

**FUNDING AGREEMENT BETWEEN THE CITY OF FRANKLIN AND
FRANKLIN TOMORROW, INC.**

COF Contract No. 2017-0159

This Funding Agreement is effective on July 1, 2017, between and among the City of Franklin, Tennessee, a political subdivision of the State of Tennessee (the "City") and FRANKLIN TOMORROW, INC. (the "Agency"), a Tennessee nonprofit corporation.

RECITALS

WHEREAS, Tennessee Code Annotated ("TCA") Section 6-54-111, as amended, authorizes a municipality's governing body to appropriate funds for the financial aid of any nonprofit charitable organization that provides year-round services benefiting the general welfare of the residents of the municipality or any nonprofit civic organization working to maintain and increase employment opportunities in the municipality; and

WHEREAS, the TCA also provides for the Comptroller of the Treasury to establish standard procedures to assist the municipal governing body in the disposition of funds so appropriated; and

WHEREAS, the municipality wishes to comply with the following laws and rules:

1. A municipality may appropriate funds for only those nonprofit charitable organizations that provide year-round services benefiting the general welfare of the residents of the municipality, or any nonprofit civic organization classified under Sections 501(c)(4) or (6) of the Internal Revenue Code working to maintain and increase employment opportunities in the municipality.

2. The governing body of each municipality shall adopt an adequate agreement stating the purpose for which the funds are being appropriated, for each nonprofit organization that is to receive municipal funds.

3. The budget document of the municipality shall include the name of each nonprofit organization and the specific amount appropriated for each organization.

4. Municipal payments to nonprofit organizations shall be limited to the amounts appropriated for such purposes and in keeping with the municipality's guidelines for how the appropriated funds may be spent.

5. Pursuant to Tennessee Code Annotated §6-54-111(c), the Agency shall file with the City a copy of the annual report of its business affairs and transactions that includes, but is not limited to:

- (a) Either a copy of the Agency's most recently completed annual audit or an annual report detailing all receipts and expenditures in a form prescribed by the comptroller of the treasury (a blank copy of which is attached as Exhibit A) and certified by the chief financial officer of the Agency;
- (b) A description of the program that serves the residents of the municipality (a blank copy of which is attached as Exhibit B); and
- (c) The proposed use of the municipal assistance (a blank copy of which is attached as Exhibit C).

The report filed shall be open for public inspections during regular business hours of the City.

6. For appropriations to nonprofit civic organizations, notices shall be published in a newspaper of general circulation in the municipality of the intent to make an appropriation, specifying the intended amount and purpose; and

WHEREAS, the City and the Agency intend to enter into this agreement for the purpose of defining the Agency's use of the monies received from the City in fiscal year 2017-2018.

NOW, THEREFORE, in consideration of the mutual covenants and promises, the parties agree as follows:

1. TERM

This agreement shall be effective from and after the effective date and shall extend through June 30, 2018, unless otherwise terminated in accordance herewith.

2. OBLIGATIONS OF CITY OF FRANKLIN

2.1 In accordance with City guidelines after all administrative costs are deducted therefrom, the City will contribute to the Agency the amount of THIRTY-FOUR THOUSAND SIX HUNDRED TEN and 00/100 DOLLARS (\$34,610.00).

2.2 Payments will be made in quarterly installments, payable at or near the beginning of each quarter.

3. OBLIGATIONS OF THE AGENCY

3.1 Use of Funds. The Agency shall use the City funds for the sole and limited purpose of community and economic development of the City of Franklin according to the Statement of Work and Program Objectives provided in Exhibit B, a copy of which is attached hereto and incorporated by reference herein.

3.2 Work Plan. In order to accomplish the objective(s) set forth in paragraph 3.1, the agency shall submit to the City a Work Plan that describes, in detail, the efforts to be undertaken by the Agency to accomplish the performance objectives set forth in Exhibit B, a copy of which is attached hereto as Exhibit C and incorporated by reference herein. At a minimum, the Work Plan shall include that information required by Exhibit B. The Agency

shall coordinate its performance under this Agreement with the City. The Agency shall advise and consult with the City Administrator or his/her designee, with respect to its performance under this Agreement.

3.3 Annual Budget. The Agency shall submit an annual budget in a form and on a schedule acceptable to the City. The annual budget shall contain a detailed analysis of the project administrative expenses for operations and reasonable estimates of the projected amounts to be spent for the services to be provided and Work Plan to be implemented for the calendar year. The budget shall be submitted to the City with this agreement.

3.4 Reporting. Pursuant to Tennessee Code Annotated §6-54-111(c), the Agency shall file with the City a copy of the annual report of its business affairs and transactions that includes, but is not limited to:

- (a) Either a copy of the Agency's most recently completed annual audit or an annual report detailing all receipts and expenditures in a form prescribed by the comptroller of the treasury (a blank copy of which is attached as Exhibit A) and certified by the chief financial officer of the Agency;
- (b) A description of the program that serves the residents of the municipality; and
- (c) The proposed use of the municipal assistance.

The report filed shall be open for public inspections during regular business hours of the City.

3.5 Insurance. The Agency shall maintain professional liability and general liability insurance coverages as are reasonably necessary to cover any liability arising out of the acts or omissions of the Agency and its employees. The Agency shall maintain workers' compensation insurance as required by the laws of the State of Tennessee.

The Agency shall require all third parties utilized by the Agency ("Contractors") to maintain professional liability and general liability insurance coverages as are reasonably necessary to cover any liability arising out of the acts or omissions of the Contractors and its employees. The Agency shall require contractors to maintain workers' compensation as required by the State of Tennessee. The contractor's general liability insurance shall be of sufficient limits to provide defense and settlement expenses for Agency that result from the contractor liability. To the extent permissible, the Agency shall require each Contractor to endorse the Agency as an additional insured on the Contractor's general liability policies.

To the extent permitted by law, the Agency shall require such Contractor to indemnify and hold the Agency harmless against any liability caused by acts or omissions of the Contractor and its employees.

Insurance information will be provided to the City upon request. The Agency shall notify the City immediately of incidents that could lead to a major claim against the Agency.

4. **RESTRICTION ON USE OF FUNDS**

The Agency does hereby warrant and represent that the City Funds shall not be utilized by either the Agency or any of its Contractors for the following purposes:

- 4.1 Any claim or litigation against the City or any department or division of the City.
- 4.2 Any political or levy campaigning purposes.

5. **RECORDS AND AUDITS**

5.1 **Accounting.** The Agency shall maintain full, accurate and complete financial and accounting books, records and reports ("Records") of all direct and indirect uses and expenditures of the City Funds consistent with generally accepted accounting principles (GAAP).

5.2 **Maintenance of Records.** The Agency shall keep records relating to all uses and expenditures of the City Funds received pursuant to this Agreement. The Agency shall maintain a system of bookkeeping adequate for its operations hereunder and shall submit reports from such system to the City and the Agency on an annual basis for review and approval. The Agency shall keep and preserve for at least five (5) years following each calendar year all sales slips, rental agreements, purchase orders, sales books, cash register tapes, credit card invoices, payroll records, duplicate deposit tapes and invoices, bank accounts, cash receipts and cash disbursements, bank books and other evidence of receipts and expenditures for such period.

5.3 **Audit.** The City or the City's designated representative, at the City's cost and expense, shall have the right to audit the Agency's Records at any time but shall not unreasonably interfere with the Agency's business or operations in connection with any such audit. The Agency acknowledges that this Agreement may be subject to audit by the Auditor of the State of Tennessee.

5.4 **Repayment.** If an audit discloses the Agency has received or retained City Funds in error or in excess of those to which the Agency is entitled under this Agreement or has used the City Funds for a purpose not authorized by this Agreement, the Agency agrees to promptly repay to the City the full amount of such City Funds, with interest thereon at the rate equal to the 90-day U.S. Treasury Note at the time. In the event the Agency fails to promptly repay to the City the full amount of such City Funds, the City may elect to withhold said City Funds from any future payments to the Agency.

5.5 **Additional Remedies.** In addition to the repayment remedy set forth in paragraph 5.4 herein, the City may elect to terminate this Agreement as set forth in section 6, herein with a minimum of 30 days written notice to the Agency's President and Chair of the Board with opportunity to cure any breach.

6. **TERMINATION**

If either party hereto breaches any term, condition, representation, warranty or covenant contained in this Agreement, or if the Agency engages in any malfeasance or misfeasance with respect to the City Funds, the non-breaching party may elect to terminate this Agreement with a minimum of 30 days written notice to the other party with opportunity to cure any breach.

7. **MISCELLANEOUS PROVISIONS**

7.1 The Agency and the City agree that, as a condition to this Agreement, they shall not discriminate against any employee on the basis of race, color, sex, religion, natural origin, handicap, or any other factor specified in Title VI of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans with Disabilities Act, and subsequent amendments thereto, and all other federal and state laws regarding such discrimination.

7.2 The Agreement may be amended at any time, or any provision hereof may be waived, by written consent of all parties hereto.

7.3 This Agreement shall be governed by and construed under the laws of the State of Tennessee.

7.4 The Agency and the City shall conform to the requirements of all applicable laws and regulations of the State of Tennessee governing the execution of their respective duties under this Agreement.

(Signatures on next page)

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS Agreement as of this 8TH day of AUGUST, 2017 by

FRANKLIN TOMORROW, INC

By: Mindy D. Tate

Name: Mindy G. Tate

Title: Executive Director

Date: 8/8/17

CITY OF FRANKLIN

By: 
Dr. Ken Moore, Mayor

Date: 8-15-17

By: 
Eric Stuckey, City Administrator

Approved as to form:

By: Shauna R. Billingsley
Shauna R. Billingsley, City Attorney

EXHIBIT A

**Annual Reporting Form for Nonprofit Organizations
Seeking Financial Assistance from Local Governments**

Franklin Tomorrow Inc.

Name of Nonprofit Organization				
198 E. Main St., Suite 4	Franklin	Williamson	TN	37064
Street Address	City	County	State	Zip

Annual Financial Report of Cash Receipts, Disbursements, and Balances

For the Fiscal Year from Jan. 1 through Dec. 31, 2016

Report Required by Title 5, Chapter 9, Part 1,

And Title 6, Chapter 54, Part 1, *Tennessee Code Annotated*

Receipts

Federal Grants	\$ <u>0</u>	
State Grants	<u>0</u>	
Financial Assistance from Local Governments	<u>37,012.00</u>	
Donations and Gifts from Citizens	<u>4,576.00</u>	
Membership Dues	<u>0</u>	
Fees/Charges for Services	<u>0</u>	
Fundraising Events	<u>278,436.00</u>	
Sale of Assets	<u>0</u>	
Loans-Borrowed Funds	<u>0</u>	
Investment Income	<u>0</u>	
Other Receipts	<u>107</u>	
Total Receipts		\$ <u>320,131.00</u> (A)

Disbursements

Grants and Other Assistance Paid to Other Organizations and Individuals	\$	<u>1,258.00</u>	
Salaries and Wages		<u>82,177.00</u>	
Employee Benefits		<u>1,500.00</u>	
Payroll Taxes		<u>6,286.00</u>	
Fees for Services (non-employee)		<u>8,204.00</u>	
Advertising and Promotion		<u>2,209.00</u>	
Office Expenses		<u>2,060.00</u>	
Leases/Rentals		<u>10,295.00</u>	
Maintenance and Repairs		<u>374.00</u>	
Supplies		<u>2,265.00</u>	
Travel		<u>0.00</u>	
Utilities		<u>2,854.00</u>	
Insurance		<u>3,624.00</u>	
Conferences, Conventions and Meetings		<u>1,889.00</u>	
Interest		<u>107.00</u>	
Purchase of Capital Assets – Vehicles and Equipment		<u>0.00</u>	
Purchase of capital Assets – Property and Buildings		<u>0.00</u>	
Loan Payments		<u>0.00</u>	
Other		<u>164,621.00</u>	
Total Disbursements	\$		<u>289,723.00 (B)</u>
Cash Receipts Less Disbursements for the fiscal Year (A-B=C)	\$		<u>30,408.00 (C)</u>
Cash Balance - at the beginning of the fiscal year	\$		<u>55,529.00 (D)</u>
Cash Balance - at the end of the fiscal year (C+D=E)	\$		<u>86,374.00 *(E)</u>

* Accounts payable outstanding year-end of \$437.00

Details of Cash Balance - at the end of the fiscal year

Cash on Hand	\$	<u>86,374.00</u>
Cash in Bank – Checking		<u>86,374.00</u>
Cash in Bank – Savings Accounts		<u> </u>

Cash in Bank – Certificates of Deposits _____
Other Cash _____
Total Cash - at the end of the fiscal year \$ 86,374.00 (E)

Please Explain Proposed Use of the Financial Assistance from Local Governments.

Franklin Tomorrow will continue to present programming which provides opportunities for community education and involvement for citizens. That would include the quarterly Breakfast With the Mayors; the monthly FrankTalks lecture series; and the Get Fit Franklin project. Additionally, Franklin Tomorrow continues to examine, educate and advocate for continued connectivity and sidewalk linkage.

I certify that this report accurately presents the cash receipts, disbursements, and balances of the Franklin Tomorrow Inc. for the fiscal year noted above.

Name of Nonprofit Organization

Person Preparing Report

Mindy G. Tate

Printed Name

Mindy G. Tate

Signature

Phone Number 615-794-0998 Email Address mindy@franklintomorrow.org Date 8/8/17

EXHIBIT B

STATEMENT OF WORK AND PROGRAM OBJECTIVES

The Agency 2017-2018 Statement of Work and Program Objectives (description of program) shall include:

1. Provide engagement and education opportunities for those who work, live and play in Franklin
2. Continue to serve as a research and idea generation source for projects which can enhance the quality of life for current and future Franklin residents
3. Seek out new partnerships and opportunities for collective impact in our community

EXHIBIT C

WORK PLAN

The Agency 2017-2018 Annual Work Plan (how the funds will be used) shall include:

1. Continue to execute existing programs, such as quarterly Breakfast With the Mayors; monthly FrankTalks lecture series; quarterly Get Fit Franklin/Healthier Tennessee programs; annual Vision City Visit
2. Execute other projects as requested, such as the 2016 Christmas tree project
3. Discuss and determine the feasibility of an inclusive playground project in Franklin

Exhibit D

2016

Financial Statements
With Supplementary
Information

FRANKLIN TOMORROW, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Independent Accountant's Review Report Thereon)

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

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PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Franklin Tomorrow, Inc. and Subsidiary

We have reviewed the accompanying financial statements of Franklin Tomorrow, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

March 31, 2017

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets:		
Cash	\$ 86,374	
Prepaid expenses	609	
Total current assets	<u> </u>	\$ 86,983
Property and Equipment:		
Furniture and equipment	6,349	
Less: accumulated depreciation	<u>(5,684)</u>	
Total property and equipment		<u>665</u>
Total Assets		<u><u>\$ 87,648</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accrued expenses	<u>\$ 278</u>	
Total current liabilities		<u>\$ 278</u>
Total liabilities		<u>\$ 278</u>
Net Assets:		
Unrestricted	<u>87,370</u>	
Total unrestricted net assets		<u>87,370</u>
Total net assets		<u>87,370</u>
Total Liabilities and Net Assets		<u><u>\$ 87,648</u></u>

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Public support:				
Gifts and donations	\$ 41,588	\$ -	\$ -	\$ 41,588
Special events	133,040	-	-	133,040
Fundraising	145,396	-	-	145,396
Interest income	107	-	-	107
Net assets released from restrictions	-	-	-	-
Total public support and revenue	<u>320,131</u>	<u>-</u>	<u>-</u>	<u>320,131</u>
Expenses:				
Program services	107,878	-	-	107,878
Management and general	15,264	-	-	15,264
Fundraising	166,581	-	-	166,581
Total expenses	<u>289,723</u>	<u>-</u>	<u>-</u>	<u>289,723</u>
Increase (decrease) in net assets before discontinued operations	30,408	-	-	30,408
Discontinued operations (Note 2)	<u>-</u>	<u>(290,162)</u>	<u>-</u>	<u>(290,162)</u>
Increase (decrease) in net assets after discontinued operations	30,408	(290,162)	-	(259,754)
Net assets - beginning of year	(205,811)	356,626	-	150,815
Spin off of subsidiary	<u>262,773</u>	<u>(66,464)</u>	<u>-</u>	<u>196,309</u>
Net assets - end of year	<u>\$ 87,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,370</u>

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Supporting Services</u>			Total Expenses
	Program Services	Management and General	Fundraising	
Administrative services	\$ -	\$ 5,057	\$ -	\$ 5,057
Board volunteer expenses	1,052	-	-	1,052
Charitable certificate	-	240	-	240
Donations	250	-	-	250
Dues and memberships	518	-	-	518
Events	-	-	80,361	80,361
Fees	71	-	-	71
Fundraising	-	-	84,511	84,511
Insurance	3,624	-	-	3,624
Marketing	-	-	1,709	1,709
Meals and entertainment	-	1,193	-	1,193
Office and supplies	-	2,516	-	2,516
Payroll and benefits expenses	9,256	-	-	9,256
Professional services and development	-	4,458	-	4,458
Rent	10,065	-	-	10,065
Repairs and maintenance	374	-	-	374
Salaries	82,177	-	-	82,177
Utilities	-	1,800	-	1,800
Total expenses before depreciation	<u>107,387</u>	<u>15,264</u>	<u>166,581</u>	<u>289,232</u>
Depreciation	<u>491</u>	<u>-</u>	<u>-</u>	<u>491</u>
	<u><u>107,878</u></u>	<u><u>15,264</u></u>	<u><u>166,581</u></u>	<u><u>289,723</u></u>

See accompanying notes and independent accountant's review report.

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities:	
Decrease in net assets after discontinued operations	\$ (259,754)
Adjustments to reconcile decrease in net assets after discontinued operations to net cash provided by operating activities:	
Depreciation	\$ 491
Changes in:	
Prepaid expenses	(54)
Pledges receivable, net	8,000
Line of credit	329,375
Accounts payable	(34,740)
	303,072
Net cash used in operating activities	43,318
Cash Flows From Investing Activities:	
Spin off of subsidiary	(22,573)
Net cash used in investing activities	(22,573)
Net increase in cash	20,745
Cash - beginning of year	65,629
Cash - end of year	\$ 86,374

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year was \$2. The book value of the net assets in the subsidiary spin off as of March 31, 2016 were \$196,309.

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms "Organization", "we", "us" or "our" are used throughout these notes to the consolidated financial statements to identify both the Franklin Tomorrow, Inc. (Foundation) and its Subsidiary, Friends of Franklin Parks, LLC (Friends).

Franklin Tomorrow, Inc. was founded in 2001. We engage the community, foster collaboration and advocate for a shared vision for the future of Franklin, Tennessee. That shared vision includes a vibrant economy, great people, distinct character, and robust neighborhoods.

Program Services

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

Breakfast with the Mayors – To encourage communication between our government and our business community.

Get Fit Franklin – A distance walking project designed to encourage residents to take the first steps to a healthier, more active community by stepping out their front door.

Frank Talks – A monthly community lecture series that provides an opportunity for Franklin residents to learn, engage in important topics and discussions that foster collaboration to help shape our community.

Volunteer Awards Ceremony – To honor the decades of service and tremendous impact of our volunteers in our community.

Vision City Visit – An invitation-only, multi-day trip by business and community leaders to see innovation and excellence in community development, governance and leadership.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of us and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Consolidated Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of December 31, 2016.

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue

We receive contributions from the general public, grants from the local government, and special events to fund our operations. We recognize this revenue as it is received or promised to us in accordance with generally accepted accounting principles for nonprofit organizations.

Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents. At December 31, 2016, we had no cash equivalents.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is computed using double-declining balance and straight line basis over the estimated useful lives of the respective assets. Purchases or donations of equipment over \$300 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2016, no assets were considered to be impaired.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2014.

Advertising

Advertising costs are expensed as they are incurred. At December 31, 2016, we had a total advertising expenses of \$8,709, of which \$7,000 belonged to Friends.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

Gross contributions have been discounted to account for the time value of money using discount rates of 3.1%. The rates were determined using a risk adjusted discount rate technique after an allowance had been established.

NOTE 2 - Discontinued Operation

Friends of Franklin Parks LLC was created in 2011 as a disregarded entity of Franklin Tomorrow Inc. with the intent of spinning off into its own nonprofit organization after receiving administrative support and its own exempt status.

In December 2015, Friends of Franklin Parks, LLC voted to spin off from Franklin Tomorrow, Inc. On March 17, 2016, the spin off was effective and the relationship between Franklin Tomorrow, Inc. and Friends of Franklin Parks, LLC was dissolved.

Assets and liabilities removed from the consolidated financial statements as of March 17, 2016 comprised mainly of Cash, Pledge Receivables, Accounts Payable and Line of Credit Payable. The net assets removed in the amount of \$196,309 were predominantly restricted net assets as shown on the consolidated statement of activities.

NOTE 3 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2016. As of March 31, 2017, the date of the consolidated financial statements were available to be issued, no events subsequent to the Consolidated Statement of Financial Position date are considered necessary to be included in the consolidated financial statements for the year ended December 31, 2016.



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
of Franklin Tomorrow, Inc. and Subsidiary

Our report on our review of the basic financial statements of Franklin Tomorrow, Inc. and Subsidiary for 2016 appears on pages 10-13. The objective of that review was to perform procedures to obtain limited assurance as a basis for reporting whether we were aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. The supplementary information included in the Consolidating Statements are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly, do not express an opinion on such information.

Patterson Hardee & Ballentine

March 31, 2017

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>ASSETS</u>			
	<u>Franklin Tomorrow, Inc.</u>	<u>Friends of Franklin Parks, LLC</u>	<u>Eliminating</u>	<u>Total</u>
Current Assets:				
Cash	\$ 86,374	\$ -	\$ -	\$ 86,374
Prepaid expenses	609	-	-	609
Total current assets	<u>86,983</u>	<u>-</u>	<u>-</u>	<u>86,983</u>
Property and Equipment:				
Furniture and equipment	6,349	-	-	6,349
Less: accumulated depreciation	<u>(5,684)</u>	<u>-</u>	<u>-</u>	<u>(5,684)</u>
Total property and equipment	<u>665</u>	<u>-</u>	<u>-</u>	<u>665</u>
Total Assets	<u>\$ 87,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,648</u>
	<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:				
Accrued expenses	\$ 278	\$ -	\$ -	\$ 278
Total current liabilities	<u>278</u>	<u>-</u>	<u>-</u>	<u>278</u>
Total liabilities	<u>278</u>	<u>-</u>	<u>-</u>	<u>278</u>
Net Assets:				
Unrestricted	<u>87,370</u>	<u>-</u>	<u>-</u>	<u>87,370</u>
Total unrestricted net assets	<u>87,370</u>	<u>-</u>	<u>-</u>	<u>87,370</u>
Total net assets	<u>87,370</u>	<u>-</u>	<u>-</u>	<u>87,370</u>
Total Liabilities and Net Assets	<u>\$ 87,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,648</u>

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Franklin Tomorrow, Inc.	Friends of Franklin Parks, LLC	Eliminations	Total
Public Support and Revenue:				
Public support:				
Gifts and donations	\$ 41,588	\$ -	\$ -	\$ 41,588
Special events	133,040	-	-	133,040
Fundraising	145,396	-	-	145,396
Interest Income	107	-	-	107
Total public support and revenue	<u>320,131</u>	<u>-</u>	<u>-</u>	<u>320,131</u>
Expenses:				
Program services	107,878	-	-	107,878
Management and general	15,264	-	-	15,264
Fundraising	166,581	-	-	166,581
Total expenses	<u>289,723</u>	<u>-</u>	<u>-</u>	<u>289,723</u>
Increase (decrease) in net assets before discontinued operations	30,408	-	-	30,408
Discontinued operations (Note 2)	<u>-</u>	<u>(290,162)</u>	<u>-</u>	<u>(290,162)</u>
Increase (decrease) in net assets after discontinued operations	30,408	(290,162)	-	(259,754)
Net assets - beginning of year	56,962	93,853	-	150,815
Spin off of subsidiary	<u>-</u>	<u>196,309</u>	<u>-</u>	<u>196,309</u>
Net assets - end of year	<u>\$ 87,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,370</u>

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Supporting Services						Total Expenses
	Program Services		Management and General		Fundraising		
	Franklin Tomorrow, Inc.	Friends of Franklin Parks, LLC	Eliminating	Franklin Tomorrow, Inc.	Friends of Franklin Parks, LLC	Franklin Tomorrow, Inc.	Friends of Franklin Parks, LLC
Administrative services	\$ -	\$ -	\$ -	\$ 5,057	\$ -	\$ -	\$ -
Board volunteer expenses	1,052	-	-	-	-	-	5,057
Charitable certificate	-	-	-	-	-	-	1,052
Donations	250	-	-	240	-	-	240
Dues and memberships	518	-	-	-	-	-	250
Events	-	-	-	-	-	80,361	518
Fees	71	-	-	-	-	-	80,361
Fundraising	-	-	-	-	-	84,511	71
Insurance	3,624	-	-	-	-	-	84,511
Marketing	-	-	-	-	-	1,709	3,624
Meals and entertainment	-	-	-	1,193	-	-	1,709
Office and supplies	-	-	-	2,516	-	-	1,193
Payroll and benefits expenses	9,256	-	-	-	-	-	2,516
Professional services and development	-	-	-	4,458	-	-	9,256
Rent	10,065	-	-	-	-	-	4,458
Repairs and maintenance	374	-	-	-	-	-	10,065
Salaries	82,177	-	-	-	-	-	374
Utilities	-	-	-	1,800	-	-	82,177
Total expenses before depreciation	107,387	-	-	15,264	-	166,581	1,800
Depreciation	491	-	-	-	-	-	289,232
Total program and supporting services	\$ 107,878	\$ -	\$ -	\$ 15,264	\$ -	\$ 166,581	\$ 491

FRANKLIN TOMORROW, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Franklin Tomorrow, Inc.	Friends of Franklin Parks, LLC	Eliminating	Total
Cash Flows From Operating Activities:				
Increase (decrease) in net assets	\$ 30,408	\$ (290,162)	\$ -	\$ (259,754)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:				
Depreciation	491	-	-	491
Changes in:				
Prepaid expenses	(54)	-	-	(54)
Pledges receivable, net	-	8,000	-	8,000
Accounts payable	-	(34,740)	-	(34,740)
	437	(26,740)	-	(26,303)
Net cash provided by (used in) operating activities	30,845	(316,902)	-	(286,057)
Cash Flows From Investing Activities:				
Spin Off of Subsidiary	-	(22,573)	-	(22,573)
Net cash used in investing activities	-	(22,573)	-	(22,573)
Cash Flows from Financing Activities:				
Net change in line of credit	-	329,375	-	329,375
Net cash provided by financing activities	-	329,375	-	329,375
Net increase (decrease) in cash	30,845	(10,100)	-	20,745
Cash - beginning of year	55,529	10,100	-	65,629
Cash - end of year	\$ 86,374	\$ -	\$ -	\$ 86,374

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year was \$2. The book value of the net assets in the subsidiary spin off as of March 31, 2016 were \$196,309.