

***WESTMINSTER HOME
CONNECTION***

**FINANCIAL STATEMENTS
& INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2018 and 2017

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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
March 27, 2019

WESTMINSTER HOME CONNECTION**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 367,609	\$ 221,154
Certificates of deposit, including accrued interest	161,150	151,509
Promises to give	164,732	206,124
Grants receivable	20,563	-
Prepaid expenses and other assets	16,500	2,409
Property and equipment, net	<u>24,333</u>	<u>19,563</u>
TOTAL ASSETS	<u>\$ 754,887</u>	<u>\$ 600,759</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 45,917	\$ 22,655
Accrued payroll	26,852	15,471
Accrued compensated absences	8,686	1,268
Deferred grant revenue	<u>126,495</u>	<u>-</u>
Total liabilities	<u>207,950</u>	<u>39,394</u>
NET ASSETS:		
Without donor restrictions	335,277	274,634
With donor restrictions	<u>211,660</u>	<u>286,731</u>
Total net assets	<u>546,937</u>	<u>561,365</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 754,887</u>	<u>\$ 600,759</u>

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, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS:			
Contributions	\$ 293,677	\$ 200,000	\$ 493,677
State and local contracts and grants	252,243	-	252,243
Investment income	2,690	-	2,690
Other income	500	-	500
Total	549,110	200,000	749,110
Net assets released due to satisfaction of restrictions	275,071	(275,071)	-
Total revenue, support and gains	824,181	(75,071)	749,110
EXPENSES:			
Program services	556,706	-	556,706
Fundraising	25,557	-	25,557
Management and general	181,275	-	181,275
Total expenses	763,538	-	763,538
CHANGE IN NET ASSETS	60,643	(75,071)	(14,428)
NET ASSETS:			
Beginning	274,634	286,731	561,365
Ending	\$ 335,277	\$ 211,660	\$ 546,937

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, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS:			
Contributions	\$ 220,386	\$ 277,000	\$ 497,386
Investment income	2,205	-	2,205
Other income	5,002	-	5,002
Total	227,593	277,000	504,593
Net assets released due to satisfaction of restrictions	425,149	(425,149)	-
Total revenue, support and gains	652,742	(148,149)	504,593
EXPENSES:			
Program services	432,388	-	432,388
Fundraising	23,337	-	23,337
Management and general	131,717	-	131,717
Total expenses	587,442	-	587,442
CHANGE IN NET ASSETS	65,300	(148,149)	(82,849)
NET ASSETS:			
Beginning	209,334	434,880	644,214
Ending	\$ 274,634	\$ 286,731	\$ 561,365

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

WESTMINSTER HOME CONNECTION**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (14,428)	\$ (82,849)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	7,049	5,852
Noncash donation of vehicle	(7,823)	-
Gain on sale of property and equipment	-	(3,923)
Accrued interest on certificates of deposit	(2,586)	(1,509)
Net changes in other operating assets and liabilities:		
Promises to give	41,392	190,630
Grants receivable	(20,563)	2,294
Prepaid expenses and other assets	(14,091)	1,508
Accounts payable	23,262	11,950
Accrued payroll and compensated absences	18,799	(3,537)
Deferred grant revenue	126,495	-
Net cash provided by operating activities	<u>157,506</u>	<u>120,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(160,000)	(150,000)
Redemption of certificates of deposit	152,945	100,830
Purchases of property and equipment	(3,996)	(21,651)
Proceeds from sale of property and equipment	-	6,756
Net cash used in investing activities	<u>(11,051)</u>	<u>(64,065)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	146,455	56,351
CASH AND CASH EQUIVALENTS, BEGINNING	<u>221,154</u>	<u>164,803</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 367,609</u>	<u>\$ 221,154</u>

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

WESTMINSTER HOME CONNECTION**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Fundraising	Management and General	Total
Client home expenses	\$ 479,836	\$ -	\$ -	\$ 479,836
Salaries and employee benefits	26,140	1,884	108,485	136,509
Accounting services	-	-	32,700	32,700
Occupancy	5,600	70	1,330	7,000
Case manager	6,199	-	-	6,199
Office and legal	4,663	-	22,327	26,990
Development and fundraising	-	23,603	-	23,603
Information technology	1,492	-	3,226	4,718
Minor tools and construction supplies	3,849	-	-	3,849
Food	820	-	528	1,348
Transportation	16,370	-	1,357	17,727
Insurance	4,538	-	9,547	14,085
Miscellaneous	150	-	1,775	1,925
Total expenses before depreciation expense	549,657	25,557	181,275	756,489
Depreciation expense	7,049	-	-	7,049
Total expenses	<u>\$ 556,706</u>	<u>\$ 25,557</u>	<u>\$ 181,275</u>	<u>\$ 763,538</u>

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

WESTMINSTER HOME CONNECTION**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Fundraising	Management and General	Total
Client home expenses	\$ 357,448	\$ -	\$ -	\$ 357,448
Salaries and employee benefits	25,866	-	65,644	91,510
Accounting services	-	-	28,000	28,000
Occupancy	4,800	60	1,140	6,000
Case manager	2,299	-	-	2,299
Office and legal	7,864	-	25,441	33,305
Development and fundraising	-	23,277	-	23,277
Information technology	3,521	-	846	4,367
Minor tools and construction supplies	2,683	-	-	2,683
Food	832	-	240	1,072
Transportation	11,008	-	-	11,008
Insurance	10,015	-	3,366	13,381
Miscellaneous	200	-	7,040	7,240
Total expenses before depreciation expense	426,536	23,337	131,717	581,590
Depreciation expense	5,852	-	-	5,852
Total expenses	<u>\$ 432,388</u>	<u>\$ 23,337</u>	<u>\$ 131,717</u>	<u>\$ 587,442</u>

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

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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. In May 2017, Home Connection was granted exemption under section 501(c)(3) of the Internal Revenue Code as a stand-alone tax-exempt entity for federal income tax purposes. Before May 2017, Home Connection had 501(c)(3) status as a subunit of the Presbyterian Church (U.S.A.).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2018 and 2017 in these financial statements refer to the year ended December 31, 2018 and 2017, respectively, unless otherwise noted.

Basis of Accounting

In accordance with accounting principles generally accepted in the United States of America, Home Connection uses the accrual basis of accounting; therefore, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Home Connection is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – This class includes net assets that are not subject to any donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Home Connection. These net assets may be used at the discretion of Home Connection's management and the Board of Directors.

Net assets with donor restrictions – This class includes net assets whose use by Home Connection is subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be fulfilled by actions of Home Connection pursuant to those restrictions or by the passage of time. Home Connection has no donor restrictions that are perpetual in nature, whereby the donor has stipulated that resources be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank accounts, money market funds and bank certificates of deposit with original maturities of ninety days or less, which are neither held for nor restricted by donors for long-term purposes. 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.

Contributions and Promises to Give

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Home Connection uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on historical experience, an assessment of economic conditions, and management's analysis of specific promises made. Promises to give are written off when deemed uncollectible. At December 31, 2018 and 2017, management deemed all promises to give to be fully collectible, and, therefore, no allowance has been recorded.

See Note 4 for further details.

Grant Revenue and Receivables

Grant revenue is recognized when eligible expenses are incurred under the terms of the grant. Grant funds received prior to the incurrence of eligible expenses are recorded as deferred grant revenue in the statement of financial position until such expenses are incurred.

Home Connection uses the allowance method to determine uncollectible grants receivable. The allowance is based on historical experience, an assessment of economic conditions, and management's analysis of specific grants receivable. Grants receivable are written off when deemed uncollectible. At December 31, 2018 and 2017, management deemed all grants receivable to be fully collectible, and, therefore, no allowance has been recorded.

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Expenditures for additions, major renewals and betterment of property and equipment with a cost in excess of \$750 are capitalized. The fair value of donated property and equipment is similarly capitalized. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred. Depreciation is computed by using the straight-line method over the estimated useful lives of the individual assets. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

See Note 6 for further details.

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 under generally accepted accounting principles.

See Note 5 for further details.

Income Taxes

As mentioned in Note 1, Home Connection is a Tennessee nonprofit corporation, and a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Home Connection is not classified as a private foundation.

Home Connection is required to file an annual Return of Organization for Exempt from Income Tax (Form 990) with the Internal Revenue Service. In addition, certain nonprofit corporations are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that Home Connection is not subject to unrelated business income tax. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See Note 9 for further details.

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and those differences could be material.

Events Occurring after Reporting Date

Home Connection has evaluated events and transactions that occurred between December 31, 2018 and March 27, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (the "ASU"). Home Connection has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for certain liquidity disclosures, as allowed by the ASU. There were no reclassifications or restatements in the classes of net assets as a result of the adoption of the ASU.

NOTE 3 – LIQUIDITY

Financial assets available for general expenditures within one year of December 31, 2018, consist of the following:

Cash and cash equivalents	\$ 367,609
Certificates of deposit, maturing within 12 months	161,150
Promises to give	164,732
Grants receivable	<u>20,563</u>
Financial assets available to meet general expenditures within one year	<u>\$ 714,054</u>

Home Connection has certain promises to give which are limited to use but expected to be available for general expenditures within one year in the normal course of operations. Accordingly, these promises have been included in the qualitative information above.

As part of Home Connection's liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Home Connection has a \$50,000 line of credit available to meet cash flow needs. See Note 8 for further details related to this line of credit.

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Foundations	\$ 155,000	\$ 190,000
Individuals	9,732	16,124
Total unconditional promises to give	<u>\$ 164,732</u>	<u>\$ 206,124</u>

All of the unconditional promises to give are estimated to be collectible within one year.

NOTE 5 – 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. WPC makes available sleeping space, showers, a kitchen, gym and similar space for Home Connection volunteers on an overnight basis, if needed. The estimated fair value of facilities in the amount of \$7,000 and \$6,000 has been reported in the accompanying Statements of Activities for both 2018 and 2017, respectively.

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 of \$50,000 and \$43,000 for 2018 and 2017, respectively, has been reported in the accompanying Statements of Activities.

A promise to give was made from a Foundation for which Home Connection's Board Chair is also a Board member. The promise is payable over two years, with final payment to be received in 2019. This Foundation also made a grant for operations in 2017.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Vehicles, tools and equipment	\$ 48,713	\$ 36,894
Less accumulated depreciation	<u>(24,380)</u>	<u>(17,331)</u>
Property and equipment, net	<u>\$ 24,333</u>	<u>\$ 19,563</u>

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 7 – NET ASSETS

Net assets with donor restrictions have been restricted for the following purposes at December 31, 2018:

	<u>2018</u>	<u>2017</u>
Purpose restrictions:		
Critical home repairs and mobility modifications	\$ 152,075	\$ 276,312
Work truck	20,000	-
Portion of operations coordinator salary	39,585	-
Time-restricted for next year's operations	-	10,419
Total temporarily restricted net assets	<u>\$ 211,660</u>	<u>\$ 286,731</u>

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restrictions during 2018 as follows:

	<u>2018</u>	<u>2017</u>
Critical home repairs and mobility modifications	\$ 254,237	\$ 362,388
Infrastructure improvements and work truck	-	39,000
Operations	10,419	14,581
Portion of director salary and benefits	10,415	9,180
Total net assets released from restrictions	<u>\$ 275,071</u>	<u>\$ 425,149</u>

NOTE 8 – LINE OF CREDIT

Home Connection has a revolving line of credit agreement with a financial institution with a maximum availability of \$50,000. Interest is payable monthly at the bank's index rate. The line of credit agreement expires on September 25, 2019, at which time all outstanding principal and accrued interest is payable. There were no outstanding advances under this line of credit at December 31, 2018 and 2017.

NOTE 9 – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Such expenses are allocated using three overall methods. Salaries and employee benefits are allocated on the basis of estimates of time and effort; office and legal, development and fundraising, information technology, food, transportation and insurance are allocated based on review of individual cost items, with any costs that were not specifically identifiable allocated based on estimates of time and effort; occupancy is allocated on the basis of percentage of accumulated other costs.

WESTMINSTER HOME CONNECTION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 10 – EMPLOYEE BENEFIT PLAN

Home Connection has a Simple IRA plan (the “Plan”) for its employees. Home Connection matches 3% of eligible employees’ compensation. Home Connection matched \$5,295 and \$3,500 during 2018 and 2017, respectively.

NOTE 11 – 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, 2018, there were two promises to give totaling \$150,000, representing 91% of the total promises to give. At December 31, 2017, there was one promise to give totaling \$190,000, representing 92% of the total promises to give. These same sources contributed a total of \$175,000 in 2018 and \$190,000 in 2017, comprising 23% and 38%, respectively, of the total revenues, support and gains.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grant expenditures are subject to review and audit by the grantors in the normal course of operations. Any reviews and audits could result in disallowance of expenditures, and therefore, a return of grant funds to the grantor. Management believes that no unallowable expenditures have been incurred under any of its grants. Accordingly, no provision has been made for any potential return of funds to any of its grantors.