BUILDING LIVES FOUNDATION, INC.

Financial Statements

June 30, 2013

(With Independent Auditors' Report Thereon)

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LEWIS, SMITH & ASSOCIATES, P.C.
Certified Public Accountants
2206 21st Avenue South, Suite 302
Nashville, Tennessee 37212
Ph. (615) 726-3190 Fax (615) 254-4628

Independent Auditors' Report

To the Board of Directors
Building Lives Foundation, Inc.

We have audited the accompanying statement of financial position of Building Lives Foundation, Inc. (a nonprofit organization) as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lewis, Smith & Associates, P.C.

November 11, 2013

BUILDING LIVES FOUNDATION, INC.

Statement of Financial Position

June 30, 2013

Assets	
Cash and cash equivalents	$ 81,856
Accounts receivable, net of allowance for bad debts of $600	6,485
Grants receivable	6,190
Prepaid assets	1,901
Notes receivable	4,602
Property and equipment, net	18,774
Total assets	$119,808
Liabilities and Net Assets	
Liabilities	
Accounts payable	$ 5,602
Accrued expenses	4,238
Loans payable	11,290
Total liabilities	21,130
Net assets	
Unrestricted	62,776
Temporarily restricted	35,902
Total net assets	98,678
Total liabilities and net assets	$119,808

See accompanying notes to financial statements.

BUILDING LIVES FOUNDATION, INC.

Statement of Activities

For Fiscal Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Fundraising - annual events	$104,416	-	104,416
Program services	155,706	-	155,706
Donations	43,743	-	43,743
Gifts-in-kind	61,760	-	61,760
Vehicle reimbursements	9,099	-	9,099
Grant proceeds	12,380	32,000	44,380
Interest income	280	-	280
Transfers from temporarily restricted net assets	29,483	(29,483)	-
Total revenue and support	416,867	2,517	419,384
Expenses			
Program services	245,868	-	245,868
Fundraising	101,636	-	101,636
Administrative	31,531	-	31,531
Total expenses	379,035	-	379,035
Change in net assets	37,832	2,517	40,349
Unrestricted net assets beginning of year	24,944	33,385	58,329
Unrestricted net assets end of year	$ 62,776	35,902	98,678

See accompanying notes to financial statements.

BUILDING LIVES FOUNDATION, INC.

Statement of Functional Expenses

For Fiscal Year Ended June 30, 2013

	Program Services	Fundraising	Administrative	Total
Compensation	$ 39,297	12,806	10,275	62,378
Client support	91,940	-	54	91,994
Vehicle expenses	14,507	-	-	14,507
Depreciation	-	-	5,866	5,866
Cost of vehicles sold	8,600	-	-	8,600
Apartment furnishings (including in-kind donations of $13,310)	17,793	-	-	17,793
Provision for doubtful accounts	479	-	-	479
Food	2,843	-	-	2,843
Fees, dues, and subscriptions	-	-	250	250
Fundraising expense	-	86,377	-	86,377
Insurance expense	-	-	7,030	7,030
Mobile phone	1,345	261	401	2,007
Postage and delivery	-	185	185	370
Professional fees	-	-	7,345	7,345
Rent expense	38,553	-	-	38,553
Utilities	29,597	-	-	29,597
Website expense	-	2,007	-	2,007
Miscellaneous	914	-	125	1,039
	$245,868	101,636	31,531	379,035

See accompanying notes to financial statements.

BUILDING LIVES FOUNDATION, INC.

Statement of Cash Flows

For Fiscal Year Ended June 30, 2013

Cash flows from operating activities:	
Change in net assets	$40,349
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Depreciation on property and equipment	5,866
Provision for doubtful accounts	479
Decrease in accounts receivable	4,257
Decrease in grants receivable	2,195
Increase in prepaid assets	(235)
Increase in notes receivable	(345)
Decrease in accounts payable	(1,386)
Increase in accrued expenses	(1,335)
Net cash provided by operating activities	49,845
Cash flows from investing activities:	
Purchase of property and equipment	(15,189)
Net cash used by investing activities	(15,189)
Cash flows from financing activities:	
Increase in loans payable	11,290
Net cash used by financing activities	11,290
Net increase in cash and cash equivalents	45,946
Cash and cash equivalents at beginning of year	35,910
Cash and cash equivalents at end of year	$81,856
Noncash item - vehicle sales financed with note receivables	$ 8,600

See accompanying notes to financial statements.

(1) Organization and Purpose:

Organized in 2006, Building Lives Foundation, Inc. (the Foundation/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 Foundation 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.

(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.

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, 2013, 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.

(2) Summary of 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 statement of activities. Accordingly, costs have been allocated among the programs and supporting services benefitted.

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.

(2) Summary of Significant Accounting Policies, Continued:

Accounts Receivable, Grants Receivable and Notes Receivable, Continued

Grants receivable consist of awards from two (2) grants 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.

The Foundation 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.

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.

(2) Summary of Significant Accounting Policies, Continued:

Fair Values

The Foundation has an established process for determining fair values. 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. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumption, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurement. An asset or liability measured at fair value is categorized within the valuation hierarchy based upon the lowest level of input that is significant to the fair value measurement.

The three levels are:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical or very similar assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(3) Property and Equipment, Net:

Details of property and equipment, net at June 30, 2013 are as follows:

Property and equipment	$23,908
Less accumulated depreciation	(5,134)
Net	$18,774

(4) Notes Receivable

The Foundation has four (4) unsecured, non-interest bearing notes receivable related to the sale of vehicles. The remaining terms of the notes are twelve (12) months or less. The Foundation has estimated 6% as the market interest rate used as the discount rate related to these short term notes receivable. Notes receivable net of allowance and discount are as follows at June 30, 2013:

Gross notes receivable	$ 7,853
Less:	
Allowance for doubtful accounts	(2,917)
Discount on notes receivable (imputed)	(334)
Notes receivable, net	$ 4,602

(5) Intentions to Give

As of June 30, 2013, the Foundation 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.

(6) Donated Services

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

(7) Fund-raising Events and Subsequent Events

During the fiscal year ended June 30, 2013, BLF sponsored two fund-raising events as sources of additional revenue and greater public awareness. The primary event was a Christmas "warehouse sale" funded primarily by merchandise donations from a retail organization that specializes in promoting/sponsoring fundraising events for nonprofit organizations (NPO's). This event produced revenues of $98,680 in the fiscal year ended June 30, 2013. BLF has mutually agreed to continue working with this retail organization to sponsor this event as its primary fund-raising event.

Subsequent to June 30, 2013, the Executive Director negotiated a contract with this retail organization for BLF to organize and administer three (3) similar warehouse sale events in its fiscal year ended June 30, 2014. Estimated net proceeds related to this contract are $35,000 - $40,000 per event.

(8) Leases

Historically, the Foundation has entered into six month leases to provide a number of veterans with housing. The veterans are required to reimburse the Foundation monthly. Leases are cancelable if a client moves out. As of June 30, 2013, there were no such leases to which the Foundation was liable for payment of rents.

(9) Fair Value Measurement

Financial instruments carried at fair value as of June 30, 2013 as assets on the statement of financial position consist of potentially impaired loans, totaling $4,602. Total carrying value of such loans was determined using the valuation hierarchy described in Note 2 and are subject to measurement on a non-recurring basis. There were no related liabilities.

(10) Concentrations and Related Parties

BLF maintains its cash in bank deposit 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. The Chairman of BLF's Board is also the President and CEO of this bank.

(10) Concentrations and Related Parties, Continued

BLF receives a significant amount of its support from the community, corporations, organizations and individuals. Any significant reduction in the level of this support, if this were to occur, could have an adverse effect on its programs and activities. However, based on the current year operations, management expects appropriate levels of support for its mission to continue for the fiscal year ended June 20, 2014.

(11) Subsequent Events

Management has evaluated subsequent events through November 11, 2013, the date on which the financial statements were available to be issued. See Note 7 regarding future fund-raising events.