets	$4,634,917	$1,223,338	$ 167,150	$6,025,405

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE

Statements of Financial Position (Continued)

June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 58,565	$ 295,874	$ -	$ 354,439
Investments	1,419,204	213,257	-	1,632,461
Accounts receivable	92,366	9,050	-	101,416
Unconditional promises to give	5,000	776,149	-	781,149
Grants receivable	102,695	-	-	102,695
Prepaid expenses	21,713	-	-	21,713
Total current assets	1,699,543	1,294,330	-	2,993,873
Property and equipment, net	2,804,625	-	-	2,804,625
Other assets, net	-	26,250	-	26,250
Investments	-	-	167,150	167,150
Total assets	$4,504,168	$1,320,580	$ 167,150	$5,991,898
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$ 39,784	$ -	$ -	$ 39,784
Accrued wages and benefits	173,619	-	-	173,619
Unearned revenue	10,500	-	-	10,500
Total current liabilities	223,903	-	-	223,903
Net assets	4,280,265	1,320,580	167,150	5,767,995
Total liabilities and net assets	$4,504,168	$1,320,580	$ 167,150	$5,991,898

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
School contract fees	$ 1,376,018	$ -	$ -	$1,376,018
Contributions	557,248	862,107	-	1,419,355
Grants	648,854	-	-	648,854
Special events	136,112	5,000	-	141,112
Program service fees and funding	182,082	-	-	182,082
Consulting income	96,955	-	-	96,955
Investment income - net	99,258	22,154	-	121,412
Miscellaneous	40,229	-	-	40,229
Net assets released from restrictions	986,503	(986,503)	-	-
Total public support and revenue	4,123,259	(97,242)	-	4,026,017
Expenses:				
Program services:				
Youth services	3,310,577	-	-	3,310,577
Supporting services:				
Fundraising	372,529	-	-	372,529
Management and general	352,240	-	-	352,240
Total expenses	4,035,346	-	-	4,035,346
Increase (decrease) in net assets	87,913	(97,242)	-	(9,329)
Net assets at beginning of year	4,280,265	1,320,580	167,150	5,767,995
Net assets at end of year	$ 4,368,178	$1,223,338	$ 167,150	$5,758,666

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE

Statements of Activities and Changes in Net Assets (Continued)

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
School contract fees	$ 1,383,007	$ -	$ -	$1,383,007
Contributions	975,721	922,232	-	1,897,953
Grants	547,161	-	-	547,161
Special events	147,070	37,750	-	184,820
Program service fees and funding	118,842	-	-	118,842
Consulting income	91,591	-	-	91,591
Investment income - net	104,441	34,981		139,422
Miscellaneous	40,801	-	-	40,801
Net assets released from restrictions	953,497	(953,497)	-	-
Total public support and revenue	4,362,131	41,466	-	4,403,597
Expenses:				
Program services:				
Youth services	3,266,268	-	-	3,266,268
Supporting services:				
Fundraising	380,531	-	-	380,531
Management and general	356,808	-	-	356,808
Total expenses	4,003,607	-	-	4,003,607
Increase (decrease) in net assets	358,524	41,466	-	399,990
Net assets at beginning of year	3,921,741	1,279,114	167,150	5,368,005
Net assets at end of year	$ 4,280,265	$1,320,580	$ 167,150	$5,767,995

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE

Statements of Functional Expenses

For the Year Ended June 30, 2018

	Program Services	Supporting Services		
	Youth Services	Fundraising	Management and General	Total
Personnel expense	$2,971,250	$ 198,107	$ 226,361	$ 3,395,718
Professional fees	41,714	12,140	35,202	89,056
Supplies	38,506	5,634	3,191	47,331
Telephone	15,252	1,292	2,700	19,244
Postage	181	612	767	1,560
Occupancy	55,467	5,774	9,226	70,467
Equipment rental and maintenance	180	242	6,900	7,322
Printing and publications	25,561	32,118	736	58,415
Travel, meetings, and conferences	65,396	7,745	4,971	78,112
Insurance	14,285	313	14,594	29,192
Membership dues and awards	862	596	4,267	5,725
Special events	-	82,145	-	82,145
National dues	-	-	5,000	5,000
Investment fees	-	-	16,524	16,524
Miscellaneous expense	7,927	1,392	6,548	15,867
Total expenses before depreciation and amortization	3,236,581	348,110	336,987	3,921,678
Depreciation of property and equipment and amortization of other assets	73,996	24,419	15,253	113,668
Total expenses	$3,310,577	$ 372,529	$ 352,240	$ 4,035,346
Percent of total expenses	82%	9%	9%	100%

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE

Statements of Functional Expenses (Continued)

For the Year Ended June 30, 2017

	Program Services	Supporting Services		
	Youth Services	Fundraising	Management and General	Total
Personnel expense	$2,937,809	$ 201,482	$ 226,629	$3,365,920
Professional fees	45,410	43,700	40,684	129,794
Supplies	39,317	6,822	6,299	52,438
Telephone	16,309	1,264	3,198	20,771
Postage	566	1,898	653	3,117
Occupancy	60,330	5,037	8,986	74,353
Equipment rental and maintenance	(50)	-	6,162	6,112
Printing and publications	18,073	12,821	4,985	35,879
Travel, meetings, and conferences	54,056	6,981	1,861	62,898
Insurance	10,338	217	18,849	29,404
Membership dues and awards	480	582	3,989	5,051
Special events	-	72,520	-	72,520
National dues	-	-	5,000	5,000
Investment fees	-	-	13,604	13,604
Miscellaneous expense	7,039	915	5,061	13,015
Total expenses before depreciation and amortization	3,189,677	354,239	345,960	3,889,876
Depreciation of property and equipment and amortization of other assets	76,591	26,292	10,848	113,731
Total expenses	$3,266,268	$ 380,531	$ 356,808	$4,003,607
Percent of total expenses	82%	9%	9%	100%

See independent auditor's report and accompanying notes to financial statements.

STARS NASHVILLE

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating activities:		
Increase (decrease) in net assets	$ (9,329)	$ 399,990
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	92,668	92,731
Amortization	21,000	21,000
Net unrealized (gains) losses on investments	(60,350)	69,862
Net realized (gains) losses on investments	(14,784)	(173,801)
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give - Unrestricted	5,000	(5,000)
(Increase) decrease in unconditional promises to give - Restricted	44,202	30,840
(Increase) decrease in accounts receivable - Unrestricted	15,753	395
(Increase) decrease in accounts receivable - Restricted	9,050	2,915
(Increase) decrease in grants receivable	(34,145)	(5,229)
(Increase) decrease in prepaid expenses	442	653
Increase (decrease) in accounts payable	36,256	1,365
Increase (decrease) in accrued wages and benefits	7,240	24,099
Increase (decrease) in unearned revenue	(660)	(50)
Net cash provided by (used for) operating activities	112,343	459,770
Investing activities:		
Purchases (sales) of investments, net	34,242	(527,057)
Purchases of property and equipment	(5,102)	(4,145)
Net cash provided by (used for) investing activities	29,140	(531,202)
Increase (decrease) in cash and cash equivalents	141,483	(71,432)
Cash and cash equivalents at beginning of year	354,439	425,871
Cash and cash equivalents at end of year	$ 495,922	$ 354,439

See independent auditor's report and accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

STARS Nashville (the Organization) was established in 1984 as a nonprofit organization and exists to serve schools and communities in Middle Tennessee by providing prevention, intervention and treatment services that address bullying, substance abuse, violence, and social and emotional barriers to success. The Organization provides some services under the name Kids on the Block.

The Organization is listed on the U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration's (SAMHSA) National Registry of Evidence-based Programs and Practices (NREPP).

(b) Accrual Basis

The financial statements of the Organization are prepared using the accrual basis of accounting, under which revenues are recognized when earned rather that when collected and expenses are recognized when incurred rather than when disbursed.

(c) Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

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

Temporarily Restricted - 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

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assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they 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.

(d) Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(e) Use of Estimates

Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

(f) Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

(g) Fair Value Measurements

The Organization follows FASB ASC 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. FASB ASC 820-10 defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles. The current practice includes: (1) the definition of fair value, which focuses on an exit price rather than on entry price; (2) the methods used to measure fair value, such as emphasis that fair value is a market-based measurement, not an entity-specific measurement, as well as the inclusion of an adjustment for risk, restrictions, and credit standing; and (3) the expanded disclosures about fair value measurements. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

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Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available. These inputs may be supported by little or no market activity.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, accounts and grants receivable, unconditional promises to give, investments, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value. There are no financial instruments categorized as Level 2 or Level 3.

(h) Investments

Investments consist of equity and mutual funds and are measured on a recurring basis at fair value at the reporting date using quoted prices in active markets for identical assets (Level 1). Unrealized gains and losses are recognized in the Statements of Activities and Changes in Net Assets. Gains and investment income whose restrictions are met in the same reporting period are shown as unrestricted support.

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(i) **Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

(j) **Accounts Receivable and Unconditional Promises to Give**

The Organization uses the allowance method to determine uncollectible accounts receivable and unconditional promises to give. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of accounts receivable and unconditional promises to give. There was no allowance for doubtful accounts at June 30, 2018 and 2017. It is reasonably possible that management's estimate of the allowance for doubtful accounts could change. Receivables and unconditional promises to give are charged against the allowance when management believes the collectibility of the receivable is unlikely. For the years ended June 30, 2018 and 2017, there was no bad debt expense. Accounts receivable are considered delinquent after ninety days. Late fees and interest are not assessed on delinquent accounts. It is not the policy of the Organization to place a customer on non-accrual status. At June 30, 2018 and 2017, $0 and $10,249, respectively, of accounts receivable and unconditional promises to give are greater than ninety days old.

(k) **Property and Equipment**

The Organization's property consists of land, building, building improvements, furniture, fixtures, and equipment.

Property and equipment are recorded at cost, or at appraised value if donated. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets. The Organization capitalizes items that are greater than or equal to $1,000 and expenses items under $1,000. The Organization uses the direct expensing method to account for planned major maintenance activities.

In accordance with FASB ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. No impairments have been recognized on any property at June 30, 2018 and 2017.

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(l) Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Such temporarily restricted revenues totaled $889,261 and $994,963 during the years ended June 30, 2018 and 2017, respectively, and are included in temporarily restricted revenues on the Statements of Activities and Changes in Net Assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There was no permanently restricted revenue for the years ended June 30, 2018 and 2017.

(m) Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

(n) Unearned Revenue

The Organization receives advance funds under certain school contracts. The funds are recorded as unearned revenue until the services are performed, at which time the Organization recognizes the funds as school contract fees.

(o) Income Taxes

The Organization has obtained a determination letter from the Internal Revenue Service effective July 1, 2000, which qualifies the Organization as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal or state income taxes. The Organization is not classified as a private foundation. Unrelated business taxable income generated by the Organization is primarily related to certain consulting and rental activities.

The Organization follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which

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those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified in management and general expenses in the Organization's financial statements.

(p) Donated Services and Supplies

Certain contributed supplies and specialized services are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Volunteer services, which neither create nor enhance non-financial assets, or do not require specialized skills, are not recognized as support.

(q) Advertising

Advertising is expensed as incurred.

(r) Compensated Absences

The Organization's employees are entitled to paid vacation, sick days, and personal days off, depending on job classification, length of service, and other factors. Vacation and personal days not taken by the end of the Organization's fiscal year are forfeited. It is impracticable for the Organization to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

(s) Subsequent Events

The Organization has evaluated subsequent events through December 19, 2018, the date the financial statements were available to be issued.

(2) Investments

Investments are stated at fair value (Level 1) and are summarized at June 30, 2018 and 2017 as follows:

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2018:

	Cost	Fair Value	Carrying Value
Equity Funds	$1,607,582	$1,741,056	$1,741,056
Mutual Funds	99,270	99,447	99,447
	$1,706,852	$1,840,503	$1,840,503

2017:

	Cost	Fair Value	Carrying Value
Equity Funds	$1,726,311	$1,799,611	$1,799,611
Mutual Funds	-	-	-
	$1,726,311	$1,799,611	$1,799,611

The amounts invested, market value, and yields at June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Fair value	$1,840,503	$1,799,611
Cost	(1,706,853)	(1,726,311)
Unrealized gain	$ 133,650	$ 73,300
Investment income	$ 46,277	$ 35,483
Net unrealized gain (loss) on investments	60,350	(69,862)
Net realized gain (loss) on sale of investments	14,784	173,801
Net investment income	$ 121,411	$ 139,422

The Organization recognized $16,524 and $13,604 of trust fee expenses related to the net investment income, that is included in management and general expenses, for the years ended June 30, 2018 and 2017, respectively.

(3) Unconditional Promises to Give

There are $5,000 of unconditional promises to give - unrestricted at June 30, 2017. Unconditional promises to give - restricted, which are not funded until a subsequent year and are temporarily restricted for use during a subsequent year, at June 30, 2018 and 2017, represent pledges for donations or grants as follows:

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	2018	2017
United Way Services	$ 731,947	$ 776,149
	$ 731,947	$ 776,149
Amounts due in:		
Less than one year	$ 731,947	$ 776,149

(4) Property and Equipment

At June 30, 2018 and 2017, the Organization's building, property, and equipment is recorded as follows:

	Useful Lives (Years)	2018	2017
Land	-	$ 335,000	$ 335,000
Building and improvements	39	3,136,123	3,136,123
Furniture and equipment	2 - 7	320,729	315,628
		3,791,852	3,786,751
Less - Accumulated depreciation		(1,074,793)	(982,126)
		$2,717,059	$2,804,625

Depreciation expense for the years ended June 30, 2018 and 2017 totaled $92,668 and $92,731, respectively.

(5) Other Assets

During 2009, the Organization purchased a golf club membership through donor gifts to assist the Organization with its annual fundraiser over the next ten years. A total membership cost of $210,000 has been capitalized and is being amortized over a 10-year period. Amortization expense is being recorded using the straight-line method and totaled $21,000 for the years ended June 30, 2018 and 2017. Estimated amortization expense for the final fiscal year is as follows:

2019	$5,250

The Organization's future cash flows are not materially impacted by its ability to extend or renew the membership agreement. The membership agreement does not have renewal or extension terms.

(6) Pension Plan

The Organization has adopted a 401(k) profit sharing plan (the Plan), which covers employees who have completed 1,000 hours of service within twelve months of

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their commencement date, and employees vest immediately upon entering the Plan. The Organization makes matching safe-harbor contributions to each eligible and contributing participant in the amount of 100% of the first 3% of the participant's compensation, then 50% between 3% and 5% of the participant's compensation for the Plan year. The Organization can make discretionary contributions to the Plan. Total expenses for the Plan for the years ended June 30, 2018 and 2017 were approximately $50,000, and are included in the Statements of Functional Expenses in personnel expense.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following purposes:

	2018	2017
For use in the year ended June 30, 2019	$ 862,457	$ -
For use in the year ended June 30, 2018	-	934,354
Endowment income not appropriated	235,411	213,256
Specific programs	85,320	115,820
Membership rights, net of amortization	5,250	26,250
Building	34,900	30,900
	$1,223,338	$1,320,580

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors at June 30, 2018 and 2017 as follows:

	2018	2017
Time restrictions	$ 935,003	$ 930,047
Membership rights	21,000	21,000
Specific programs	30,500	2,450
	$ 986,503	$ 953,497

(8) Permanently Restricted Net Assets

Net assets in the amount of $167,150 at June 30, 2018 and 2017, are permanently restricted for an endowment fund. The interest is unrestricted but included in temporarily restricted net assets until appropriated.

The Organization's endowment consists of one fund established as a general endowment to support the mission of the Organization. There are no funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as

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endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies - The Organization has adopted investment policies, approved by the Board of Directors, that attempt to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed so as not to expose the fund to unacceptable levels of risk.

Spending Policy - The Organization has adopted a spending policy allowing accumulated earnings, plus 5% of the principal amount, to be used each year for fixed operating costs. Approval from the Board of Directors is required before any endowment funds are withdrawn.

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ -	$167,150	$ 167,150
Amounts not appropriated	-	235,411	-	235,411
Total funds	$ -	$ 235,411	$167,150	$ 402,561

(Continued)

2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ -	$167,150	$ 167,150
Amounts not appropriated	-	213,256	-	213,256
Total funds	$ -	$ 213,256	$167,150	$ 380,406

Changes in endowment net assets as of June 30, 2018 and 2017 are as follows:

2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ -	$ 213,257	$167,150	$ 380,407
Investment income (loss)	-	6,416	-	6,416
Net appreciation (depreciation)	-	15,738	-	15,738
Endowment net assets, end of year	$ -	$ 235,411	$167,150	$ 402,561

2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Assets
Endowment net assets, beginning of year	$ -	$ 178,276	$167,150	$ 345,426
Investment income (loss)	-	63,299	-	63,299
Net appreciation (depreciation)	-	(28,318)	-	(28,318)
Endowment net assets, end of year	$ -	$ 213,257	$167,150	$ 380,407

(9) Leases

The Organization leases office space in the Youth Opportunity Center (YOC) to several unrelated non-profit organizations. The YOC was developed specifically to align existing youth initiatives, resources, and expertise to increase the operating efficiency of the partner agencies. The lease terms call for these organizations to reimburse the Organization for only the costs of operating and maintaining the leased portion of the building based on the occupied square footage. The costs do not include interest or depreciation, but do include a 10% administrative fee. Lease terms vary from month-to-month to one year.

As a result of these arrangements, the Organization received approximately $40,000 in June 2018 and 2017, which is included in miscellaneous income on the Statements of Activities and Changes in Net Assets.

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The Organization also bartered with two medical professionals for professional services in exchange for office space under one year lease agreements. These arrangements ended on December 31, 2017.

The Organization leases office equipment under operating leases. Total lease expense incurred by the Organization was approximately $3,000 for the years ended June 30, 2018 and 2017, and is included in equipment rental and maintenance on the Statements of Functional Expenses.

The future minimum lease payments required under these operating leases as of June 30, 2018 are as follows:

2019	$ 2,928
2020	2,928
2021	732
	$ 6,588

(10) Income Taxes

The Organization recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Organization's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (years ended June 30, 2015 through 2017), or expected to be taken in the Organization's tax return for the year ended June 30, 2018. The Organization identified its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months.

The Organization is subject to taxes on its unrelated business income. At June 30, 2018 and 2017, the Organization had net operating loss carryforwards for tax purposes of approximately $107,000 and $110,000, respectively, for Federal and approximately $18,000 and $21,000, respectively, for State available to offset future unrelated business income. These carryforwards will begin to expire in 2026, if not previously utilized.

Although the Organization has generated net operating income from unrelated business income relating to its consulting activities, the deferred tax asset has been netted against a 100% valuation allowance since there is no indication of material future income at this time, as follows:

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	2018	2017
Deferred tax asset:		
Net operating carryforwards - Federal	$22,000	$16,000
Net operating carryforwards - State	1,000	1,000
Valuation allowance	(23,000)	(17,000)
Net deferred tax asset	$ -	$ -

On December 22, 2017, new federal tax reform legislation was enacted in the United States, resulting in significant changes from previous tax law. The 2017 Tax Act establishes a flat federal corporate tax rate of 21% effective January 1, 2018. The rate change resulted in an increase of the Organization's net deferred tax assets of approximately $6,000.

During the years ended June 30, 2018 and 2017, the Organization did not recognize any interest and penalties relating to taxes, nor were any accrued at June 30, 2018 and 2017. The valuation allowance changed by $6,000 and $3,000 during the years ended June 30, 2018 and 2017, respectively.

(11) Related Party Transactions

The Organization paid annual dues of $5,000 for the years ended June 30, 2018 and 2017 to Center for Youth Issues, Inc. (National), which is the Organization's national affiliate.

During the year ended June 30, 2017, the Organization provided services to National totaling approximately $2,000.

(12) Section 125 Plan

The Organization has adopted a cafeteria plan (the Plan) under Section 125 of the Internal Revenue Code, allowing a choice between cash and certain qualified benefits. Benefits are entirely funded through employee pre-tax deductions and employer contributions used to purchase elected benefits. Benefit options under the Plan consist of medical and dental insurance, which are provided through insurance policies for employees who work at least thirty hours a week, and a flexible spending account.

(13) Donated Services and Equipment

The Organization receives donated services from several unpaid volunteers assisting the Organization in various activities. No amounts have been recognized in the accompanying Statements of Activities and Changes in Net Assets because the criteria for recognition of such volunteer effort under FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

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(14) Board Designated Restrictions

At June 30, 2018 and 2017, the Board has designated $888,161 and $837,757, respectively, of investments and cash and cash equivalents for the Building Reserve Fund, which is included in unrestricted net assets. At June 30, 2018 and 2017, the Board has also designated $50,000 of investments for operating funds for the subsequent year, which is also included in unrestricted net assets.

(15) Concentrations of Credit Risk

A significant portion of the Organization's revenue is derived from individuals, organizations, schools, and foundations in middle Tennessee and grants from the State of Tennessee. The following organizations and one foundation contributed more than 10% of total public support and revenue during 2018 and 2017:

	2018	2017
Williamson County Board of Education	15%	12%
Metropolitan Nashville Board of Education	11%	11%
Family Charitable Foundation	1%	11%
Tennessee Department of Mental Health	7%	10%

At June 30, 2018, three (3) organizations represent 83% of grants receivable, 99% of unconditional promises to give are due from four (4) local United Way organizations, and two (2) organizations represent 65% of accounts receivable.

At June 30, 2017, three (3) organizations represent 85% of grants receivable, 98% of unconditional promises to give are due from four (4) local United Way organizations, and two (2) organizations represent 87% of accounts receivable.

(16) Risk on Uninsured Cash

The standard FDIC insurance amount is $250,000 per depositor, per insured bank; and therefore, amounts in excess of $250,000 held by the Organization during the years ended June 30, 2018 and 2017 were uninsured and uncollateralized. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation (SIPC), which provides limited protection to investors. SIPC coverage is limited to specified investor-owned securities (notes, bonds, mutual funds, investment company securities, and registered securities) held by an insolvent SIPC member at the time a supervising trustee is appointed. The SIPC also protects against unauthorized trading in the

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Organization's security account. SIPC coverage is limited to $500,000 per customer, including $250,000 for cash that is on deposit as the result of a security transaction. The SIPC protection does not insure against market risk.

(17) Recent Accounting Pronouncements

FASB issued Accounting Standards Update 2016-14 regarding the presentation of financial statements of not-for-profit entities. The accounting update reduces the present required three net asset classes to two and presents them as net assets without donor restrictions and net assets with donor restrictions. The standard also expands disclosures regarding restrictions imposed by donors; board designated restrictions; liquidity and expense categories. The accounting update is effective for fiscal years beginning after December 15, 2017, and will be applied on a retrospective basis.

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers,"* which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-4, *"Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date,"* which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *"Leases"* ("ASC 842"), which requires lessees to recognize assets and liabilities for most leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard will be effective for annual reporting periods beginning after December 15, 2019. Accordingly, this ASU will be effective for the Organization for the year ending June 30, 2021. The Organization is currently evaluating the impact that adoption of this ASU will have on the Organization's financial position and results of operations.