ROOM IN THE INN, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

ROOM IN THE INN, INC.

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

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, 2018 and 2017, 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 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 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, 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.

Cherry Bekaert LLP

Nashville, Tennessee
December 14, 2018

ROOM IN THE INN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 2,546,099	$ 2,401,804
Contract and grants receivable	92,610	120,626
Contributions receivable, net	79,350	71,783
Prepaid expenses	64,146	59,629
Total Current Assets	2,782,205	2,653,842
Contributions receivable, net of current portion	8,044	21,958
Investments	1,583,189	1,529,726
Land, building, and equipment, net	10,790,981	11,325,775
Total Assets	$ 15,164,419	$ 15,531,301
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 274,728	$ 251,272
Notes payable, current portion	226,396	226,396
Total Current Labilities	501,124	477,668
Notes payable, noncurrent portion	1,637,142	1,863,247
Total Liabilities	2,138,266	2,340,915
Net Assets:		
Unrestricted	12,713,759	12,801,645
Temporarily restricted	312,394	388,741
Total Net Assets	13,026,153	13,190,386
Total Liabilities and Net Assets	$ 15,164,419	$ 15,531,301

ROOM IN THE INN, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	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	4,328,217	(76,347)	4,251,870
Expenses:			
Program services	3,705,455	-	3,705,455
Supporting services	710,648	-	710,648
Total Expenses	4,416,103	-	4,416,103
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	$ 12,713,759	$ 312,394	$ 13,026,153

ROOM IN THE INN, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	$ 1,579,393	$ 72,303	$ 1,651,696
Grants and contracts	1,190,150	-	1,190,150
In-kind contributions	727,904	-	727,904
Other	204,546	-	204,546
Net assets released from restrictions	145,950	(145,950)	-
Total Revenues	3,847,943	(73,647)	3,774,296
Expenses:			
Program services	3,100,911	-	3,100,911
Supporting services	769,787	-	769,787
Total Expenses	3,870,698	-	3,870,698
Change in net assets	(22,755)	(73,647)	(96,402)
Net assets, beginning of year	12,824,400	462,388	13,286,788
Net assets, end of year	$ 12,801,645	$ 388,741	$ 13,190,386

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services							Supporting Services			
	Day Center	Veterans	Guest House	Respite	Permanent Housing	Room in the Inn	Total	Management and General	Fundraising and Community Development	Total	Total
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
	$ 972,475	$ 557,908	$ 900,159	$ 438,008	$ 379,500	$ 457,405	$ 3,705,455	$ 345,622	$ 365,026	$ 710,648	$ 4,416,103

ROOM IN THE INN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services							Supporting Services			
	Day Center	Veterans	Guest House	Respite	Permanent Housing	Room in the Inn	Total	Management and General	Fundraising and Community Development	Total	Total
Salaries and related expenses	$ 400,924	$ 268,068	$ 248,242	$ 134,199	$ 60,708	$ 136,860	$ 1,249,001	$ 243,449	$ 275,362	$ 518,811	$ 1,767,812
Depreciation	132,781	66,993	62,207	44,270	157,911	-	464,162	14,356	-	14,356	478,518
Food (including $340,500 in-kind)	90	87,129	205,650	76,615	-	34,050	403,534	-	-	-	403,534
Utilities	57,630	26,431	29,639	15,104	69,422	-	198,226	8,252	-	8,252	206,478
Professional fees	51,751	17,705	13,765	10,643	6,217	7,511	107,592	15,376	57,033	72,409	180,001
Rent expense in-kind	-	28,000	71,400	26,600	-	14,000	140,000	-	-	-	140,000
Maintenance and security	37,121	22,777	19,014	10,363	42,652	587	132,514	3,747	-	3,747	136,261
Supplies (including $97,937 in-kind)	33,873	15,627	35,183	11,583	577	31,536	128,379	1,323	1,143	2,466	130,845
Laundry in-kind	-	16,800	42,840	15,960	-	8,400	84,000	-	-	-	84,000
Miscellaneous	5,946	401	2,652	114	41	19,430	28,584	29,662	18,905	48,567	77,151
Bad debt expense	-	-	-	-	-	-	-	75,439	-	75,439	75,439
Insurance	20,424	11,120	9,637	6,536	16,459	2,030	66,206	3,434	2,538	5,972	72,178
Transportation	28,042	7,883	6,703	2,078	-	365	45,071	-	-	-	45,071
Program materials	13,308	4,506	7,154	2,160	2,577	9,782	39,487	-	-	-	39,487
Office equipment maintenance	2,685	1,790	1,392	1,094	398	795	8,154	795	18,973	19,768	27,922
Birth certificates and fees	5,764	237	-	-	-	-	6,001	-	-	-	6,001
	$ 790,339	$ 575,467	$ 755,478	$ 357,319	$ 356,962	$ 265,346	$ 3,100,911	$ 395,833	$ 373,954	$ 769,787	$ 3,870,698

ROOM IN THE INN, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (164,233)	$ (96,402)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	435,016	478,518
Gain on sale of land, building, and equipment	(14,978)	-
Contributions restricted for capital campaign		(2,303)
Net realized and unrealized (gain) loss on investments	(70,242)	1,438
Donated fixed assets	-	(65,467)
Provision for bad debt and write-off of contributions receivable	-	74,888
Change in operating assets and liabilities:		
Contract and grants receivable	28,016	58,694
Contributions receivable for operations	4,010	7,062
Prepaid expenses	(4,517)	(56,631)
Accounts payable and accrued expenses	23,456	63,691
Net cash from operating activities	236,528	463,488
Cash flows from investing activities:		
Purchase of investments	(706,195)	(1,531,164)
Proceeds from sale of investments	722,974	-
Purchase of land, building, and equipment	(58,697)	(65,343)
Proceeds from sale of land, building, and equipment	173,453	-
Net cash from investing activities	131,535	(1,596,507)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	2,337	24,000
Payments on long-term debt	(226,105)	(199,773)
Net cash from financing activities	(223,768)	(175,773)
Net increase (decrease) in cash and cash equivalents	144,295	(1,308,792)
Cash and cash equivalents, beginning of year	2,401,804	3,710,596
Cash and cash equivalents, end of year	$ 2,546,099	$ 2,401,804
Schedule of noncash investing activities:		
Donated equipment	$ -	$ 65,467

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 Accounting Standards Codification ("FASB ASC") guidance, RITI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, RITI is required to present a statement of cash flows. Net assets of RITI are presented 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 RITI and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
>
> *Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by RITI. Generally, donors of these assets may permit RITI to use all or part of the income earned for general or specific purposes. RITI currently has no permanently restricted net assets.

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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

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 3 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 – 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 158,000 and 163,000 hours during the years ended June 30, 2018 and 2017, 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 the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and support services based on estimates by management.

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

Accounting Policies for Future Pronouncements – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are decreases in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, requires disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature. This standard will be effective for the fiscal year ending June 30, 2019.

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 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 fiscal 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 income statement. This standard will be effective for the fiscal year ending June 30, 2020. RITI is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – RITI evaluated subsequent events through December 14, 2018, 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.

Note 2—Contributions receivable

Contributions receivable are as follows at June 30:

	2018	2017
Contributions receivable	$ 154,608	$ 160,768
Less discount on contributions receivable	(3,229)	(3,042)
Allowance for doubtful accounts	(63,985)	(63,985)
Contributions receivable, net	$ 87,394	$ 93,741

The discount rates used to determine the present value of contributions receivable ranged from 1.67% to 3.53% at June 30,2018 and 2017.

Note 2—Contributions receivable (continued)

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

	2018	2017
Receivable in less than one year, net	$ 79,350	$ 71,783
Receivable in one to five years, net	8,044	21,958
Receivable in more than five years, net	-	-
Contributions receivable, net	$ 87,394	$ 93,741

For the year ended June 30, 2017, write offs of contributions receivables totaled $65,000. There were no write offs of contributions receivable for the year ended June 30, 2018.

Note 3—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.

Note 3—Fair value measurement of investments (continued)

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.

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	777,762	-	-	777,762
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	768,331	-	-	768,331
Total investments	$ 1,583,189	$ -	$ -	$ 1,583,189

Note 3—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, 2017:

	Level 1	Level 2	Level 3	Total
Cash sweep	$ 637,893	$ -	$ -	$ 637,893
Equities - common stocks:				-
Financial	25,466	-	-	25,466
Industrial goods	21,126	-	-	21,126
Technology	18,401	-	-	18,401
Basic materials	17,914	-	-	17,914
Consumer goods	17,024	-	-	17,024
Healthcare	11,662	-	-	11,662
Utilities	10,179	-	-	10,179
Energy	3,815	-	-	3,815
Services	3,790	-	-	3,790
Total equities - common stocks	129,377	-	-	129,377
Fixed income corporate bonds:				
Financial	195,521	-	-	195,521
Utilities	150,556	-	-	150,556
Basic materials	105,337	-	-	105,337
Healthcare	103,843	-	-	103,843
Industrial goods	101,970	-	-	101,970
Technology	55,448	-	-	55,448
Consumer goods	49,781	-	-	49,781
Total fixed income - corporate bonds	762,456	-	-	762,456
Total investments	$ 1,529,726	$ -	$ -	$ 1,529,726

Note 4—Land, building, and equipment

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

	2018	2017
Real estate	$ 550,597	$ 709,072
Buildings	9,772,333	9,764,334
Leasehold improvements - Eighth Avenue South	3,571,181	3,571,181
Furniture and laundry equipment	756,278	712,116
Office equipment	698,784	692,249
Automobiles	35,450	57,450
	15,384,623	15,506,402
Less accumulated depreciation	(4,593,642)	(4,180,627)
Land, building, and equipment, net	$ 10,790,981	$ 11,325,775

Note 4—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.

During May 2017, RITI entered into an agreement to sell certain real estate that was donated to RITI in a previous year. The sale of the real estate closed during August 2017 for a price of $183,000.

Note 5—Notes payable

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

	2018	2017
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.	$ 673,212	$ 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.	684,767	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.	505,559	572,223
	$ 1,863,538	$ 2,089,643

Note 5—Notes payable (continued)

Future principal payments on the notes are as follows at June 30, 2018:

Years Ending June 30, 2018:	
2019	$ 226,396
2020	226,396
2021	226,396
2022	226,396
2023	226,396
Thereafter	731,558
	$ 1,863,538

Note 6—Temporarily restricted net assets

	2018	2017
Future housing programs	$ 225,000	$ 225,000
Unconditional promises to give due in future periods	87,394	93,741
Future operations	-	70,000
	$ 312,394	$ 388,741

Note 7—Donated materials and services

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

	2018	2017
Food	$ 500,654	$ 340,500
Rental facilities	140,000	140,000
Supplies	347,233	97,937
Equipment	-	65,467
Laundry services	84,000	84,000
Total in-kind contributions	$ 1,071,887	$ 727,904

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 2018 and 2017. 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 2018 and 2017. 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 2018 and 2017.

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

Note 8—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 and $1,300,000 at June 30, 2018 and 2017, 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.

Note 9—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.