

ROOM IN THE INN, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

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Report of Independent Auditor

To the Board of Directors
Room In The Inn, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Room In The Inn, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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 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 of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Room In The Inn, Inc. 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.

Changes in Financial Statement Presentation

As discussed in Note 1, Room in the Inn, Inc. adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.



Nashville, Tennessee
November 9, 2019

ROOM IN THE INN, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,626,242	\$ 2,546,099
Contract and grants receivable	62,829	92,610
Contributions receivable, net	73,960	79,350
Prepaid expenses	26,729	64,146
Total Current Assets	2,789,760	2,782,205
Contributions receivable, net of current portion	8,521	8,044
Investments	1,674,683	1,583,189
Land, building, and equipment, net	10,467,646	10,790,981
Total Assets	\$ 14,940,610	\$ 15,164,419
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 460,578	\$ 274,728
Notes payable, current portion	226,396	226,396
Total Current Liabilities	686,974	501,124
Notes payable, noncurrent portion	1,391,307	1,637,142
Total Liabilities	2,078,281	2,138,266
Net Assets:		
Without donor restrictions	12,554,848	12,713,759
With donor restrictions	307,481	312,394
Total Net Assets	12,862,329	13,026,153
Total Liabilities and Net Assets	\$ 14,940,610	\$ 15,164,419

ROOM IN THE INN, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 1,874,798	\$ -	\$ 1,874,798
Grants and contracts	1,267,518	-	1,267,518
In-kind contributions	984,781	-	984,781
Other	350,563	-	350,563
Loss on disposal of equipment	(37,735)	-	(37,735)
Net assets released from restrictions	4,913	(4,913)	-
Total Revenues	<u>4,444,838</u>	<u>(4,913)</u>	<u>4,439,925</u>
Expenses:			
Program services	3,871,592	-	3,871,592
Supporting services	<u>732,157</u>	<u>-</u>	<u>732,157</u>
Total Expenses	<u>4,603,749</u>	<u>-</u>	<u>4,603,749</u>
Change in net assets	(158,911)	(4,913)	(163,824)
Net assets, beginning of year	<u>12,713,759</u>	<u>312,394</u>	<u>13,026,153</u>
Net assets, end of year	<u>\$ 12,554,848</u>	<u>\$ 307,481</u>	<u>\$ 12,862,329</u>

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

ROOM IN THE INN, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 1,595,081	\$ -	\$ 1,595,081
Grants and contracts	1,270,723	-	1,270,723
In-kind contributions	1,071,887	-	1,071,887
Other	314,179	-	314,179
Net assets released from restrictions	76,347	(76,347)	-
Total Revenues	<u>4,328,217</u>	<u>(76,347)</u>	<u>4,251,870</u>
Expenses:			
Program services	3,705,455	-	3,705,455
Supporting services	710,648	-	710,648
Total Expenses	<u>4,416,103</u>	<u>-</u>	<u>4,416,103</u>
Change in net assets	(87,886)	(76,347)	(164,233)
Net assets, beginning of year	12,801,645	388,741	13,190,386
Net assets, end of year	<u>\$ 12,713,759</u>	<u>\$ 312,394</u>	<u>\$ 13,026,153</u>

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

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services							Supporting Services			
								Fundraising and		Subtotal	Total
	Day Center	Veterans	Guest House	Respite	Permanent Housing	Room in the Inn	Subtotal	Management and General	Community Development		
Salaries and related expenses	\$ 473,055	\$ 459,043	\$ 361,809	\$ 158,267	\$ 81,695	\$ 57,627	\$ 1,591,496	\$ 261,726	\$ 289,647	\$ 551,373	\$ 2,142,869
Food (including \$381,899 in-kind)	-	44,460	249,247	92,853	-	102,150	488,710	-	-	-	488,710
Depreciation	128,784	62,854	57,731	35,527	146,547	-	431,443	13,322	-	13,322	444,765
Supplies (including \$378,882 in-kind)	82,420	39,068	140,126	52,265	559	98,424	412,862	3,696	1,397	5,093	417,955
Utilities	57,655	26,770	31,508	15,297	71,587	-	202,817	8,208	-	8,208	211,025
Maintenance and security	48,267	42,022	28,309	15,345	54,957	-	188,900	8,436	-	8,436	197,336
Professional fees	54,497	21,055	16,619	12,746	8,121	8,876	121,914	21,743	47,641	69,384	191,298
Rent expense in-kind	-	-	71,400	26,600	-	42,000	140,000	-	-	-	140,000
Miscellaneous	5,818	961	3,017	46	17	26,883	36,742	37,217	30,529	67,746	104,488
Laundry in-kind	-	-	42,840	15,960	-	25,200	84,000	-	-	-	84,000
Insurance	19,970	10,761	9,380	6,311	16,695	1,805	64,922	3,241	2,256	5,497	70,419
Program materials	12,101	6,244	9,140	2,256	360	8,811	38,912	-	160	160	39,072
Transportation	17,866	2,823	4,680	517	-	1,290	27,176	-	-	-	27,176
Interest expense	7,010	3,384	3,142	1,934	7,976	-	23,446	725	-	725	24,171
Birth certificates and fees	9,907	274	-	-	-	84	10,265	-	-	-	10,265
Office equipment maintenance	2,630	1,753	1,364	1,071	390	779	7,987	779	974	1,753	9,740
Bad debt expense	-	-	-	-	-	-	-	460	-	460	460
	<u>\$ 919,980</u>	<u>\$ 721,472</u>	<u>\$ 1,030,312</u>	<u>\$ 436,995</u>	<u>\$ 388,904</u>	<u>\$ 373,929</u>	<u>\$ 3,871,592</u>	<u>\$ 359,553</u>	<u>\$ 372,604</u>	<u>\$ 732,157</u>	<u>\$ 4,603,749</u>

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

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services						Supporting Services				Total
	Day Center	Veterans	Guest House	Respite	Permanent Housing	Room in the Inn	Subtotal	Management and General	Fundraising and Community Development	Subtotal	
Salaries and related expenses	\$ 490,020	\$ 365,894	\$ 244,386	\$ 148,960	\$ 84,212	\$ 63,636	\$ 1,397,108	\$ 258,252	\$ 292,782	\$ 551,034	\$ 1,948,142
Food (including \$500,654 in-kind)	-	25,925	299,407	111,543	-	150,739	587,614	-	-	-	587,614
Depreciation	126,025	61,286	56,494	34,766	143,408	-	421,979	13,037	-	13,037	435,016
Supplies (including \$347,233 in-kind)	104,027	8,236	91,390	50,476	506	127,137	381,772	1,469	1,265	2,734	384,506
Utilities	60,147	27,201	31,533	15,543	71,976	-	206,400	7,917	-	7,917	214,317
Professional fees	68,926	17,943	13,938	10,743	6,753	7,486	125,789	7,545	42,208	49,753	175,542
Maintenance and security	44,852	28,478	21,638	12,712	51,813	200	159,693	4,634	-	4,634	164,327
Rent expense in-kind	-	-	71,400	26,600	-	42,000	140,000	-	-	-	140,000
Miscellaneous	5,634	103	3,163	5	2	26,034	34,941	43,084	24,958	68,042	102,983
Laundry in-kind	-	-	42,840	15,960	-	25,200	84,000	-	-	-	84,000
Insurance	22,169	12,130	10,483	7,137	17,545	2,300	71,764	3,790	2,874	6,664	78,428
Program materials	23,524	4,021	3,379	1,079	672	8,356	41,031	-	-	-	41,031
Transportation	14,624	3,743	7,905	909	-	3,538	30,719	-	-	-	30,719
Office equipment maintenance	2,536	1,691	1,315	1,033	376	751	7,702	4,251	939	5,190	12,892
Birth certificates and fees	8,025	308	7	-	-	28	8,368	-	-	-	8,368
Interest expense	1,966	949	881	542	2,237	-	6,575	203	-	203	6,778
Bad debt expense	-	-	-	-	-	-	-	1,440	-	1,440	1,440
	<u>\$ 972,475</u>	<u>\$ 557,908</u>	<u>\$ 900,159</u>	<u>\$ 438,008</u>	<u>\$ 379,500</u>	<u>\$ 457,405</u>	<u>\$ 3,705,455</u>	<u>\$ 345,622</u>	<u>\$ 365,026</u>	<u>\$ 710,648</u>	<u>\$ 4,416,103</u>

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

ROOM IN THE INN, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (163,824)	\$ (164,233)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	444,765	435,016
Gain on sale of land, building, and equipment	-	(14,978)
Loss on disposal of building and equipment	37,735	-
Net realized and unrealized gain on investments	(105,320)	(70,242)
Change in operating assets and liabilities:		
Contract and grants receivable	29,781	28,016
Contributions receivable for operations	2,663	4,010
Prepaid expenses	37,417	(4,517)
Accounts payable and accrued expenses	185,850	23,456
Net cash from operating activities	<u>469,067</u>	<u>236,528</u>
Cash flows from investing activities:		
Purchase of investments	(682,855)	(706,195)
Proceeds from sale of investments	696,681	722,974
Purchase of land, building, and equipment	(159,165)	(58,697)
Proceeds from sale of land, building, and equipment	-	173,453
Net cash from investing activities	<u>(145,339)</u>	<u>131,535</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	2,250	2,337
Payments on long-term debt	(245,835)	(226,105)
Net cash from financing activities	<u>(243,585)</u>	<u>(223,768)</u>
Net increase in cash and cash equivalents	80,143	144,295
Cash and cash equivalents, beginning of year	2,546,099	2,401,804
Cash and cash equivalents, end of year	<u>\$ 2,626,242</u>	<u>\$ 2,546,099</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 24,171</u>	<u>\$ 6,778</u>

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

ROOM IN THE INN, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Nature of organization and significant accounting policies

Organization – Room In The Inn, Inc. (“RITI”) is a religious non-profit organization based in Nashville, Tennessee. RITI is committed to providing enhanced services to the homeless while improving the system by which these services are delivered. RITI administers a variety of programs to provide a continuum of care that is emergency and long-term, residential, and educational. The following is a description of selected RITI programs. The Day Center serves homeless individuals with daytime shelter and educational opportunities throughout the year. The Guest House serves homeless substance abusers by offering shelter to individuals who are undergoing alcohol and drug addiction treatment through a partnership with United Neighborhood Health and the chronic homeless program through the Veteran’s Administration. It also provides transitional housing and supportive services for homeless men from the general population. The Veterans program provides transitional housing and supportive services to homeless veterans. The Permanent Housing program provides income-based housing for up to 38 homeless participants. Respite offers homeless individuals who are medically fragile a place to recover. RITI, in partnership with more than 180 Middle Tennessee congregations, provides shelter for an average of 250 men, women, and children each evening during the winter months.

Basis of Presentation – In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) guidelines, RITI reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of RITI and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions, and may be expended for any purpose in performing the primary objectives of RITI. These net assets may be used at the discretion of RITI’s management and Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RITI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. None of RITI’s net assets with donor restrictions are required to be held in perpetuity by the donors at June 30, 2019 and 2018.

Cash and Cash Equivalents – For purposes of the statements of cash flows, RITI considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured.

Contributions Receivable – Contributions are recognized when the donor makes a promise to give to RITI that is, in substance, unconditional. Contributions are recognized when received as contributions without restriction if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with restrictions. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions are satisfied in the year in which the contributions are recognized.

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

ROOM IN THE INN, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Nature of organization and significant accounting policies (continued)

Investments – RITI accounts for investments using FASB ASC guidance for investments by nonprofit organizations. Under this guidance, investments in marketable securities with readily determinable fair values and other readily marketable assets are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. See Note 4 for additional information on fair value measurements.

Land, Building, and Equipment – RITI capitalizes all expenditures for land, building, and equipment in excess of \$1,000. Purchases of land, building, and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 39 years.

Income Taxes – RITI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

RITI follows FASB ASC guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. RITI has no tax penalties or interest reported in the accompanying financial statements.

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 reporting period. Actual results could differ from those estimates.

Donated Materials and Services – Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt.

Donated use of facilities is recorded at the estimated fair market value.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Additionally, a number of non-professional volunteers donated approximately 157,000 and 158,000 hours during the years ended June 30, 2019 and 2018, respectively, to RITI's program services. However, these services do not meet the requirements above and have not been recorded.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages expense which is allocated based on time and effort.

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Nature of organization and significant accounting policies (continued)

New Accounting Pronouncement – On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented in its financial statements, with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for RITI for the year ending June 30, 2020. RITI is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2022. RITI is currently evaluating the effect of the implementation of this new standard.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending June 30, 2021. RITI is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending June 30, 2020. RITI is currently evaluating the effect of the implementation of this new standard.

Subsequent Events – RITI evaluated subsequent events through November 9, 2019, when these financial statements were available to be issued. Management is not aware of any other significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Liquidity and availability

RITI has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. RITI considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

The following table represents RITI's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,626,242
Contracts and grants receivable	62,829
Contributions receivable, net	82,481
Investments	1,674,683
Total financial assets	<u>4,446,235</u>
Less amounts not available to be used for general expenditures within one year at June 30, 2019:	
Net assets with donor restrictions (Note 7)	<u>(307,481)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 4,138,754</u></u>

Note 3—Contributions receivable

Contributions receivable are as follows at June 30:

	2019	2018
Contributions receivable	\$ 149,422	\$ 154,608
Less discount on contributions receivable	(2,956)	(3,229)
Allowance for doubtful accounts	<u>(63,985)</u>	<u>(63,985)</u>
Contributions receivable, net	<u><u>\$ 82,481</u></u>	<u><u>\$ 87,394</u></u>

The discount rates used to determine the present value of contributions receivable ranged from 1.76% to 3.53% at June 30, 2019 and from 1.67% to 3.53% at June 30, 2018.

Contributions receivable are scheduled to be received as follows at June 30:

	2019	2018
Receivable in less than one year, net	\$ 73,960	\$ 79,350
Receivable in one to five years, net	<u>8,521</u>	<u>8,044</u>
Contributions receivable, net	<u><u>\$ 82,481</u></u>	<u><u>\$ 87,394</u></u>

There were no write-offs of contributions receivable for the year ended June 30, 2019 or 2018.

ROOM IN THE INN, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4—Fair value measurement of investments

RITI has adopted the provisions of the Fair Value Measurement topic of the FASB ASC. This guidance establishes a framework for measuring fair value of financial assets and financial liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (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 RITI has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- 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; and
- Inputs that are derived principally from or corroborated by the 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. A description of valuation methodologies used for assets measured at fair value are as follows:

Cash Sweep and Equities – Common stocks: valued at the closing price reported on the active market on which the securities are traded.

Fixed Income – Corporate bonds: valued at the present value of the bond's par value and the remaining coupon payments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the RITI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4—Fair value measurement of investments (continued)

The following table sets forth by level, within the fair value hierarchy, the RITI's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Cash sweep	\$ 132,549	\$ -	\$ -	\$ 132,549
Equities - common stocks:				
Financial	126,085	-	-	126,085
Industrial goods	153,445	-	-	153,445
Technology	170,278	-	-	170,278
Basic materials	77,484	-	-	77,484
Consumer goods	143,208	-	-	143,208
Healthcare	54,981	-	-	54,981
Utilities	74,581	-	-	74,581
Services	7,465	-	-	7,465
Total equities - common stocks	807,527	-	-	807,527
Fixed income corporate bonds:				
Financial	176,590	-	-	176,590
Utilities	101,203	-	-	101,203
Basic materials	101,649	-	-	101,649
Healthcare	103,168	-	-	103,168
Industrial goods	77,981	-	-	77,981
Technology	53,825	-	-	53,825
Energy	14,975	-	-	14,975
Consumer goods	105,216	-	-	105,216
Total fixed income - corporate bonds	734,607	-	-	734,607
Total investments	\$ 1,674,683	\$ -	\$ -	\$ 1,674,683

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4—Fair value measurement of investments (continued)

The following table sets forth by level, within the fair value hierarchy, the RITI's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Cash sweep	\$ 37,096	\$ -	\$ -	\$ 37,096
Equities - common stocks:				
Financial	144,020	-	-	144,020
Industrial goods	119,705	-	-	119,705
Technology	155,410	-	-	155,410
Basic materials	108,815	-	-	108,815
Consumer goods	94,109	-	-	94,109
Healthcare	51,051	-	-	51,051
Utilities	54,459	-	-	54,459
Energy	27,230	-	-	27,230
Services	22,963	-	-	22,963
Total equities - common stocks	<u>777,762</u>	<u>-</u>	<u>-</u>	<u>777,762</u>
Fixed income corporate bonds:				
Financial	217,404	-	-	217,404
Utilities	146,847	-	-	146,847
Basic materials	101,837	-	-	101,837
Healthcare	99,166	-	-	99,166
Industrial goods	98,799	-	-	98,799
Technology	54,981	-	-	54,981
Consumer goods	49,297	-	-	49,297
Total fixed income - corporate bonds	<u>768,331</u>	<u>-</u>	<u>-</u>	<u>768,331</u>
Total investments	<u>\$ 1,583,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,583,189</u>

Note 5—Land, building, and equipment

Land, building, and equipment is summarized as follows at June 30:

	2019	2018
Real estate	\$ 550,597	\$ 550,597
Buildings	9,772,333	9,772,333
Leasehold improvements - Eighth Avenue South	2,827,353	3,571,181
Furniture and laundry equipment	694,098	756,278
Office equipment	734,346	698,784
Automobiles	35,450	35,450
	<u>14,614,177</u>	<u>15,384,623</u>
Less accumulated depreciation	<u>(4,146,531)</u>	<u>(4,593,642)</u>
Land, building, and equipment, net	<u>\$ 10,467,646</u>	<u>\$ 10,790,981</u>

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5—Land, building, and equipment (continued)

There are restrictions on certain property owned by RITI. The real estate restrictions by the Department of Housing and Urban Development require RITI to operate the transitional housing facilities for a period of ten years from the initial occupancy. Additionally, Metropolitan Development and Housing Agency ("MDHA") grant funds have placed restrictions on leasehold improvements and office equipment that require RITI to use the assets for the benefit of homeless individuals.

Note 6—Notes payable

In conjunction with the construction of its building, RITI had notes payable consisting of the following at June 30:

	<u>2019</u>	<u>2018</u>
Note payable to a financial institution payable in monthly principal installments of \$4,442 through December 31, 2016. Effective January 1, 2017, the agreement was amended to require monthly principal installments of \$6,662. Interest is calculated at the bank's prime rate less 400 basis points not to fall below 0.00%. The note matures December 2026, as amended, and is secured by a deed of trust.	\$ 586,599	\$ 752,874
Note payable to a financial institution payable in monthly principal installments of \$4,432 through December 31, 2016. Effective January 1, 2017, the agreement was amended to require monthly principal installments of \$6,648. Interest is calculated at the bank's prime rate less 400 basis points not to fall below 0.00%. The note matures December 2026, as amended, and is secured by a deed of trust.	598,340	764,546
Note payable to a financial institution payable in monthly principal installments of \$5,556. Interest is calculated at the bank's prime rate less 400 basis points not to fall below 0.00%. The note matures January 2026 and is secured by a deed of trust.	432,764	572,223
	<u>\$ 2,216,043</u>	<u>\$ 2,089,643</u>

Future principal payments on the notes are as follows at June 30:

<u>Years Ending June 30,</u>	
2020	\$ 226,396
2021	226,396
2022	226,396
2023	226,396
2024	226,396
Thereafter	485,723
	<u>\$ 1,617,703</u>

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 7—Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Future housing programs	\$ 225,000	\$ 225,000
Unconditional promises to give due in future periods	82,481	87,394
	<u>\$ 307,481</u>	<u>\$ 312,394</u>

Note 8—Donated materials and services

RITI received in-kind contributions as follows during the years ended June 30:

	2019	2018
Food	\$ 381,899	\$ 500,654
Rental facilities	140,000	140,000
Supplies	378,882	347,233
Laundry services	84,000	84,000
Total in-kind contributions	<u>\$ 984,781</u>	<u>\$ 1,071,887</u>

The property located at Eighth Avenue South is leased on a long-term basis from MDHA. The payment of monthly rent is currently suspended and RITI recorded in-kind rent of \$89,475 for 2019 and 2018. The lease requires the property to be used for programs to help the homeless and the Guest House operations. The property at 625 Benton Avenue is used by RITI programs. This property is provided to RITI by MDHA and requires the property to be used to assist the homeless. The payment of monthly rent is suspended and RITI recorded in-kind rent of \$36,000 for 2019 and 2018. The property located on Fifteenth Avenue is used by RITI programs. The property is provided to RITI by Belmont University and requires the property to be used for transitional housing. The payment of monthly rent is suspended and RITI recorded in-kind rent of \$14,525 for 2019 and 2018.

In-kind food represents donations of food to RITI and meals provided to individuals participating in RITI's various programs.

Note 9—Concentrations

RITI receives a significant amount of its support from contracts and grants from government agencies. RITI also receives a significant amount of financial and other support from religious organizations. A major reduction of support from these organizations, should this occur, could have a material effect on the financial position of RITI.

In addition, cash and cash equivalent balances are held primarily by financial institutions and at times may exceed federally insured limits. Cash and cash equivalents exceeded federally insured limits by approximately \$1,500,000 at June 30, 2019 and 2018, respectively.

RITI utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

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Note 10—Employee retirement plan

RITI adopted a defined contribution plan effective January 1, 1997. The Plan covers all employees who are at least 21 years of age and have completed 90 days of service. RITI does not match employee contributions to the defined contribution plan.