

**THE SHALOM FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

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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. (a Tennessee not-for-profit organization, the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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, 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.

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

Blankenship CPA Group, PLLC  
Brentwood, Tennessee  
October 17, 2019

**THE SHALOM FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash	\$ 77,668	\$ 308,197
Investments	90,218	57,242
Accounts receivable	225,302	-
Pledges receivable	-	7,100
Property and equipment, net	<u>914,496</u>	<u>956,537</u>
 Total assets	 <u><u>\$ 1,307,684</u></u>	 <u><u>\$ 1,329,076</u></u>
 <b>Liabilities</b>		
Accounts payable	\$ 17,886	\$ 108,656
Deferred revenue	<u>26,413</u>	<u>18,553</u>
 Total liabilities	 <u>44,299</u>	 <u>127,209</u>
 <b>Net Assets</b>		
Without donor restrictions	1,237,295	1,172,552
With donor restrictions	<u>26,090</u>	<u>29,315</u>
 Total net assets	 <u>1,263,385</u>	 <u>1,201,867</u>
 Total liabilities and net assets	 <u><u>\$ 1,307,684</u></u>	 <u><u>\$ 1,329,076</u></u>

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

**THE SHALOM FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>Changes in net assets without donor restrictions</b>	<b>2018</b>	<b>2017</b>
Revenues, gains, and other support		
Contributions	\$ 711,735	\$ 1,054,823
Special events	336,400	156,016
In-kind donations	16,000	33,043
Rental income	9,000	8,250
Interest income	456	1,175
Investment income	2,054	1,480
Net realized (loss) gain on investments	(3,610)	3,297
Net unrealized loss on investments	<u>(19,356)</u>	<u>(3,644)</u>
Total revenues, gains, and other support	<u>1,052,679</u>	<u>1,254,440</u>
Expenses		
Program	884,959	922,732
Administrative	29,928	52,794
Fundraising	<u>73,049</u>	<u>52,983</u>
Total expenses	<u>987,936</u>	<u>1,028,509</u>
Change in net assets without donor restrictions	<u>64,743</u>	<u>225,931</u>
<b>Changes in net assets with donor restrictions</b>		
Net assets used for restricted purpose	<u>(3,225)</u>	<u>(8,121)</u>
Total change	61,518	217,810
Net assets, beginning of year	<u>1,201,867</u>	<u>984,057</u>
Net assets, end of year	<u>\$ 1,263,385</u>	<u>\$ 1,201,867</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</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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	<b>Program</b>	<b>Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 70,884	\$ 17,721	\$ 9,845	\$ 98,450
Contract labor	12,666	-	-	12,666
Payroll taxes	5,394	1,349	749	7,492
Support services	668,856	-	-	668,856
Rent	10,880	2,880	2,240	16,000
Depreciation	48,414	-	7,881	56,295
Travel and meals	58,352	-	-	58,352
Advertising and marketing	2,613	-	425	3,038
Project expense and supplies	5,068	-	-	5,068
Repairs and maintenance	3,315	829	460	4,604
Board and committee expenses	2,240	-	-	2,240
Computer expense	1,092	273	152	1,517
Website management	272	-	-	272
Professional services	4,356	1,089	605	6,050
Special events	-	-	26,398	26,398
Seminars and conferences	297	-	48	345
Dues and subscriptions	931	233	129	1,293
Taxes and licenses	255	64	36	355
Payroll service fees	1,617	404	225	2,246
Accounting fees	6,775	1,694	941	9,410
Gifts	177	-	29	206
Processing fees	10,441	-	1,700	12,141
Equipment lease	-	1,749	-	1,749
Postage and shipping	454	-	74	528
Printing and copying	1,975	494	274	2,743
Utilities	4,556	1,139	633	6,328
Legal fees	-	22,876	-	22,876
Other	852	-	139	991
	<u>\$ 922,732</u>	<u>\$ 52,794</u>	<u>\$ 52,983</u>	<u>\$ 1,028,509</u>

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

**THE SHALOM FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 61,518	\$ 217,810
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	50,422	56,295
Donated equipment	-	(17,043)
Donated marketable securities	(102,345)	(162,086)
Proceeds from sale of investments	46,403	148,350
Net realized loss (gain) on investments	3,610	(3,297)
Net unrealized loss on investments	19,356	3,644
Change in operating assets and liabilities:		
Accounts receivable	(225,302)	-
Pledges receivable	7,100	4,950
Prepaid expenses	-	941
Accounts payable	(90,770)	14,744
Deferred revenue	7,860	(2,947)
Net cash (used) provided by operating activities	<u>(222,148)</u>	<u>261,361</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	<u>(8,381)</u>	<u>(8,121)</u>
Net cash used by investing activities	<u>(8,381)</u>	<u>(8,121)</u>
Net (decrease) increase in cash	(230,529)	253,240
Cash, beginning of year	<u>308,197</u>	<u>54,957</u>
Cash, end of year	<u><u>\$ 77,668</u></u>	<u><u>\$ 308,197</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, 2018 AND 2017**

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

*Nature of Activities*

The Shalom Foundation, Inc. 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, 2017, the Organization had cash on deposit in excess of the federally insured limit totaling approximately \$31,000. At December 31, 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 (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

*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*

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.

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

*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.

*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, 2018, 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 2015.

*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.

**THE SHALOM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

*Program and Supporting Services*

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

*Program* - 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.

*New Accounting Pronouncement*

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the requirement of reporting expenses by both their natural and functional classification, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

*Reclassifications*

Certain prior year amounts have been reclassified to conform to current year presentation.

**Note 2 - Availability and Liquidity**

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year end:	
Cash	\$ 77,668
Accounts receivable	225,302
Marketable securities	<u>90,218</u>
Total financial assets at year end	167,886
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(26,090)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 141,796</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.

**Note 3 - Investments**

FASB ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**THE SHALOM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 3 - Investments (Continued)**

Level 1 Inputs – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or non-active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs – Inputs to the valuation methodology are observable and significant to the fair value measurement.

All of the Organization's investments are equity securities with readily determinable fair values and are stated on the Statements of Financial Position at fair value based on quoted prices in active markets (all Level 1 measurements).

**Note 4 - Property and Equipment**

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

	2018	2017
Surgery center	\$ 1,209,977	\$ 1,206,752
Shalom house Guatemala	128,875	128,875
Office equipment and furniture	28,242	23,086
	<u>1,367,094</u>	<u>1,358,713</u>
Less accumulated depreciation	<u>(452,598)</u>	<u>(402,176)</u>
	<u><u>\$ 914,496</u></u>	<u><u>\$ 956,537</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, 2018 and 2017, property and equipment in other countries, net of accumulated depreciation, amounted to \$907,984 and \$954,562, respectively.

**Note 6 - Net Assets**

Net assets with donor restrictions at December 31, 2018 and 2017 consist of contributions restricted for purchases of equipment.

**Note 7 - Leases**

The Organization leases office space at 412 Cummins Street in Franklin, Tennessee. 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 2018 and 2017.

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 <u>December 31,</u>	
2019	\$ 1,680
2020	1,680
2021	980
	<u><u>\$ 4,340</u></u>

**THE SHALOM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 8 - Supplemental Cash Flow Disclosures**

During the years ended December 31, 2018 and 2017, the Organization received donated marketable securities in the amount of \$102,345 and \$162,086 respectively.

During the year ended December 31, 2017, the Organization received donated equipment in the amount of \$17,043.

**Note 9 - Related Party Transactions**

The Organization made payments of \$678,278 and \$682,372 for the years ended December 31, 2018 and 2017, 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 10 - Recent Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09, along with the subsequent amendments, which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. In addition, ASU 2014-09 requires expanded quantitative and qualitative disclosures, including disclosure about the nature, amount, timing and uncertainty of revenue. ASU 2014-09 was deferred by one year by ASU 2015-14 and will become effective for annual reporting periods beginning after December 15, 2018. The Organization does not expect the timing of grant or gift revenue recognition to change significantly as a result of this ASU. The Organization will adopt the provisions of ASU 2014-09 in 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), to supersede nearly all existing lease guidance under GAAP. ASU 2016-02 requires the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating leases. ASU 2016-02 also requires qualitative disclosures along with specific quantitative disclosures and is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach. The Organization is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on its financial position, results of operations and cash flows.

**Note 11 - Subsequent Events**

Management has evaluated subsequent events through October 17, 2019, the date which the financial statements were available to be issued.