

***WESTMINSTER HOME
CONNECTION***

**FINANCIAL STATEMENTS
& INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2016

WESTMINSTER HOME CONNECTION

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Westminster Home Connection:

We have audited the accompanying financial statements of Westminster Home Connection (a nonprofit corporation) ("Home Connection"), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Home Connection's 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 audit. We conducted our audit 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Westminster Home Connection as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
June 14, 2017

WESTMINSTER HOME CONNECTION

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 164,803
Certificates of deposit	100,830
Promises to give	396,754
Other receivables	2,294
Prepaid expenses and other assets	3,917
Total current assets	<u>668,598</u>

PROPERTY AND EQUIPMENT:

Truck, tools and equipment	22,493
Accumulated depreciation	<u>(15,896)</u>
Property and equipment, net	<u>6,597</u>

TOTAL ASSETS	<u>\$ 675,195</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 10,705
Accrued payroll	13,701
Accrued compensated absences	<u>6,575</u>
Total current liabilities	<u>30,981</u>

NET ASSETS:

Unrestricted	209,334
Temporarily restricted net assets	<u>434,880</u>
Total net assets	<u>644,214</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 675,195</u>
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The accompanying notes are an integral part of the financial statements.

WESTMINSTER HOME CONNECTION**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 184,182	\$ 406,000	\$ 590,182
Investment income	1,826	-	1,826
Other income	1,690	-	1,690
Total	<u>187,698</u>	<u>406,000</u>	<u>593,698</u>
Net assets released due to satisfaction of restrictions	<u>294,965</u>	<u>(294,965)</u>	<u>-</u>
Total revenues, gains and other support	<u>482,663</u>	<u>111,035</u>	<u>593,698</u>
EXPENSES:			
Program services	338,198	-	338,198
Fundraising	6,557	-	6,557
Management and general	113,681	-	113,681
Total expenses	<u>458,436</u>	<u>-</u>	<u>458,436</u>
CHANGE IN NET ASSETS	24,227	111,035	135,262
NET ASSETS:			
Beginning	<u>185,107</u>	<u>323,845</u>	<u>508,952</u>
Ending	<u>\$ 209,334</u>	<u>\$ 434,880</u>	<u>\$ 644,214</u>

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

WESTMINSTER HOME CONNECTION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 135,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	3,078
Noncash donation of vehicle	(2,500)
Net changes in other operating assets and liabilities:	
Promises to give	(109,254)
Other receivables	1,909
Prepaid expenses and other assets	(357)
Accounts payable	(2,773)
Accrued payroll and compensated absences	4,000
Net cash provided by operating activities	<u>29,364</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net purchases of certificates of deposit	(100,830)
Purchases of property and equipment	<u>(3,170)</u>
Net cash used in investing activities	<u>(104,000)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (74,636)

CASH AND CASH EQUIVALENTS, BEGINNING 239,439

CASH AND CASH EQUIVALENTS, ENDING \$ 164,803

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

WESTMINSTER HOME CONNECTION**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Fundraising	Management and General	Total
Client home expenses	\$ 282,891	\$ -	\$ -	\$ 282,891
Salaries and employee benefits	27,001	-	60,955	87,956
Accounting services	-	-	35,000	35,000
Occupancy	3,600	-	2,400	6,000
Case manager	3,945	-	-	3,945
Office and legal	-	-	10,799	10,799
Development and fundraising	-	6,557	-	6,557
Information technology	-	-	1,139	1,139
Minor tools and construction supplies	2,408	-	-	2,408
Food	1,338	-	239	1,577
Transportation	8,567	-	892	9,459
Insurance	4,870	-	-	4,870
Miscellaneous	500	-	2,257	2,757
Total expenses before depreciation expense	335,120	6,557	113,681	455,358
Depreciation expense	3,078	-	-	3,078
Total expenses	<u>\$ 338,198</u>	<u>\$ 6,557</u>	<u>\$ 113,681</u>	<u>\$ 458,436</u>

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

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE 1 – THE ENTITY

Westminster Home Connection ("Home Connection") was established for the purpose of making critical home repairs and mobility modifications for seniors and those with disabilities. Home Connection is chartered as a Tennessee nonprofit corporation and is a validated mission of Westminster Presbyterian Church ("WPC"). Home Connection's Board of Trustees ("Board") is approved by WPC through WPC's Session. At least two thirds of the members of the Board are required to be members of WPC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2016 in these financial statements refer to the year ended December 31, 2016, unless otherwise noted.

Basis of Accounting

Home Connection uses the accrual basis of accounting; therefore, revenue is recognized when earned and expenses are recognized when incurred. Gifts are considered available for unrestricted use unless specifically restricted by the donor.

Financial Statement Presentation

Home Connection is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted – This class includes net assets that are not subject to any donor-imposed restrictions.

Temporarily Restricted – This class includes net assets whose use by Home Connection is subject to donor-imposed restrictions that can be fulfilled by actions of Home Connection or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – This class includes net assets subject to donor-imposed restrictions that require the assets to be maintained permanently by Home Connection.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank accounts and bank certificates of deposit with a maturity of ninety days or less. Home Connection may, at times, maintain bank account balances in excess of federally insured limits. However, Home Connection has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to Home Connection 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.

Promises to give are recorded at fair value. The fair value of promises to give, which are payable within one year, is generally considered to be the same as the net realizable value of the promises.

Home Connection 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. At December 31, 2016, management deems all promises to give to be fully collectible, and no allowance has been recorded.

See Note 4 for further details.

Property and Equipment

Expenditures for additions, major renewals and betterment of property and equipment with a cost in excess of \$400 are capitalized. The fair value of donated property and equipment is similarly capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed by using the straight-line method over the estimated useful lives of the individual assets.

Donated Facilities and Services

Donated facilities are recognized at fair value on the date contributed.

Donated services are recognized, at fair value, if they create or enhance nonfinancial assets or require specialized skills and would be purchased by Home Connection if not contributed. Donated services are recognized as contributions and expenses at their estimated fair values at date of receipt.

Home Connection received a substantial amount of donated services from unpaid volunteers which did not meet the criteria for recognition.

See Note 3 for further details.

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

As mentioned in Note 1, Home Connection is a Tennessee nonprofit corporation. Home Connection is exempt from federal income taxes due to its subordinate unit status of the Presbyterian Church (U.S.A.) under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. See Note 8 for a subsequent event related to a federal tax filing for permission to be treated as a stand-alone tax-exempt entity.

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

Estimates

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

Events Occurring after Reporting Date

Home Connection has evaluated events and transactions that occurred between December 31, 2016 and June 14, 2017, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. See Note 8 for an identified subsequent event.

NOTE 3 – RELATED PARTY TRANSACTIONS

Home Connection has an arrangement with WPC for dedicated office, storage and parking spaces located on the grounds of WPC. Home Connection uses copiers, internet access and similar office tools. Periodically, Home Connection hosts volunteers on an overnight basis, who use WPC sleeping space, showers, a kitchen, gym and similar space. The estimated fair value of facilities in the amount of \$6,000 has been reported in the accompanying Statement of Activities.

Donated services, consisting of accounting and grant services, are performed by a member of Home Connection's Board. The estimated fair value of the services in the amount of \$41,000 has been reported in the accompanying Statement of Activities.

A promise to give was made in a previous year from a Foundation for which Home Connection's Board Chair is also a Board member. The promise was payable over three years, with final payment received in 2016.

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **DECEMBER 31, 2016**

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31, 2016:

Foundations	\$ 391,000
Individuals	<u>5,754</u>
Total unconditional promises to give	<u>\$ 396,754</u>

NOTE 5 – NET ASSETS

Temporarily restricted net assets have been restricted for the following purposes at December 31, 2016:

Critical home repairs and mobility modifications	\$ 386,700
Infrastructure improvements and work truck	39,000
Other	<u>9,180</u>
Total temporarily restricted net assets	<u>\$ 434,880</u>

There were no permanently restricted net assets at December 31, 2016.

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions during 2016 as follows:

Critical home repairs and mobility modifications	\$ 260,518
Portion of director salary and benefits	<u>34,447</u>
Total net assets released from restrictions	<u>\$ 294,965</u>

NOTE 6 – EMPLOYEE BENEFIT PLAN

Home Connection has a Simple IRA plan (the "Plan") for its employees. Home Connection matches 3% of eligible employees' compensation. Matching contributions for the year amounted to \$3,152.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Home Connection to concentrations of credit risk principally consist of promises to give. Promises to give represent concentrations of credit risk to the extent they are receivable from concentrated sources. At December 31, 2016, there were two promises to give totaling \$391,000, which was 98.5% of the total promises to give. These same sources contributed a total of \$396,000, which was 66.7% of the total revenues, gains and support for the year ended December 31, 2016.

NOTE 8 – SUBSEQUENT EVENTS

In January 2017, Home Connection filed Form 1023, Application for Recognition of Exemption under section 501(c)(3) of the Internal Revenue Code for permission to be treated as a stand-alone tax-exempt entity for federal income tax purposes. As of the date of this report, the application is still pending.