

**Building Lives Foundation, Inc.**

**Financial Statements**

**June 30, 2009**

**Building Lives Foundation, Inc.**

**Financial Statements**

**June 30, 2009**

Table of Contents

	<u>Page Number</u>
Independent Accountants' Review Report .....	1
Financial Statements:	
Statement of Financial Position .....	2
Statement of Activities .....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6-9

**RAYBURN, BATES & FITZGERALD, P.C.**

— CERTIFIED PUBLIC ACCOUNTANTS —  
SUITE 300  
5200 MARYLAND WAY  
BRENTWOOD, TENNESSEE 37027  
www.rbfcpa.com

Independent Accountants' Review Report

To the Board of Directors  
Building Lives Foundation, Inc.  
Nashville, Tennessee

We have reviewed the accompanying statement of financial position of Building Lives Foundation, Inc. (the Foundation) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Building Lives Foundation, Inc.

A review consists principally of inquiries of Foundation personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 conformity with generally accepted accounting principles.

November 30, 2009

*Rayburn, Bates & Fitzgerald, P.C.*

**Building Lives Foundation, Inc.**

**Statement of Financial Position**

**June 30, 2009**

**Assets**

Cash and cash equivalents	\$ 2,693
Inventory	350
Prepaid assets	475
Notes receivable (note 3)	<u>12,337</u>
Total assets	<u><u>\$ 15,855</u></u>

**Liabilities and Net Assets**

Liabilities-	
Accounts payable	\$ <u>6,077</u>
Total liabilities	<u>6,077</u>
Net assets (unrestricted)	<u>9,778</u>
Total liabilities and net assets	<u><u>\$ 15,855</u></u>

See accompanying independent accountants' review report and notes to financial statements.

**Building Lives Foundation, Inc.**

**Statement of Activities**

**June 30, 2009**

**Revenue and Support:**

Donations	\$ 34,876
Gifts-in-kind	20,475
Vehicle reimbursements	22,419
Fundraising	2,772
Interest income	413
Total revenue and support	<u>80,955</u>

**Expenses:**

Program services	73,346
Fundraising	3,710
Administrative	2,247
Total expenses	<u>79,303</u>

**Change in net assets** 1,652

**Unrestricted net assets beginning of year** 8,126

**Unrestricted net assets end of year** \$ 9,778

See accompanying independent accountants' review report and notes to financial statements.

**Building Lives Foundation, Inc.**

**Statement of Functional Expenses**

**June 30, 2009**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Apartment furniture	\$ 2,099	-	-	2,099
Bad debt expense	5,730	-	-	5,730
Vehicle expenses	15,705	-	-	15,705
Vehicles acquired	25,575	-	-	25,575
Food	250	-	-	250
Fundraising expense	-	3,710	-	3,710
Insurance expense	-	-	950	950
Miscellaneous	6,229	-	127	6,356
Postage and delivery	-	-	170	170
Professional fees	-	-	1,000	1,000
Rent expense	17,007	-	-	17,007
Utilities	751	-	-	751
	<u>\$ 73,346</u>	<u>3,710</u>	<u>2,247</u>	<u>79,303</u>

See accompanying independent accountants' review report and notes to financial statements.

**Building Lives Foundation, Inc.**

**Statement of Cash Flows**

**June 30, 2009**

**Cash flows from operating activities:**

Change in net assets	\$	1,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Discount on notes receivable		410
Estimated value of donated vehicles		(20,475)
Provision for doubtful accounts		5,730
Increase in inventory		(350)
Increase in accounts payable		<u>1,908</u>
Net cash used by operating activities		<u>(11,125)</u>

**Cash flows from investing activities-**

Collections on notes receivable		<u>9,858</u>
Net cash provided by investing activities		<u>9,858</u>

**Net decrease in cash and cash equivalents** (1,267)

**Cash and cash equivalents at beginning of year** 3,960

**Cash and cash equivalents at end of year** \$ 2,693

See accompanying independent accountants' review report and notes to financial statements.

## **Building Lives Foundation, Inc.**

### **Notes to Financial Statements**

**June 30, 2009**

(1) Organization and Purpose:

Organized in 2006, Building Lives Foundation, Inc. (the Foundation) is a not-for-profit corporation committed to assisting veterans by providing mentoring, health and psychological care, employment, transportation, housing, and financial education. The Foundation's singular goal is to support and transition veterans to become productive members of the middle Tennessee community.

(2) Summary of Significant Accounting Policies:

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Notes Receivable

Vehicles are financed to veterans by short-term and long-term unsecured, non-interest bearing notes receivable. Notes receivable are reported using the interest method and discounted using an estimated interest rate. The appropriate amount of interest income is recognized over the life of the note through amortization of the discount. The Foundation periodically reviews all delinquent accounts and charges off accounts after collection efforts are exhausted.

The allowance for doubtful accounts represents an amount which, in management's judgment, will be adequate to absorb potentially uncollectible notes receivable. In determining the adequacy of the allowance, management considers general economic conditions, the customer's financial ability and the age of the receivable.

Revenue Recognition

Revenue and support are recognized as income during the fiscal year in which they are earned.

Gifts-in-kind contributions consist of donated vehicles and are recorded based on their estimated fair value at the date of the contribution. Fundraising primarily consists of benefit concerts organized by the Foundation. The portion of ticket sales that represents fair value is recorded as fundraising income and the excess is classified as donations on the statement of activities.



**Building Lives Foundation, Inc.**

**Notes to Financial Statements (Continued)**

**June 30, 2009**

(2) Summary of Significant Accounting Policies: (Continued)

Income Tax Status

The Internal Revenue Service has granted the Foundation exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) and has classified it as an organization that is not a private foundation as defined in Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Inventory

The Foundation's inventory, which consists of vehicles, is valued at the lower of cost or market if purchased with Foundation funds. Inventory donated to the Foundation is recorded at market value on the date of receipt. Cost of sales is based on the specific identification method.

Property and Equipment

Property and equipment will be stated at cost less accumulated depreciation. Depreciation will be computed on a straight-line basis over an estimated useful life of three to five years. Maintenance and repairs will be charged to expense as incurred. Major purchases and betterments will be capitalized. The Foundation does not own any premises and equipment as of June 30, 2009.

Advertising Costs

The Foundation expenses all advertising costs as they are incurred.

Fair Values

The Foundation has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data, including interest rate yield curves, option volatilities and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Foundation 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 estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**Building Lives Foundation, Inc.**

**Notes to Financial Statements (Continued)**

**June 30, 2009**

(2) Summary of Significant Accounting Policies: (Continued)

Fair Values (Continued)

The three levels are explained as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(3) Notes Receivable:

The Foundation has unsecured notes receivable related to the sale of vehicles. The terms of the notes are eighteen months or less. The Foundation has estimated 6% as the discount rate to use related to these short term notes receivable. Notes receivable net of discount and allowance are as follows at June 30, 2009:

Gross notes receivable	\$ 17,045
Less:	
Discount on notes receivable	(596)
Allowance for doubtful accounts	<u>(4,112)</u>
	<u>\$ 12,337</u>

Due to the nature of the borrowers, the full value of notes receivable are deemed impaired. The Foundation has estimated that 25% of the outstanding notes receivable will be uncollectible for these impaired loans. This estimate may be revised as the Foundation develops historical experience related to such notes receivable. Notes with a balance of \$1,675 and unamortized discounts of \$58 were written off during the fiscal year ended June 30, 2009.

(4) Intentions to Give:

As of June 30, 2009, the Foundation had no unfulfilled pledges from contributors. Such pledges are considered intentions to give. As they are not considered unconditional promises to give, they are not recognized until collected.

**Building Lives Foundation, Inc.**

**Notes to Financial Statements (Continued)**

**June 30, 2009**

(5) Donated Services:

Officers, members of the Board of Directors, and other volunteers of the Foundation have assisted the Foundation in the accomplishment of its goals and objectives by the donation of their time and services. No amounts have been reflected in the financial statements as it was not practicable to determine the valuation of such services to the Foundation, and the Foundation exercises no significant control over the major elements of donated services.

(6) Leases:

The Foundation has entered into six month leases to provide a number of veterans with housing. The veterans are required to reimburse the Foundation on a monthly basis. Leases are cancelable if a client moves out. At June 30, 2009, there were no leases to which the Foundation would be liable for payment of rents.

(7) Fair Value Measurement:

The following table presents the financial instruments carried at fair value as of June 30, 2009 on the statement of financial position using the valuation hierarchy (See Note 2) and subject to measurement on a non-recurring basis:

	Valuation Description	Total Carrying Value	Value Using Level 1	Value Using Level 2	Value Using Level 3
Impaired loans	See Note 2	\$ 12,337	-	-	12,337
Total assets at fair value		\$ 12,337	-	-	12,337
Total liabilities at fair value		\$ -	-	-	-