

BUILDING LIVES FOUNDATION, INC.

Financial Statements

JUNE 30, 2018 and 2017

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

November 7, 2018

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

Report on the Financial Statements

We have audited the accompanying financial statements of Building Lives Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, 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

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 judgement, 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 Building Lives Foundation, 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.

Parsons and Associates

Parsons and Associates, CPAs

**BUILDING LIVES FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 68,968	\$134,112
Accounts receivable, net of allowance for bad debts of \$3,000	3,362	910
Prepaid assets	5,128	10,518
Notes receivable	0	3,900
Property and equipment (net of accumulated depreciation)	<u>215,714</u>	<u>191,971</u>
<u>Total Assets</u>	<u>\$293,172</u>	<u>\$341,411</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Note payable – bank – current portion	\$ 10,025	\$ 5,082
Accounts payable	14,764	13,039
Payroll taxes payable	<u>2,154</u>	<u>2,931</u>
<u>Total Current Liabilities</u>	<u>26,943</u>	<u>21,052</u>
<u>Long-Term Liabilities</u>		
Note payable – bank	<u>110,689</u>	<u>141,257</u>
<u>Total Long-Term Liabilities</u>	<u>110,689</u>	<u>141,257</u>
<u>Total Liabilities</u>	<u>137,632</u>	<u>162,309</u>
<u>Net Assets</u>		
Unrestricted	155,540	152,436
Temporarily restricted	<u>0</u>	<u>26,666</u>
<u>Total Net Assets</u>	<u>155,540</u>	<u>179,102</u>
<u>Total Liabilities and Net Assets</u>	<u>\$293,172</u>	<u>\$341,411</u>

See accompanying notes and auditor's report.

**BUILDING LIVES FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Fundraising – annual events	\$273,544	\$ 0	\$273,544	\$259,178		\$259,178
Program services	65,400		65,400	82,107		82,107
Donations	82,843		82,843	66,883		66,883
Gifts-in-kind	10,095		10,095	70,984		70,984
Vehicle reimbursements	3,575		3,575	3,770		3,770
Grant proceeds	109,700		109,700	9,000	32,000	41,000
Interest income	63		63	150		150
Transfers from temporarily restricted net assets	26,666	(26,666)	0	41,236	(41,236)	0
Total Revenue and Support	571,886	(26,666)	545,220	533,308	(9,236)	524,072
Expenses						
Program services	256,533		256,533	246,340		246,340
Fundraising	241,854		241,854	192,310		192,310
Administrative	70,395		70,395	75,919		75,919
Total Expenses	568,782	0	568,782	514,569		514,569
Change in Net Assets	3,104	(26,666)	(23,562)	18,739	(9,236)	9,503
Net Assets – beginning of year	152,436	26,666	179,102	133,697	35,902	169,599
Net Assets – end of year	\$155,540	\$ 0	\$155,540	\$152,436	\$26,666	\$179,102

See accompanying notes and auditor's report.

**BUILDING LIVES FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30**

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$(23,562)	\$ 9,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation on property and equipment	10,557	4,185
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(2,251)	3,791
(Increase) decrease in notes receivable	2,505	(2,505)
(Increase) decrease in prepaid expenses	5,390	(6,878)
Increase (decrease) in accounts payable	1,725	8,017
Increase (decrease) in payroll taxes payable	<u>777</u>	<u>2,931</u>
Net cash provided (used) by operating activities	<u>(4,859)</u>	<u>19,044</u>
<u>Cash flows from financing activities</u>		
Increase (decrease) in loans payable	(25,625)	146,339
Acquisition of property and equipment	<u>(34,660)</u>	<u>(190,837)</u>
Net cash provided (used) by financing activities	<u>(60,285)</u>	<u>(44,498)</u>
Net increase (decrease) in cash and cash equivalents	(65,144)	(25,454)
Cash and cash equivalents – at beginning of year	134,112	159,566
Cash and cash equivalents – at end of year	<u>\$ 68,968</u>	<u>\$134,112</u>

See accompanying notes and auditor's report.

**BUILDING LIVES FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30**

	<u>2018</u>	<u>2017</u>
Program Services		
Apartment furnishings	\$ 51,025	\$ 84,073
Provision of doubtful accounts	1,775	745
Compensation	5,980	14,064
Client support	135,155	97,436
Vehicle expenses	13,106	11,674
Miscellaneous	151	40
Food	3,891	2,595
Mobile phone	1,401	1,407
Postage and delivery	1,131	22
Rent expense	28,759	19,935
Utilities	<u>14,159</u>	<u>14,349</u>
<u>Total Program Services</u>	<u>256,533</u>	<u>246,340</u>
Fundraising		
Compensation	6,200	0
Fundraising: warehouse	229,497	185,401
concert	<u>6,157</u>	<u>6,909</u>
<u>Total Fundraising</u>	<u>241,854</u>	<u>192,310</u>
Administrative		
Depreciation	10,557	4,185
Property tax	3,901	0
Repairs and maintenance – building	9,302	0
Interest	6,193	4,670
Compensation	12,081	48,946
Miscellaneous	1,425	541
Contributions	500	500
Food	2,757	2,414
Fees, dues and subscriptions	961	1,322
Insurance expense	4,282	2,266
Mobile phone	887	630
Postage and delivery	706	640
Professional fees	<u>16,843</u>	<u>9,805</u>
<u>Total Administrative</u>	<u>70,395</u>	<u>75,919</u>
<u>Total</u>	<u>\$568,782</u>	<u>\$514,569</u>

See accompanying notes and auditor's report.

BUILDING LIVES FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 and 2017

NOTE 1 – Organization and Purpose

Organized in 2006, Building Lives Foundation, Inc. (BLF) is a not-for-profit corporation committed to assisting veterans, primarily in Middle Tennessee, by providing one-on-one-mentoring, health and psychological care referrals, employment transportation, housing and financial education. The singular goal is to support and transition each veteran/client to become a productive member of the community.

The BLF program includes five major components, which working together, build a solid foundation upon which a fulfilling life can be structured as follows: (1) Job Assistance, (2) Affordable Housing, (3) Apartment Furnishings, (4) Vehicle Program and (5) Guidance. Additionally, services are offered by the Foundation through a program known as “The Academy” which provides basic needs, housing, meals, transportation, etc., for the participants while taking part in a work-therapy program during a transition period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as established by the FASB Accounting Standards Codification. BLF 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 based upon the existence or absence of donor-imposed restrictions. BLF’s ordinary practice is to report revenues and support whose restrictions are met in the same period as unrestricted revenue and support. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions, and are recorded as described below:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or 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. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. As of June 30, 2018, the Foundation did not have any temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets that are subject to donor-imposed stipulations that are to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes. As of June 30, 2018 and 2017, the Foundation did not have any permanently restricted net assets.

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.

**BUILDING LIVES FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 and 2017**

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, costs have been allocated among the programs and supporting services benefited.

Revenue Recognition

Revenue and support are generally recognized as income during the fiscal year in which they are earned or contributed. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted revenues depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Gifts-in-kind contributions consist of donated assets and other noncash contributions received from donors supporting the fundraising activities. These types of contributions are recorded based on their estimated fair value at the date of the contribution. Fundraising primarily consists of an annual benefit concert and a holiday product warehouse sale. Both events are organized by the Foundation. The portion of benefit concert ticket sales that represents the fair value of the concert based on prices of local comparable events is recorded as fundraising income and the excess sales are classified as donations on the statement of activities.

Grants and bequests may require the fulfillment of certain conditions as set forth in the grant or bequest documents. Failure to fulfill any such conditions could result in the return of the funds to the grantors. Although such a circumstance is a possibility, management deems the contingency remote because the Organization has historically complied satisfactorily with donor provisions. By accepting the gifts and their terms, the Organization has demonstrated its intent and its policy to accommodate the provisions of the gifts and to coordinate them with the objectives of the Organization.

Income Tax Status

The Internal Revenue Service has granted the Foundation exempt status under Section 501(c)(3) of the Internal Revenue Code (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.

Accounts Receivable, Grants Receivable and Notes Receivable

Accounts receivable consist mostly of (1) third party billings to customers for work performed by participants in the work-therapy program and (2) billings to vehicle program participants for car repair and maintenance costs incurred.

Grants receivable consist of awards from one grant to be used (1) to support salaries of the veteran's program/case manager and its on-site house manager and (2) to improve the health and employment of the veterans in its program by helping them achieve self-sufficiency, consistent employment, financial management skills, permanent housing and citizenship skills.

Management periodically reviews all delinquent receivables and charges off accounts, grants and notes after collection efforts are exhausted. The allowance for doubtful accounts receivable represents an amount which, in management's judgment, reflects the net collectible balance of the accounts receivable. In determining the adequacy of the allowance, management considers general economic conditions, the client's and grantor's financial ability, the age of the receivable, and any potential collateral.

**BUILDING LIVES FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 and 2017**

Property and Equipment

Purchased property and equipment are carried at cost. Donated equipment is recorded at estimated market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to ten years. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for improvements, renewals and extraordinary repairs that extend the useful life of an asset are capitalized.

Compensated Absences

Employees of BLF are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. BLF's policy is to recognize the cost of compensated absences when actually paid to employees.

Advertising Costs

The Foundation expenses all advertising costs as they are incurred.

Fair Values

The Foundation has an established process for determining fair values of financial assets and liabilities, primarily receivables to be received in over one year and payables to be paid in over one year. When applicable, 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.

NOTE 3 – PROPERTY AND EQUIPMENT, Net

Property and equipment, net at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 50,000	\$ 50,000
Building	140,837	140,837
Vehicles and equipment	<u>62,432</u>	<u>28,132</u>
Total	253,269	218,969
Less accumulated depreciation	<u>(37,555)</u>	<u>(26,998)</u>
Net	<u>\$215,714</u>	<u>\$191,971</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for services performed and advances to employees. An allowance for uncollectible accounts has been provided in the amount of \$3000.

NOTE 5 – INTENTIONS TO GIVE

As of June 30, 2018 and 2017, the BLF had no unfulfilled pledges from contributors. When received, such pledges are considered intentions to give; accordingly, since they are not considered unconditional promises to give, they are not recognized until collected.

**BUILDING LIVES FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 and 2017**

NOTE 6 – DONATED SERVICES

Officers, members of the Board of Directors, and other volunteers of the BLF have assisted the BLF 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 BLF, and the BLF exercises no significant control over the major elements of donated services.

NOTE 7 – FUNDRAISING EVENTS AND SUBSEQUENT EVENTS

During the fiscal year ended June 30, 2017 Building Lives Foundation, Inc., sponsored four fundraising events as sources of additional revenue and greater public awareness. The events were Christmas “warehouse sales” held in Nashville, Bloomington, Franklin and Conyers, Georgia.

During the fiscal year ended June 30, 2018, Building Lives Foundation, Inc., sponsored three fundraising events as sources of additional revenue and greater public awareness. The events were Christmas “warehouse sales” held in Nashville, Bloomington, and Conyers, Georgia.

NOTE 8 – LEASES

Historically, the BLF has entered into six month leases to provide a number of veterans with housing. The veterans are required to reimburse the BLF monthly. Leases are cancelable if a client moves out. As of June 30, 2018 and 2017, there were no such leases to which the BLF was liable for payment of rents.

NOTE 9 – LONG-TERM OBLIGATIONS

In September, 2016, the Foundation borrowed \$150,000 to assist in buying a building to use in its efforts to support veterans. The property is pledged as collateral for the loan. The interest rate of the loan is 4.15% per annum with monthly payments of \$925.61 including interest. The loan is being amortized on a twenty year basis with the unpaid balance due September 12, 2021.

In July 2017 The Foundation purchased a 2015 Chevrolet and financed \$24,551 over a five year period with interest at 4.25% per annum. Monthly payments, including interest, is \$445.64.

	Mortgage		Vehicle	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 2019	\$ 5,345	\$ 5,762	\$ 4,680	\$ 788
June 2020	5,568	5,539	4,886	582
June 2021	5,802	5,305	5,138	330
Sept 2021	83,562	1,156	0	0
June 2022			5,279	182
June 2023			454	2
	<u>\$100,277</u>	<u>\$17,762</u>	<u>\$20,437</u>	<u>\$1,884</u>

NOTE 10 – CONCENTRATIONS AND RELATED PARTIES

BLF maintains its cash in bank deposits accounts at a local branch of a well-known financial institution with operations in markets throughout the Southeastern region of the United States. The balances, at times, may exceed federally insured limits. BLF has not experienced any losses in such accounts. BLF believes it is not exposed to any significant credit risk on cash and cash equivalents in its deposit accounts.

BLF receives a significant amount of its support from the community, corporations, organizations and individuals, especially related to its fundraising events. Any significant reduction in the level of this support, if this were to occur, could have an adverse effect on its programs and activities.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2018, the date on which the financial statements were available to be issued. The Executive Director (Tim Gregarth) has resigned effective December 31, 2018 and the Resource Manager (Ashley Mitchell) will assume the position of Executive Director. Mr. Gregarth will remain as Director.