

**THE JOURNEY HOME**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**

December 31, 2017

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
The Journey Home

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Journey Home (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017 and the related statement of activities and cash flows for the year 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 misstatements.

An audit involves performing procedures to obtain 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 The Journey Home as of December 31, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## Supplementary Information

We have audited the financial statements of The Journey Home as of and for the year ended December 31, 2017, and have issued our report thereon dated September 12, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 - 14 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Murfreesboro, Tennessee

*Dennis W. Vantrone + Folia PLLC*

November 1, 2018

The Journey Home

STATEMENT OF FINANCIAL POSITION

December 31, 2017

**Assets**

Current Assets	
Cash and cash equivalents	\$ 76,106
Restricted cash and cash equivalents	17,937
Grants receivable	
Federal and state grants	34,145
Other local grants	5,434
Other accounts receivable	11,076
Prepaid expenses	1,441
Inventory	16,535
Total Current Assets	<u>162,674</u>
Property, Plant, and Equipment, net of accumulated depreciation of \$192,263	<u>523,292</u>
 Total Assets	 <u><u>\$ 685,966</u></u>

**Liabilities and Net Assets**

Current Liabilities	
Accounts payable and accrued expenses	26,658
Payroll taxes and withholdings payable	9,799
Client related deposits and savings	16,164
Total Current Liabilities	<u>52,621</u>
Net Assets	
Unrestricted	<u>633,345</u>
Total Net Assets	<u>633,345</u>
 Total Liabilities and Net Assets	 <u><u>\$ 685,966</u></u>

See accompanying notes to financial statements.

The Journey Home

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<u>Unrestricted</u>
Support and Revenues:	
Public Support	
Direct Public Grants	\$ 85,955
Donated Facilities	2,700
Donated Vehicles	4,726
Direct Public Support	455,845
Government Grants	266,300
Program Revenues	
Program and Exhibit Revenue	
Supportive Housing	66,376
Special Events	23,206
Other Revenue	<u>13,547</u>
TOTAL SUPPORT AND REVENUES	918,655
Expenses:	
Program Services	
Client Services	419,320
Hunger Program	281,057
Clothing and Hygiene Program	20,706
Supportive Housing	<u>109,894</u>
Total Program Services	830,977
Supporting Services	
Administrative	58,105
Fundraising	<u>4,194</u>
TOTAL EXPENSES	<u>893,276</u>
Change in net assets	25,379
Net assets at beginning of year	<u>607,966</u>
Net assets at end of year	<u><u>\$ 633,345</u></u>

See accompanying notes to financial statements.

The Journey Home

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

Reconciliation of increase in net assets to net cash provided by operating activities:	
Increase in net assets	\$ 25,379
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	32,711
Changes in assets and liabilities:	
Increase in grant receivables	(16,319)
Increase in other receivables	(11,076)
Increase in other assets	(1,000)
Decrease in accounts payable and accrued expenses	2,938
Increase in client deposits	<u>(7,220)</u>
Net cash provided by operating activities	25,413
Cash flows from investing activities:	
Purchase of property and equipment	(19,093)
Cash flows from financing activities:	
Transfers to restricted cash	<u>11,275</u>
Net increase in cash and cash equivalents	17,595
Cash and cash equivalents, beginning of year	<u>58,511</u>
Cash and cash equivalents, end of year	<u>\$ 76,106</u>
Supplemental cash flow disclosures	
Non cash: Donated rent	<u>\$ 2,700</u>
Non cash: Donated rent provided to program	<u>\$ (2,700)</u>
Non cash: Donated vehicles provided to The Journey Home	<u>\$ 4,726</u>
Non cash: Donated vehicles provided to program participant	<u>\$ (4,726)</u>
Non cash: Donated food and other household items provided to The Journey Home	<u>\$ 271,230</u>
Non cash: Donated food and other household items provided to program participants	<u>\$ (271,230)</u>

See accompanying notes to financial statements.

## The Journey Home

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017

#### Note 1 – Nature of Operations

The Journey Home (the Home), a tax-exempt organization under Internal Revenue Code 501(c)(3), a Christian ministry whose primary focus is to serve the homeless and disadvantaged of Rutherford County - providing practical resources for body, mind and spirit, and encouragement on their journey to economic stability and reintegration into community life. The financial statements of the Home have been prepared on the accrual basis.

#### Note 2 - Summary of Significant Accounting Policies

##### a. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, *Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions 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 be met either by actions of the Home and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Home. Generally, the donors of these assets permit the Home to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions whose restrictions are met in the same reporting period as the contributions are recorded as increases in unrestricted net assets.

## Note 2 - Summary of Significant Accounting Policies (Continued)

### b. Contributions

The Home accounts for contributions in accordance with the recommendations of the FASB in ASC 958-605, *Accounting for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivables is provided based upon management's judgment, including such factors, as prior collection history, type of contribution, and nature of fund-raising activity.

Contributions receivable consist of unconditional promises receivable from donors.

### c. Inventories

Inventories consisting of prepared and unprepared food, clothing, and various household supplies are valued at the lower of cost or market.

### d. Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, net of accumulated depreciation. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets.

### e. Taxes

The Home is a tax-exempt institution under Internal Revenue Code 501(c)(3); accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Home accounts for uncertainties in income tax law under FASB ASC 740-10 which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained by the taxing authority as of the reporting date. If the tax position is not considered "more-likely-than-not" to be sustained, then no benefits of the position are to be recognized. The Home has no unrecognized tax benefits for any of the periods presented. To the extent applicable in the future, interest and penalties related to income tax liabilities will be included in pre-tax income as interest expense and tax penalties. At December 31, 2017, the Home's tax returns related to fiscal years ended December 31, 2015 through December 31, 2017 remain open to examination by the tax authorities.

## **Note 2 - Summary of Significant Accounting Policies (Continued)**

### f. Use of Estimates in the Preparation of Financial Statements

Management of the Home has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

### g. Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with an original maturity of three months or less.

### h. Allowance for Doubtful Accounts

The Home provides an allowance for losses on receivables based on review of the current status of existing receivables, historical collection experience, and management's evaluation of the effect of existing economic conditions. As of December 31, 2017, management deems all accounts receivable to be collectible; therefore, no allowance account has been established.

### i. Donated Services

Many individuals have donated time and services to advance the Home's programs and objectives. The value of the services has not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

### j. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Note 3 - Land, Buildings, and Equipment**

At December 31, 2017 land, buildings, and equipment is summarized as follows:

Land	\$ 101,100
Buildings and improvements	544,340
Equipment	<u>70,115</u>
Total land, buildings, and equipment	715,555
Less accumulated depreciation	<u>192,263</u>
Net land, buildings, and equipment	<u><u>\$ 523,292</u></u>

Depreciation expense amounted to \$32,711 for the year ended December 31, 2017.

**Note 4 - Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Note 5- Financial instruments**

The carrying values of the Home's financial instruments (cash and cash equivalents, receivables, notes, accounts payable, and accrued expenses) approximate fair value due to their current availability, relatively short maturities and/or current market interest rates.

**Note 6 – Subsequent Events**

The Home has evaluated subsequent events through November 1, 2018, which is the date the financial statements were available to be issued. Based on the evaluation no subsequent events were considered significant except for the following.

The Organization has pursued various housing acquisition options as a part of their supportive housing programs. The Organization closed on two properties in 2018 for \$125,000 and \$160,000. Both properties were obtained through the Acquisition of Real Property Program with the City of Murfreesboro by which the Organization funds, at minimum, 25% of the purchase price and the City funds up to \$100,000 through a 10-year note to the Organization after which the note will be forgiven contingent on the property being used for supportive housing during the 10-year period under the program agreement. One property was acquired by the Organization funding \$25,000 and the City providing funding of \$100,000. The second property was acquired by the Organization securing a note with a local lender in the amount of \$60,000 and the City provided funding of \$100,000.

**SUPPLEMENTAL INFORMATION**

The Journey Home

FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Supporting Expenses</u>		<u>Total</u>
	<u>Programs and Services</u>	<u>Administrative</u>	<u>Fundraising</u>	
Salaries, Wages and Payroll Taxes	\$ 169,741	\$ 18,857	\$ -	\$ 188,598
Bible Study and Faith Programs	292	-	-	292
Medical Assistance Program	222	-	-	222
Depreciation Expense	26,337	6,374	-	32,711
Transportation Program	9,660	-	-	9,660
Clothing & Hygiene Program	20,706	-	-	20,706
Prevention Rent and Utility Assistance	14,378	-	-	14,378
Supportive Housing	109,894	-	-	109,894
Emergency Housing	110,742	-	-	110,742
Employment & Identity Program	1,931	-	-	1,931
Hunger Programs	281,057	-	-	281,057
Client Personal Expenses	1,344	-	-	1,344
Assistance to Individuals	2,638	-	-	2,638
Case Management & Counseling	102	-	-	102
Fundraising	-	-	4,194	4,194
Insurance	-	7,679	-	7,679
Business Expense	-	437	-	437
Equipment Rental	-	410	-	410
Building Repair & Maintenance	42,842	-	-	42,842
Bulding Alarm/Security	-	343	-	343
Waste Removal/Janitorial	1,492	-	-	1,492
Misc. General & Admin Expenses	-	19,556	-	19,556
Postage	508	-	-	508
Copying	428	108	-	536
Professional expenses	-	3,343	-	3,343
Telephone	2,603	651	-	3,254
Computer Expense	51	12	-	63
Office Supplies	1,340	335	-	1,675
Rent & Utilities	32,669	-	-	32,669
<b>TOTAL EXPENSES</b>	<b>\$ 830,977</b>	<b>\$ 58,105</b>	<b>\$ 4,194</b>	<b>\$ 893,276</b>

See accompanying notes to financial statements.

The Journey Home  
Schedule of State and Federal Financial Assistance  
Year Ended December 31, 2017

Grantor	CFDA#	Contract #	Grant Receivable		Expenditures	Local Match	Grant Receivable	
			December 31, 2016	Receipts			December 31, 2017	December 31, 2017
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0173L4J101503	\$ -	\$ 2,353	\$ 2,353	\$ -	\$ -	
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TB0106L4J101504	-	6,949	6,949	-	-	
US Dept of Housing & Urban Development Emergency Solutions Grant Program	14.231	ESG-16-34 *	19,260	19,260	-	-	-	
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0138L4J101501	-	12,594	12,594	-	-	
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0197L4J101603	-	12,908	12,908	-	-	
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0107L4J101604	-	2,353	2,353	-	-	
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0106L4J101605	-	18,400	18,400	-	-	
US Dept of Housing & Urban Development Supporting Housing Agreement	14.231	TN0107L4J101606	-	8,517	9,265	-	748	
US Dept of Housing & Urban Development Emergency Solutions Grant Program	14.231	ESG-17-28 *	-	35,532	68,929	-	33,397	
Total federal and state awards			\$ 19,260	\$ 118,866	\$ 133,751	\$ -	\$ 34,145	

Basis of Presentation:  
This schedule is prepared on the accrual basis of accounting.

\* The Journey Home is grant subrecipient of The Tennessee Housing Development Agency and the City of Murfreesboro, TN.