

ROOM IN THE INN, INC.
FINANCIAL STATEMENTS
June 30, 2016 and 2015

ROOM IN THE INN, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2016 and 2015, 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 the Room In The Inn, Inc. as of June 30, 2016 and 2015, 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.

Frasin, Orr & Hart, PLLC

Nashville, Tennessee

January 10, 2017

ROOM IN THE INN, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------------------|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,710,596 | \$ 3,748,219 |
| Contract and grants receivable | 179,320 | 50,091 |
| Contributions receivable, net | 127,733 | 183,826 |
| Prepaid expenses | <u>2,998</u> | <u>23,836</u> |
| Total current assets | 4,020,647 | 4,005,972 |
| Contributions receivable, net of current portion | 69,655 | 134,998 |
| Land, building and equipment, net | <u>11,673,483</u> | <u>12,125,553</u> |
| Total assets | <u><u>\$ 15,763,785</u></u> | <u><u>\$ 16,266,523</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable and accrued expenses | \$ 187,581 | \$ 206,659 |
| Notes payable, current portion | <u>1,717,194</u> | <u>173,153</u> |
| Total current liabilities | 1,904,775 | 379,812 |
| Notes payable, noncurrent portion | <u>572,222</u> | <u>2,289,416</u> |
| Total liabilities | <u>2,476,997</u> | <u>2,669,228</u> |
| Net assets: | | |
| Unrestricted | 12,824,400 | 13,053,471 |
| Temporarily restricted | <u>462,388</u> | <u>543,824</u> |
| Total net assets | <u>13,286,788</u> | <u>13,597,295</u> |
| Total liabilities and net assets | <u><u>\$ 15,763,785</u></u> | <u><u>\$ 16,266,523</u></u> |

See accompanying notes.

ROOM IN THE INN, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Revenues: | | | |
| Contributions | \$ 1,303,866 | \$ 49,657 | \$ 1,353,523 |
| Grants and contracts | 1,317,889 | - | 1,317,889 |
| In-kind contributions | 778,928 | - | 778,928 |
| Other | 195,535 | - | 195,535 |
| Net assets released from restrictions | <u>131,093</u> | <u>(131,093)</u> | <u>-</u> |
| Total revenues | <u>3,727,311</u> | <u>(81,436)</u> | <u>3,645,875</u> |
| Expenses: | | | |
| Program services | 3,255,791 | - | 3,255,791 |
| Supporting services | <u>700,591</u> | <u>-</u> | <u>700,591</u> |
| Total expenses | <u>3,956,382</u> | <u>-</u> | <u>3,956,382</u> |
| Change in net assets | (229,071) | (81,436) | (310,507) |
| Net assets - beginning of year | <u>13,053,471</u> | <u>543,824</u> | <u>13,597,295</u> |
| Net assets - end of year | <u><u>\$ 12,824,400</u></u> | <u><u>\$ 462,388</u></u> | <u><u>\$ 13,286,788</u></u> |

See accompanying notes.

ROOM IN THE INN, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Revenues: | | | |
| Contributions | \$ 1,299,263 | \$ 251,190 | \$ 1,550,453 |
| Grants and contracts | 1,189,739 | - | 1,189,739 |
| In-kind contributions | 661,441 | - | 661,441 |
| Other | 191,035 | - | 191,035 |
| Net assets released from restrictions | <u>633,810</u> | <u>(633,810)</u> | <u>-</u> |
| Total revenues | <u>3,975,288</u> | <u>(382,620)</u> | <u>3,592,668</u> |
| Expenses: | | | |
| Program services | 3,188,281 | - | 3,188,281 |
| Supporting services | <u>653,862</u> | <u>-</u> | <u>653,862</u> |
| Total expenses | <u>3,842,143</u> | <u>-</u> | <u>3,842,143</u> |
| Change in net assets | 133,145 | (382,620) | (249,475) |
| Net assets - beginning of year | <u>12,920,326</u> | <u>926,444</u> | <u>13,846,770</u> |
| Net assets - end of year | <u><u>\$ 13,053,471</u></u> | <u><u>\$ 543,824</u></u> | <u><u>\$ 13,597,295</u></u> |

See accompanying notes.

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

| | Program Services | | | | | | | Supporting Services | | | |
|-------------------------------------------|-------------------------|-------------------|------------------------|-------------------|------------------------------|----------------------------|---------------------|-----------------------------------|----------------------------------|-------------------|---------------------|
| | | | | | | | | Fundraising and | | | |
| | Day Center | Veterans | Guest House | Respite | Permanent Housing | Room in the Inn | Total | Management and General | Community Development | Total | Total |
| Salaries and related expenses | \$ 388,389 | \$ 262,712 | \$ 268,664 | \$ 136,890 | \$ 58,420 | \$ 118,262 | \$ 1,233,337 | \$ 276,744 | \$ 253,053 | \$ 529,797 | \$ 1,763,134 |
| Depreciation | 137,242 | 66,255 | 61,522 | 37,860 | 156,172 | - | 459,051 | 14,197 | - | 14,197 | 473,248 |
| Food (including \$362,104 in-kind) | - | 127,447 | 216,293 | 80,580 | - | 557 | 424,877 | 1,032 | - | 1,032 | 425,909 |
| Supplies (including \$192,824 in-kind) | 63,821 | 30,891 | 58,269 | 17,474 | 446 | 53,009 | 223,910 | 1,504 | 1,114 | 2,618 | 226,528 |
| Utilities | 54,598 | 25,481 | 28,032 | 14,561 | 66,081 | 560 | 189,313 | 8,523 | - | 8,523 | 197,836 |
| Professional fees | 67,860 | 17,881 | 14,077 | 10,957 | 6,373 | 7,663 | 124,811 | 8,833 | 53,511 | 62,344 | 187,155 |
| Insurance | 42,423 | 22,127 | 19,647 | 12,881 | 39,409 | 2,654 | 139,141 | 6,117 | 3,317 | 9,434 | 148,575 |
| Rent expense in-kind | - | 42,000 | 71,400 | 26,600 | - | - | 140,000 | - | - | - | 140,000 |
| Maintenance and security | 30,348 | 24,887 | 16,671 | 8,468 | 34,570 | 358 | 115,302 | 3,153 | - | 3,153 | 118,455 |
| Laundry in-kind | - | 25,200 | 42,840 | 15,960 | - | - | 84,000 | - | - | - | 84,000 |
| Miscellaneous | 6,292 | 836 | 2,015 | 119 | 43 | 15,787 | 25,092 | 27,972 | 12,969 | 40,941 | 66,033 |
| Program materials | 2,486 | 7,194 | 13,751 | 4,586 | 99 | 17,819 | 45,935 | 733 | 4,302 | 5,035 | 50,970 |
| Transportation | 23,510 | 7,636 | 4,701 | 2,699 | - | 96 | 38,642 | - | - | - | 38,642 |
| Bad debt expense | - | - | - | - | - | - | - | 21,602 | - | 21,602 | 21,602 |
| Office equipment maintenance | 2,633 | 1,755 | 1,365 | 1,073 | 390 | 780 | 7,996 | 940 | 975 | 1,915 | 9,911 |
| Birth certificates and fees | 4,121 | 99 | 127 | - | 10 | 27 | 4,384 | - | - | - | 4,384 |
| | <u>\$ 823,723</u> | <u>\$ 662,401</u> | <u>\$ 819,374</u> | <u>\$ 370,708</u> | <u>\$ 362,013</u> | <u>\$ 217,572</u> | <u>\$ 3,255,791</u> | <u>\$ 371,350</u> | <u>\$ 329,241</u> | <u>\$ 700,591</u> | <u>\$ 3,956,382</u> |

See accompanying notes.

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

| | Program Services | | | | | | | Supporting Services | | | |
|-------------------------------------------|-------------------------|-------------------|------------------------|-------------------|------------------------------|----------------------------|---------------------|-----------------------------------------------------------|----------------------------------|-------------------|---------------------|
| | Day Center | Veterans | Guest House | Respite | Permanent Housing | Room in the Inn | Total | Fundraising and Management and General | Community Development | Total | Total |
| Salaries and related expenses | \$ 487,045 | \$ 265,172 | \$ 228,532 | \$ 157,805 | \$ 61,557 | \$ 147,745 | \$ 1,347,856 | \$ 249,216 | \$ 240,226 | \$ 489,442 | \$ 1,837,298 |
| Depreciation | 133,560 | 65,473 | 60,796 | 39,474 | 154,328 | - | 453,631 | 14,030 | - | 14,030 | 467,661 |
| Food (including \$327,569 in-kind) | - | 117,819 | 199,859 | 74,450 | - | 99 | 392,227 | 839 | 213 | 1,052 | 393,279 |
| Utilities | 56,040 | 26,036 | 27,777 | 14,878 | 66,171 | 557 | 191,459 | 8,064 | - | 8,064 | 199,523 |
| Professional fees | 50,028 | 15,084 | 11,632 | 9,053 | 5,163 | 6,700 | 97,660 | 12,065 | 40,852 | 52,917 | 150,577 |
| Rent expense in-kind | - | 42,000 | 71,400 | 26,600 | - | - | 140,000 | - | - | - | 140,000 |
| Supplies (including \$109,872 in-kind) | 50,345 | 23,617 | 43,873 | 15,184 | 475 | 1,016 | 134,510 | 1,023 | 1,091 | 2,114 | 136,624 |
| Insurance | 35,241 | 18,446 | 16,345 | 10,747 | 32,391 | 2,308 | 115,478 | 5,148 | 2,886 | 8,034 | 123,512 |
| Maintenance and security | 30,105 | 16,086 | 15,089 | 8,512 | 34,737 | 120 | 104,649 | 3,203 | - | 3,203 | 107,852 |
| Laundry in-kind | - | 25,200 | 42,840 | 15,960 | - | - | 84,000 | - | - | - | 84,000 |
| Miscellaneous | 14,386 | 2,279 | 6,387 | 676 | - | 9,409 | 33,137 | 26,977 | 8,258 | 35,235 | 68,372 |
| Transportation | 28,223 | 8,243 | 7,769 | 2,792 | - | - | 47,027 | - | - | - | 47,027 |
| Program materials | 12,513 | 6,658 | 10,538 | 1,613 | 231 | 153 | 31,706 | - | 101 | 101 | 31,807 |
| Fundraising expenses | - | - | - | - | - | - | - | - | 19,568 | 19,568 | 19,568 |
| Bad debt expense | - | - | - | - | - | - | - | 17,993 | - | 17,993 | 17,993 |
| Office equipment maintenance | 3,163 | 2,109 | 1,640 | 1,289 | 469 | 937 | 9,607 | 937 | 1,172 | 2,109 | 11,716 |
| Birth certificates and fees | 5,241 | 81 | - | - | 12 | - | 5,334 | - | - | - | 5,334 |
| | <u>\$ 905,890</u> | <u>\$ 634,303</u> | <u>\$ 744,477</u> | <u>\$ 379,033</u> | <u>\$ 355,534</u> | <u>\$ 169,044</u> | <u>\$ 3,188,281</u> | <u>\$ 339,495</u> | <u>\$ 314,367</u> | <u>\$ 653,862</u> | <u>\$ 3,842,143</u> |

See accompanying notes.

ROOM IN THE INN, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (310,507) | \$ (249,475) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 473,248 | 467,661 |
| Loss on disposal of land, building and equipment | - | 9,405 |
| Contributions restricted for capital campaign | (9,657) | - |
| Change in operating assets and liabilities: | | |
| Contract and grants receivable | (129,229) | 41,180 |
| Contributions receivable for operations | 78,593 | (57,700) |
| Prepaid expenses | 20,838 | (23,836) |
| Accounts payable and accrued expenses | <u>(19,078)</u> | <u>29,825</u> |
| Net cash provided by operating activities | <u>104,208</u> | <u>217,060</u> |
| Cash flows from investing activities: | | |
| Purchase of land, building and equipment | <u>(21,178)</u> | <u>(97,368)</u> |
| Net cash used in investing activities | <u>(21,178)</u> | <u>(97,368)</u> |
| Cash flows from financing activities: | | |
| Proceeds from contributions restricted for capital campaign | 52,500 | 440,320 |
| Payments on long-term debt | <u>(173,153)</u> | <u>(173,152)</u> |
| Net cash (used in) provided by financing activities | <u>(120,653)</u> | <u>267,168</u> |
| Net (decrease) increase in cash and cash equivalents | (37,623) | 386,860 |
| Cash and cash equivalents - beginning of year | <u>3,748,219</u> | <u>3,361,359</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 3,710,596</u></u> | <u><u>\$ 3,748,219</u></u> |

See accompanying notes.

ROOM IN THE INN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The 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. 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.

ROOM IN THE INN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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.

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.

ROOM IN THE INN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Income Taxes (Continued)

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 fifty percent likely of being realized upon ultimate settlement. RITI has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended June 30, 2013 through June 30, 2016.

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 183,000 and 174,000 hours during the years ended June 30, 2016 and 2015, respectively, to RITI's program services. However, these services do not meet the requirements above and have not been recorded.

ROOM IN THE INN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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.

Subsequent Events

RITI evaluated subsequent events through January 10, 2017, when these financial statements were available to be issued. Management is not aware of any 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:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------------|--------------------|--------------------|
| Contributions receivable | \$ 256,830 | \$ 366,583 |
| Less: Discount on contributions receivable | (5,345) | (15,002) |
| Allowance for doubtful accounts | <u>(54,097)</u> | <u>(32,757)</u> |
| Net contributions receivable | <u>\$ 197,388</u> | <u>\$ 318,824</u> |

The discount rates used to determine the present value of contributions receivable ranged from 1.14% to 3.53% at June 30, 2016 and 2015, respectively.

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

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------------|--------------------|--------------------|
| Receivable in less than one year, net | \$ 127,733 | \$ 183,826 |
| Receivable in one to five years, net | 69,655 | 117,897 |
| Receivable in more than five years, net | <u>-</u> | <u>17,101</u> |
| | <u>\$ 197,388</u> | <u>\$ 318,824</u> |

There were no write offs of contributions receivable for the years ended June 30, 2016 and 2015.

ROOM IN THE INN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 3 – LAND, BUILDING AND EQUIPMENT

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

| | <u>2016</u> | <u>2015</u> |
|----------------------------------------------|----------------------|----------------------|
| Real estate | \$ 709,072 | \$ 709,072 |
| Buildings | 9,764,334 | 9,764,334 |
| Leasehold improvements – Eighth Avenue South | 3,571,181 | 3,571,181 |
| Furniture and laundry equipment | 678,945 | 675,266 |
| Office equipment | 594,608 | 577,108 |
| Automobiles | <u>57,450</u> | <u>57,450</u> |
| | 15,375,590 | 15,354,411 |
| Less: accumulated depreciation | <u>(3,702,107)</u> | <u>(3,228,858)</u> |
| | <u>\$ 11,673,483</u> | <u>\$ 12,125,553</u> |

There are restrictions on certain property owned by RITI. The real estate restrictions by the Department of Housing and Urban Development (“HUD”) 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 4 – NOTES PAYABLE

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

| | <u>2016</u> | <u>2015</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Note payable to a financial institution payable in monthly principal installments of \$4,442. Interest is calculated at the bank’s prime rate less 400 basis points not to fall below 0.00%. The note matures December 2016 and is secured by a deed of trust. | \$ 826,147 | \$ 879,447 |
| Note payable to a financial institution payable in monthly principal installments of \$4,432. Interest is calculated at the bank’s prime rate less 400 basis points not to fall below 0.00%. The note matures December 2016 and is secured by a deed of trust. | 824,380 | 877,566 |

ROOM IN THE INN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 4 – NOTES PAYABLE (Continued)

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| 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. | <u>638,889</u> | <u>705,556</u> |
| Total notes payable | <u>\$ 2,289,416</u> | <u>\$ 2,462,569</u> |

Future principal payments on the notes are as follows at June 30, 2016:

| <u>Year Ending June 30,</u> | |
|---------------------------------|---------------------|
| 2017 | \$ 1,717,194 |
| 2018 | 66,667 |
| 2019 | 66,667 |
| 2020 | 66,667 |
| 2021 | 66,667 |
| Thereafter | <u>305,554</u> |
| | <u>\$ 2,289,416</u> |

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30:

| | <u>2016</u> | <u>2015</u> |
|------------------------------------------------------|--------------------|--------------------|
| Unconditional promises to give due in future periods | \$ 197,388 | \$ 318,824 |
| Future housing programs | 225,000 | 225,000 |
| Future operations | <u>40,000</u> | <u>-</u> |
| | <u>\$ 462,388</u> | <u>\$ 543,824</u> |

ROOM IN THE INN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 6 – DONATED MATERIALS AND SERVICES

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

| | <u>2016</u> | <u>2015</u> |
|-------------------|--------------------------|--------------------------|
| Food | \$ 362,104 | \$ 327,569 |
| Supplies | 192,824 | 109,872 |
| Rental facilities | 140,000 | 140,000 |
| Laundry services | <u>84,000</u> | <u>84,000</u> |
| | <u><u>\$ 778,928</u></u> | <u><u>\$ 661,441</u></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 2016 and 2015. 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 2016 and 2015. 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 2016 and 2015.

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

NOTE 7 – 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.

NOTE 8 – 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.