NASHVILLE SAFE HAVEN FAMILY SHELTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NASHVILLE SAFE HAVEN FAMILY SHELTER, INC.

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CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Nashville Safe Haven Family Shelter, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Nashville Safe Haven Family Shelter, Inc. ("Safe Haven"), which comprise the statements of financial position as of December 31, 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 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.

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To the Board of Directors
Nashville Safe Haven Family Shelter, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Safe Haven Family Shelter, Inc. as of December 31, 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.

Crosslin, PLLC

Nashville, Tennessee
June 7, 2017

NASHVILLE SAFE HAVEN FAMILY SHELTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	$ 608,372	$ 371,221
Cash and cash equivalents - board designated	624,928	723,228
Grants receivable, no allowance	56,492	72,069
Contributions receivable, net of allowance of $30,055 and $0, respectively	71,733	231,076
Inventories	23,356	23,356
Other assets	7,450	8,324
Property and equipment, net	2,287,555	2,477,083
Total assets	$ 3,679,886	$ 3,906,357

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES		
Accounts payable	$ 47,305	$ 40,896
Client deposits	5,466	4,463
Note payable, net of deferred loan costs of $4,166 and $8,334, respectively	212,356	323,666
Total liabilities	265,127	369,025
NET ASSETS		
Unrestricted	3,065,541	3,257,838
Temporarily restricted	349,218	279,494
Total net assets	3,414,759	3,537,332
Total liabilities and net assets	$ 3,679,886	$ 3,906,357

See notes to financial statements.

NASHVILLE SAFE HAVEN FAMILY SHELTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Change in unrestricted net assets:		
Revenues and gains:		
Contributions	$ 516,333	$ 550,366
United Way	16,340	15,663
Fundraising events, net of direct expenses of $106,167 and $81,262 in 2016 and 2015, respectively	557,470	470,577
In-kind contributions	64,750	84,800
Grants	437,188	415,484
Interest	2,745	3,236
Other	2,659	-
Net assets released from restrictions	218,376	193,314
Total revenues and gains	1,815,861	1,733,440
Expenses and losses:		
Program services	1,540,174	1,418,372
Supporting services:		
Management and general	223,269	163,771
Fundraising	244,715	202,985
Total supporting services	467,984	366,756
Total expenses and losses	2,008,158	1,785,128
Change in unrestricted net assets	(192,297)	(51,688)
Change in temporarily restricted net assets:		
Contributions	288,100	176,000
Net assets released from restriction	(218,376)	(193,314)
Change in temporarily restricted net assets	69,724	(17,314)
Change in net assets	(122,573)	(69,002)
Net assets, beginning of year	3,537,332	3,606,334
Net assets, end of year	$ 3,414,759	$ 3,537,332

See notes to financial statements.

NASHVILLE SAFE HAVEN FAMILY SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 557,437	$ 59,070	$ 123,038	$ 182,108	$ 739,545
Payroll taxes	45,814	4,701	9,731	14,432	60,246
Employee benefits	66,136	37,430	20,375	57,805	123,941
Total salaries and related expenses	669,387	101,201	153,144	254,345	923,732
Program supplies (including in-kind of $57,600)	81,831	-	-	-	81,831
Professional fees	61,297	41,839	30,213	72,052	133,349
Building maintenance and general liability insurance	117,375	4,673	4,882	9,555	126,930
Utilities	58,579	3,048	1,524	4,572	63,151
Individual family assistance	34,989	-	-	-	34,989
Vehicle maintenance	7,660	-	-	-	7,660
Office supplies	8,223	9,786	386	10,172	18,395
Public relations	1,391	94	4,830	4,924	6,315
Employee travel and mileage	6,317	66	255	321	6,638
Bank fees and other	25	1,334	4,368	5,702	5,727
Dues, memberships and training	34,743	10,256	9,105	19,361	54,104
Equipment rental	7,960	2,414	450	2,864	10,824
Rent assistance	268,806	-	-	-	268,806
Capital campaign expenses	-	-	5,411	5,411	5,411
Newsletter	-	-	14,354	14,354	14,354
Other	9,247	20,888	15,793	36,681	45,928
Total other expenses	698,443	94,398	91,571	185,969	884,412
Total expenses before depreciation amortization, and loss on sale	1,367,830	195,599	244,715	440,314	1,808,144
Depreciation and amortization	172,344	27,670	-	27,670	200,014
Total expenses	$ 1,540,174	$ 223,269	$ 244,715	$ 467,984	$ 2,008,158

See notes to financial statements.

NASHVILLE SAFE HAVEN FAMILY SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 474,026	$ 54,748	$ 121,269	$ 176,017	$ 650,043
Payroll taxes	41,159	4,352	9,277	13,629	54,788
Employee benefits	77,957	4,149	12,269	16,418	94,375
Total salaries and related expenses	593,142	63,249	142,815	206,064	799,206
Program supplies (including in-kind of $63,694)	89,058	-	-	-	89,058
Professional fees	53,784	32,706	32,879	65,585	119,369
Building maintenance and general liability insurance	109,633	4,056	4,056	8,112	117,745
Utilities	63,707	3,365	1,682	5,047	68,754
Individual family assistance	9,315	-	-	-	9,315
Vehicle maintenance	2,037	-	-	-	2,037
Office supplies	14,703	7,345	1,574	8,919	23,622
Public relations	120	160	3,891	4,051	4,171
Employee travel and mileage	8,016	315	50	365	8,381
Bank fees and other	335	2,662	1,383	4,045	4,380
Dues, memberships and training	27,823	14,639	392	15,031	42,854
Equipment rental	8,431	2,679	462	3,141	11,572
Rent assistance	228,412	-	-	-	228,412
Capital campaign expenses	-	-	-	-	-
Newsletter	-	132	13,172	13,304	13,304
Other	37,322	9,139	629	9,768	47,090
Total other expenses	652,696	77,198	60,170	137,368	790,064
Total expenses before depreciation	1,245,838	140,447	202,985	343,432	1,589,270
Depreciation	172,534	23,324	-	23,324	195,858
Total expenses	$ 1,418,372	$ 163,771	$ 202,985	$ 366,756	$ 1,785,128

See notes to financial statements.

NASHVILLE SAFE HAVEN FAMILY SHELTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (122,573)	$ (69,002)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	200,014	195,858
In kind donations of property and equipment	-	(21,106)
Decrease (increase) in current assets:		
Contributions receivable, net	159,343	40,884
Grants receivable	15,577	(19,044)
Other assets	874	(5,259)
Increase in current liabilities:		
Accounts payable	6,409	179
Client deposits	1,003	1,022
Net cash provided by operating activities	260,647	123,532
Cash flows from investing activities:		
Purchase of property and equipment	(6,318)	(38,252)
Net cash used in investing activities	(6,318)	(38,252)
Cash flows from financing activities:		
Payments on note payable	(115,478)	(500,000)
Net cash used in financing activities	(115,478)	(500,000)
Net change in cash and cash equivalents	138,851	(414,720)
Cash and cash equivalents, beginning of year	1,094,449	1,509,169
Cash and cash equivalents, end of year	$ 1,233,300	$ 1,094,449

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Nashville Save Haven Family Shelter, Inc. ("Safe Haven") is a nonprofit corporation located in Nashville, Tennessee. Safe Haven provides shelter, training, counseling, spiritual guidance, and education to homeless families in a faith-based setting in and around Middle Tennessee. The primary goal of Safe Haven is to help families overcome homelessness and achieve social and economic independence.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Revenue, expenses, gains and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets and changes therein are classified 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 Safe Haven and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they must be maintained permanently by Safe Haven.

The amount for each of these classes of net assets is presented in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. Safe Haven has no permanently restricted net assets.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities.

Cash and Cash Equivalents

For financial statement purposes, Safe Haven considers all cash and all highly liquid investments not held for long-term investment, and which have original maturities of three months or less, to be cash equivalents.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 restriction.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Safe Haven reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Safe Haven receives various types of in-kind contributions including food and other program supplies and volunteer services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by the donation. Donated food and other program supplies are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. The amounts reflected in the accompanying financial statements as in-kind donations are offset by corresponding amounts included in expenses.

Contributions receivable are recorded at their fair value and reflect discounts for payment terms greater than one year. They represent pledges which are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the pledge is received. Contributions receivable totaled $101,788 and $231,076 as of December 31, 2016 and 2015, respectively.

Safe Haven evaluates receivables for uncollectibility whenever facts or circumstances indicate that a balance might not be collectible. An allowance is established for those receivables that are not considered collectible based on historical experience and a review of the current status of receivables. Receivables are written off when all collection efforts have been exhausted and collection is considered remote. An allowance of $30,055 and $-0- was recorded as of December 31, 2016 and 2015, respectively.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

Inventories consist primarily of donated program supplies and are stated at the lower of cost or market. Cost has been determined on the first-in, first-out basis.

Property and Equipment

Property and equipment are carried at cost or at fair value as of the date contributed. The fair value of donated labor services associated with property and equipment are added to the cost of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 31.5 years.

Income Taxes

Safe Haven is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code; accordingly, no provision for income taxes is included in the accompanying financial statements.

Safe Haven accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for Safe Haven include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, Safe Haven has determined that such tax positions do not result in an uncertainty requiring recognition.

Estimates

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The more significant area includes the recovery period for property and equipment. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from these estimates.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

The following methods and assumptions were used by Safe Haven to estimate the fair value of each class of financial instruments:

> Contributions receivable, accounts payable and client deposits: the carrying amounts reported in the statement of financial position approximate fair values due to the short-term nature of those instruments. The carrying value of the note payable is not materially different from the estimated fair value of the instrument.

Functional Allocation of Expenses

Costs of providing Safe Haven's programs and services are summarized and reported on a functional basis. Program expenses included costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services based on estimates made by management.

Reclassifications

Certain reclassifications have been made to retrospectively apply the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs be presented as a reduction of the related debt. The adoption resulted in reclassification of $8,334 of net debt issuance costs to a reduction of debt on the December 31, 2015 statement of financial position.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued FASB Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which is an accounting standard that will impact several aspects of a not-for profit organization's financial statements. The provisions in the new standard represent some of the most significant changes to a not-for-profit organization's financial statements since the FASB issued Statement No. 117 in June of 1993. The standard decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, the year ended December 31, 2018 for Safe Haven.

B. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Unconditional promises expected to be collected in:		
Less than one year	$101,788	$221,389
One year to five years	-	9,687
Less allowance for uncollectible amounts	30,055	-
	$ 71,733	$231,076

C. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016	2015
Land	$ 272,305	$ 272,305
Buildings	2,496,883	2,496,883
Building improvements	149,398	149,398
Equipment	51,251	44,933
Furnishings	188,859	188,859
Vehicles	8,000	8,000
	3,166,696	3,160,378
Less: accumulated depreciation	(879,141)	(683,295)
Property and equipment, net	$ 2,287,555	$ 2,477,083

Depreciation expense was $195,846 and $191,690 in 2016 and 2015, respectively.

D. NOTE PAYABLE

Safe Haven has a note payable agreement with a bank that provides for a construction loan and a line-of-credit. Under the construction loan, Safe Haven had an available $1,480,000 to draw towards the renovation and expansion of their current facility through March 2014. During the draw period, interest is payable monthly at the bank's prime rate less 4.0%, not to fall below 0%, (0% at December 31, 2016 and 2015). At the end of the draw period, annual principal payments are due at a minimum of 10% of the outstanding principal balance plus monthly interest payments through March 2016. Beginning in April 2016, monthly interest and principal payments are payable based on a 20-year amortization schedule with the remaining outstanding principal balance of the loan being due and payable in April 2018. The outstanding balance at December 31, 2016 and 2015 was $216,522 and $332,000, respectively. Interest expense consisting of amortization of deferred loan costs is included in depreciation and amortization on the Statements of Functional Expense totaling $4,166 in both 2016 and 2015.

Safe Haven also has an available $100,000 line-of-credit under the above mentioned note payable agreement. The line-of-credit matures in April 2017. Interest is payable monthly at the bank's prime rate plus 1.0%, not to fall below 4.5%. The interest rate at December 31, 2016 and 2015 was 4.75% and 4.50%, respectively. There was no outstanding balance at December 31, 2016 and 2015. In May 2017, the line-of-credit was renewed with a new expiration date of May 2018.

The note payable is collateralized by cash, contributions receivable, capital campaign funds, and retainage accounts related to the construction contract.

The future maturities of the note payable is as follows:

2017	$162,413
2018	54,109
Thereafter	-
Total	$216,522

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2016	2015
Purpose or time restrictions:		
Shelter renovations	$ 86,681	$103,494
Operations	62,538	166,000
Staff 360	200,000	-
Housing	-	10,000
	$349,219	$279,494

Net assets of $218,376 and $193,314 were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended December 31, 2016 and 2015, respectively.

F. CONCENTRATION OF CREDIT RISK

Safe Haven maintains its cash and cash equivalents in high credit quality financial institutions at balances which, at times, may exceed federally insured limits. Safe Haven has not experienced any losses in such accounts. Management believes it is not exposed to any significant concentration risk on cash and cash equivalents. Credit risk also extends to uncollateralized receivables.

G. IN-KIND CONTRIBUTIONS

During the year, Safe Haven received in-kind contributions of food and other program supplies valued at $57,600 and $63,694 in 2016 and 2015, respectively. During 2016, in- kind services of $7,150 were donated. During 2015, $8,000 was donated related to a vehicle, and $13,106 of inventory was donated. In both 2016 and 2015, individual volunteers contributed significant amounts of time to Safe Haven activities, which have not been reflected in the accompanying financial statements, as they did not meet the recognition criteria.

H. RETIREMENT PLAN

During 2015, Safe Haven began participating in a multi-employer retirement program. The Plan is a defined contribution retirement plan (401k) covering employees who meet certain eligibility requirements. Safe Haven's contributions to the plan are discretionary up to 5% of the participants' elective deferral. Employer contributions for the years ended December 31, 2016 and 2015 totaled $25,029 and $9,214, respectively.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 7, 2017, the date the financial statements were available for issuance, and has determined there are no items that require disclosure in the notes to the financial statements, other than the extension of the line-of-credit disclosed in Note D.