

**THE SHALOM FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

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**DECEMBER 31, 2019 AND 2018**

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## Independent Auditor's Report

Board of Directors  
The Shalom Foundation, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The Shalom Foundation, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, 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.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC".

Blankenship CPA Group, PLLC  
Brentwood, Tennessee  
October 28, 2020

**THE SHALOM FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>Assets</b>		
Cash	\$ 109,210	\$ 77,668
Investments	119,640	90,218
Accounts receivable	225,302	225,302
Property and equipment, net	<u>867,633</u>	<u>914,496</u>
 Total assets	 <u><u>\$ 1,321,785</u></u>	 <u><u>\$ 1,307,684</u></u>
 <b>Liabilities</b>		
Accounts payable	\$ 43,919	\$ 17,886
Deferred revenue	<u>35,091</u>	<u>26,413</u>
 Total liabilities	 <u>79,010</u>	 <u>44,299</u>
 <b>Net Assets</b>		
Without donor restrictions	1,220,721	1,237,295
With donor restrictions	<u>22,054</u>	<u>26,090</u>
 Total net assets	 <u>1,242,775</u>	 <u>1,263,385</u>
 Total liabilities and net assets	 <u><u>\$ 1,321,785</u></u>	 <u><u>\$ 1,307,684</u></u>

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

**THE SHALOM FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>Changes in net assets without donor restrictions</b>	<b>2019</b>	<b>2018</b>
Revenues, gains, and other support		
Contributions	\$ 944,266	\$ 711,735
Special events	71,000	336,400
In-kind donations	16,000	16,000
Rental income	9,000	9,000
Interest income	272	456
Investment income	1,727	2,054
Net realized gain (loss) on investments	6,253	(3,610)
Net unrealized gain (loss) on investments	20,616	(19,356)
Total revenues, gains, and other support	<u>1,069,134</u>	<u>1,052,679</u>
Expenses		
Program services	1,021,553	884,959
Administrative	21,248	29,928
Fundraising	42,907	73,049
Total expenses	<u>1,085,708</u>	<u>987,936</u>
Change in net assets without donor restrictions	<u>(16,574)</u>	<u>64,743</u>
<b>Changes in net assets with donor restrictions</b>		
Net assets used for restricted purpose	<u>(4,036)</u>	<u>(3,225)</u>
Total change	(20,610)	61,518
Net assets, beginning of year	<u>1,263,385</u>	<u>1,201,867</u>
Net assets, end of year	<u>\$ 1,242,775</u>	<u>\$ 1,263,385</u>

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

**THE SHALOM FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	<b>Program Services</b>	<b>Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 37,836	\$ 9,459	\$ 5,255	\$ 52,550
Contract labor	5,041	-	-	5,041
Payroll taxes	2,895	724	402	4,021
Support services	810,718	-	-	810,718
Rent	10,880	2,880	2,240	16,000
Depreciation	40,302	-	6,561	46,863
Travel and meals	64,478	-	-	64,478
Advertising and marketing	53	-	9	62
Project expense and supplies	3,689	-	-	3,689
Repairs and maintenance	2,530	633	351	3,514
Board and committee expenses	1,252	-	-	1,252
Computer expense	3,659	915	509	5,083
Website management	2,465	-	-	2,465
Professional services	6,479	1,621	900	9,000
Special events	-	-	22,221	22,221
Seminars and conferences	430	-	70	500
Dues and subscriptions	99	25	14	138
Taxes and licenses	187	47	26	260
Payroll service fees	1,677	419	233	2,329
Accounting fees	1,800	450	250	2,500
Gifts	2,265	-	372	2,637
Processing fees	5,021	-	818	5,839
Equipment lease	-	1,698	-	1,698
Postage and shipping	3,860	-	630	4,490
Printing and copying	4,302	1,075	597	5,974
Utilities	5,208	1,302	724	7,234
Other	4,427	-	725	5,152
	<u>\$ 1,021,553</u>	<u>\$ 21,248</u>	<u>\$ 42,907</u>	<u>\$ 1,085,708</u>

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

**THE SHALOM FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	<b>Program Services</b>	<b>Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 68,123	\$ 17,031	\$ 9,462	\$ 94,616
Contract labor	4,859	-	-	4,859
Payroll taxes	5,216	1,305	724	7,245
Support services	647,109	-	-	647,109
Rent	10,880	2,880	2,240	16,000
Depreciation	43,363	-	7,059	50,422
Travel and meals	52,494	-	-	52,494
Advertising and marketing	1,350	-	219	1,569
Project expense and supplies	4,345	-	-	4,345
Repairs and maintenance	3,015	754	418	4,187
Board and committee expenses	1,379	-	-	1,379
Computer expense	3,464	866	482	4,812
Website management	397	-	-	397
Professional services	1,958	490	272	2,720
Special events	-	-	46,609	46,609
Seminars and conferences	895	-	145	1,040
Dues and subscriptions	252	63	35	350
Taxes and licenses	249	62	35	346
Payroll service fees	1,560	390	217	2,167
Accounting fees	7,776	1,944	1,080	10,800
Gifts	1,584	-	260	1,844
Processing fees	11,504	-	1,873	13,377
Equipment lease	-	1,740	-	1,740
Postage and shipping	2,361	-	385	2,746
Printing and copying	4,144	1,036	575	5,755
Utilities	5,467	1,367	760	7,594
Other	1,215	-	199	1,414
	<u>\$ 884,959</u>	<u>\$ 29,928</u>	<u>\$ 73,049</u>	<u>\$ 987,936</u>

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

**THE SHALOM FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (20,610)	\$ 61,518
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	46,863	50,422
Donated marketable securities	(160,047)	(102,345)
Proceeds from sale of investments	185,119	46,403
Net realized loss (gain) on investments	(6,253)	3,610
Net unrealized loss on investments	(20,616)	19,356
Change in operating assets and liabilities:		
Accounts receivable	-	(225,302)
Pledges receivable	-	7,100
Accounts payable	26,033	(90,770)
Deferred revenue	8,678	7,860
Net cash provided (used) by operating activities	<u>59,167</u>	<u>(222,148)</u>
<b>Cash flows from investing activities:</b>		
Purchase of marketable securities	(27,625)	-
Purchase of equipment	-	(8,381)
Net cash provided (used) by investing activities	<u>(27,625)</u>	<u>(8,381)</u>
Net change in cash	31,542	(230,529)
Cash, beginning of year	<u>77,668</u>	<u>308,197</u>
Cash, end of year	<u><u>\$ 109,210</u></u>	<u><u>\$ 77,668</u></u>

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



**THE SHALOM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1 - Summary of Significant Accounting Policies**

*Nature of Activities*

The Shalom Foundation, Inc. (the Organization) is a faith-based Tennessee not-for-profit corporation that provides life-changing medical and surgical care to impoverished children in Guatemala. Through the Moore Pediatric Surgery Center, volunteer medical mission teams collaborate with local medical specialists to provide health, healing, and hope to children and their families. These services are provided free of charge to the patients. The Organization's primary source of revenue includes donations and fundraising events.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*Net Assets With Donor Restrictions*

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

*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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

*Cash*

Cash consists of cash on hand and on deposit at financial institutions. The Organization's cash on deposit with financial institutions may at times exceed the federally insured limit of \$250,000. At December 31, 2019 and 2018, the Organization had no deposits in excess of the federally insured limit.

*Accounts Receivable*

Accounts receivable consists of amounts due to the organization once they are released from escrow in relation to a concert promoted by the organization. Accordingly, accounts receivable have been reported net of amounts promised to other organizations.

*Pledges Receivable*

Pledges receivable are stated at unpaid balances. The Organization expects to fully collect these items within one year; therefore, no allowance for uncollectible accounts has been recorded in the financial statements in relation to pledges receivable.

*Investments*

The Organization's investments consist of marketable securities' which are carried at the readily determinable fair market value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement* with any net unrealized gains and losses being reported on the statements of activities. For the purposes of computing realized gains and losses, cost is identified on a specific identification basis. Purchases and sales of investments are recorded on a trade-date basis. Interest and dividend income are recorded when earned.

**THE SHALOM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1 - Summary of Significant Accounting Policies**

*Property and Equipment and Depreciation*

Property and equipment are reported at cost and include improvements that significantly add to the utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. When depreciable assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in income for the period. Assets are depreciated using the straight-line method over the estimated useful lives of the assets. The Organization capitalizes additions or betterments greater than \$1,000 and expenses assets purchased for Guatemala operations unless significant in nature.

*Revenue Recognition*

On January 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The Organization performed an analysis of revenue streams and transitions to determine in-scope applicability. The adoption of ASC 606 did not materially impact the financial statements and related disclosures.

Deferred revenue represents collections for medical trips taking place after December 31.

On January 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU resulted in the treatment of most governmental grants as donor-restricted conditional contributions rather than exchange transactions. The new standard also clarified the criteria for evaluating whether contributions are unconditional or conditional. The adoption of this ASU did not materially impact the financial statements and related disclosures.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

*Special Events*

Special events that are ongoing and major activities are reported gross in the statement of activities.

*Donated Goods and Services*

Donated goods are recorded as in-kind donations in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance nonfinancial assets or the donated services require specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed.

A number of unpaid volunteers have made contributions of their time to assist the Organization in various ways. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measure or valuation.

*Advertising*

All advertising costs are expensed when incurred.

**THE SHALOM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 1 - Summary of Significant Accounting Policies**

*Income Taxes*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

*Program and Supporting Services*

The following program and supporting services are included in the accompanying financial statements:

*Program Services* - Includes the direct costs of raising awareness of, and providing assistance to, underprivileged children in Guatemala. Additionally, program services include an allocation of identified indirect costs which facilitate those activities.

*Administrative* - Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

*Fundraising* - Includes costs of activities directed towards appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

*Functional Allocation of Expenses*

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

**Note 2 - Availability and Liquidity**

The following represents the Organization's financial assets at December 31:

	<b>2019</b>	<b>2018</b>
Financial assets at year end:		
Cash	\$ 109,210	\$ 77,668
Investments	119,640	90,218
Accounts receivable	<u>225,302</u>	<u>225,302</u>
Total financial assets at year end	454,152	393,188
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(22,054)</u>	<u>(26,090)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 432,098</u>	<u>\$ 367,098</u>

As part of its liquidity plan, the Organization has a policy to structure its financial assets in order to have the funds available to meet its general expenditures, liabilities, and other obligations as they come due.

From time to time the organization promotes concerts in which they receive certain amounts generated from the event.

**THE SHALOM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 3 - Investments**

The Organization uses FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

*Level 1* - Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

*Level 2* - Inputs are based on observable inputs corroborated by market data but not quoted on active markets.

*Level 3* - Inputs are based on unobservable inputs and include situations where there is little, if any, market activity for the assets or liabilities and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2019:

	Total Carrying Value	Value Using Level 1	Value Using Level 2
Equity securities	\$ 88,503	\$ 88,503	\$ -
Mutual fund	7,129	7,129	-
Mortgage backed securities	24,008	-	24,008
	<u>\$ 119,640</u>	<u>\$ 95,632</u>	<u>\$ 24,008</u>

The following table sets forth, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2018:

	Total Carrying Value	Value Using Level 1	Value Using Level 2
Equity securities	\$ 84,596	\$ 84,596	\$ -
Mutual fund	5,622	5,622	-
	<u>\$ 90,218</u>	<u>\$ 90,218</u>	<u>\$ -</u>

The valuation methodologies used for assets measured at fair value, including their general classification based on the fair value hierarchy, include the following:

Equity securities and mutual fund - valuation is based on readily determinable fair values based on quoted prices in active markets.

Mortgage backed securities - valuation is based on matrix pricing, which is widely used in the industry to value debt securities without relying exclusively on quoted prices of an individual security.

**THE SHALOM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 4 - Property and Equipment**

Property and equipment consist of the following as of December 31:

	2019	2018
Surgery center	\$ 1,209,977	\$ 1,209,977
Shalom house Guatemala	128,875	128,875
Office equipment and furniture	<u>28,242</u>	<u>28,242</u>
	1,367,094	1,367,094
Less accumulated depreciation	<u>(499,461)</u>	<u>(452,598)</u>
	<u><u>\$ 867,633</u></u>	<u><u>\$ 914,496</u></u>

**Note 5 - Foreign Operations**

The Organization maintains a significant amount of property and equipment in Guatemala where it primarily conducts its program activities. As of December 31, 2019 and 2018, property and equipment in other countries, net of accumulated depreciation, amounted to \$862,080 and \$907,984, respectively.

**Note 6 - Net Assets**

Net assets with donor restrictions at December 31, 2019 and 2018, consist of contributions restricted for purchases of equipment.

**Note 7 - Leases**

The Organization leases office space. The lease, received as an in-kind donation, is treated as an operating lease and is recorded at its fair market value of \$16,000 for 2019 and 2018.

The Organization leases certain office equipment under non-cancelable operating leases. Future estimated minimum lease payments required under the leases are as follows:

Year Ending December 31:	
2020	\$ 1,680
2021	<u>980</u>
	<u><u>\$ 2,660</u></u>

**Note 8 - Related Party Transactions**

The Organization made payments of \$760,222 and \$678,278 for the years ended December 31, 2019 and 2018, respectively, to not-for-profit organizations in Guatemala that share common members of their Board of Directors. These payments are for assistance in covering program service expenses for the related not-for-profit organizations.

**Note 9 - Subsequent Events**

Management has evaluated subsequent events through October 28, 2020, the date which the financial statements were available to be issued.

On March 11, 2020, the World Health Institute recognized the novel strain of coronavirus, COVID-19, as a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread, and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. If the pandemic continues to evolve into a long-term worldwide health crisis, the disease could have an adverse effect on the Organization's, results of operations, financial condition, and cash flows.

In September 2020, the Organization received a loan in the amount of \$92,100 in accordance with the EIDL section of the CARES Act.