

MIRIAM'S PROMISE
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(WITH INDEPENDENT AUDITORS' REPORT)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Statements of Functional Expenses	7 - 8
Notes to Financial Statements	9 - 13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Miriam's Promise

We have audited the accompanying financial statements of Miriam's Promise (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Managements' 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.

Auditors' 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 Miriam's Promise as of December 31, 2017 and 2016, 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.

Dempsey Vantrease & Follis PLLC

Murfreesboro, Tennessee
June 19, 2018

Miriam's Promise

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash	\$ 199,735	\$ 212,329
Accounts receivable (net of allowance for doubtful accounts of \$1,000 and \$4,265 as of December 31, 2017 and 2016)	6,014	14,024
Prepaid expense	364	3,694
Other assets	14,769	10,732
Property and equipment	10,239	4,543
Total Assets	<u>\$ 231,121</u>	<u>\$ 245,322</u>
LIABILITIES		
Accounts payable and deferred revenue	\$ 27,797	\$ 28,240
Accrued expenses	45,545	49,689
Total Liabilities	73,342	77,929
NET ASSETS		
Unrestricted	149,279	155,693
Temporarily restricted	8,500	11,700
	<u>157,779</u>	<u>167,393</u>
Total Liabilities and Net Assets	<u>\$ 231,121</u>	<u>\$ 245,322</u>

See accompanying notes to the financial statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	Total 2017	2016
REVENUES AND SUPPORT				
Contributions	\$ 281,799	\$ -	\$ 281,799	\$ 296,456
Grants	15,450	30,230	45,680	27,045
Special event revenue	169,349	-	169,349	192,783
Program revenue- adoption related fees	110,392	-	110,392	131,089
Other	2,053	-	2,053	1,001
Net assets released from restrictions	33,430	(33,430)	-	-
Total Revenues	612,473	(3,200)	609,273	648,374
EXPENSES				
Program service				
Adoption expenses	283,297	-	283,297	275,009
Pregnancy counseling	119,349	-	119,349	108,236
Supporting expenses				
Management and general	95,439	-	95,439	91,611
Fundraising	104,802	-	104,802	99,062
Cost of direct benefits to donors	16,000	-	16,000	16,000
Total Expenses	618,887	-	618,887	589,918
Decrease in Net Assets	(6,414)	(3,200)	(9,614)	58,456
Net Assets at Beginning of Year	155,693	11,700	167,393	108,937
Net Assets at End of Year	\$ 149,279	\$ 8,500	\$ 157,779	\$ 167,393

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (9,614)	\$ 58,456
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) in operating activities		
Depreciation expense	1,643	1,562
(Increase) decrease in:		
Accounts receivable	8,010	(5,201)
Prepaid expense	3,330	2,296
Other assets	(4,037)	(2,654)
Decrease in:		
Accounts payable and accrued expenses	(4,587)	(2,111)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	<u>(5,255)</u>	<u>52,348</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Purchases of property and equipment	<u>(7,339)</u>	<u>(869)</u>
NET INCREASE (DECREASE) IN CASH	(12,594)	51,479
CASH, BEGINNING OF YEAR	<u>212,329</u>	<u>160,850</u>
CASH, END OF YEAR	<u><u>\$ 199,735</u></u>	<u><u>\$ 212,329</u></u>

See accompanying notes to the financial statements.

Miriam's Promise

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services		Supporting Services			
	Adoption Services	Pregnancy Counseling	Management & General	Fundraising	Direct Benefit to Donors	Total
Salaries and wages	\$ 182,651	\$ 52,469	\$ 47,670	\$ 53,876	\$ -	\$ 336,666
Payroll taxes	12,864	4,824	4,020	5,092	-	26,800
Employee benefits	26,252	9,844	8,204	10,391	-	54,691
	<u>221,767</u>	<u>67,137</u>	<u>59,894</u>	<u>69,359</u>	<u>-</u>	<u>418,157</u>
Accreditation	875	-	-	-	-	875
Advertising	656	655	-	-	-	1,311
Bad debt	(3,265)	-	-	-	-	(3,265)
Bank charges	751	-	751	1,501	-	3,003
Special event costs	-	-	-	14,738	16,000	30,738
Contract services	3,000	3,000	3,000	3,000	-	12,000
Depreciation expense	691	460	246	246	-	1,643
Dues and subscriptions	663	662	-	-	-	1,325
Equipment Rental	1,822	912	912	912	-	4,558
Family aid	-	8,951	-	-	-	8,951
Insurance	11,174	11,174	5,586	-	-	27,934
Maintenance	10,781	7,187	3,850	3,850	-	25,668
Miscellaneous expense	220	220	220	220	-	880
Other	254	254	3,050	1,525	-	5,083
Postage and shipping	627	209	627	627	-	2,090
Printing and publications	26	20	7	13	-	66
Professional fees	4,228	-	6,341	-	-	10,569
Relocation	4,134	4,134	4,134	4,133	-	16,535
Rent	14,000	9,359	3,058	3,058	-	29,475
Supplies	2,080	983	2,139	578	-	5,780
Telephone	4,165	2,499	1,250	416	-	8,330
Training	683	683	91	60	-	1,517
Travel and lodging	3,965	850	283	566	-	5,664
TOTAL EXPENSES	<u><u>\$ 283,297</u></u>	<u><u>\$ 119,349</u></u>	<u><u>\$ 95,439</u></u>	<u><u>\$ 104,802</u></u>	<u><u>\$ 16,000</u></u>	<u><u>\$ 618,887</u></u>

See accompanying notes to the financial statements.

Miriam's Promise

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services		Supporting Services			
	Adoption Services	Pregnancy Counseling	Management & General	Fundraising	Direct Benefits to Donors	Total
Salaries and wages	\$ 177,023	\$ 51,744	\$ 48,814	\$ 54,926	\$ -	\$ 332,507
Payroll taxes	11,742	4,403	3,669	4,648	-	24,462
Employee benefits	21,727	8,148	6,790	8,600	-	45,265
	<u>210,492</u>	<u>64,295</u>	<u>59,273</u>	<u>68,174</u>	<u>-</u>	<u>402,234</u>
Advertising	3,908	-	-	-	-	3,908
Bad debt	401	401	-	-	-	802
Bank charges	703	-	703	1,407	-	2,813
Special event costs	-	-	-	18,296	16,000	34,296
Contract services	2,762	2,762	5,525	-	-	11,049
Depreciation expense	656	437	234	234	-	1,561
Dues and subscriptions	578	578	-	-	-	1,156
Equipment rental	2,264	1,132	1,132	1,132	-	5,660
Family aid	-	8,384	-	-	-	8,384
Insurance	9,414	9,414	4,707	-	-	23,535
License and fees	405	-	-	-	-	405
Maintenance	8,604	5,736	3,073	3,073	-	20,486
Miscellaneous expense	290	290	290	290	-	1,160
Other	82	82	985	493	-	1,642
Postage and shipping	863	288	863	863	-	2,877
Printing and publications	339	254	85	170	-	848
Professional fees	4,460	-	6,689	-	-	11,149
Rent	13,500	8,100	2,700	2,700	-	27,000
Supplies	2,408	1,137	2,475	669	-	6,689
Telephone	4,313	1,725	2,157	431	-	8,626
Training	1,762	1,762	235	157	-	3,916
Travel and lodging	6,805	1,459	485	973	-	9,722
	<u>275,009</u>	<u>108,236</u>	<u>91,611</u>	<u>99,062</u>	<u>16,000</u>	<u>589,918</u>
TOTAL EXPENSES	<u>\$ 275,009</u>	<u>\$ 108,236</u>	<u>\$ 91,611</u>	<u>\$ 99,062</u>	<u>\$ 16,000</u>	<u>\$ 589,918</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Miriam's Promise (the "Organization") is a non-profit Tennessee corporation. The Organization was established as an independent entity on January 1, 2003 after spinning off from Holston Home for Children. The mission of the Organization is to ensure the well-being of the child by nurturing individuals and families. This mission is met through programs which include pregnancy counseling, assistance to pregnant women, adoption services and parenting coaching for parents that have adopted children from "hard places."

Basis of accounting

The financial statements of the Organization are presented on the accrual basis of accounting.

In accordance with Accounting Standards Codification 958, *Not-For-Profit Entities*, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, as follows:

- (a) Unrestricted net assets include unrestricted resources and expendable funds available for support of any Organization purpose.
- (b) Temporarily restricted net assets include resources and expendable funds available for a specific purpose as designated by the donor. Temporarily restricted net asset stipulations can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Temporarily restricted assets were \$8,500 and \$11,700 as of December 31, 2017 and 2016, respectively.
- (c) Permanently restricted net assets include resources subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets as of December 31, 2017 or 2016.

Accounts receivable

Accounts receivable are stated at the amount that management expects to collect on outstanding balances. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects the Organization's best estimate of the amounts that will not be collected. The allowance is estimated based on the Organization's historical loss experience, and existing economic conditions. Once management determines a balance cannot be collected, it is written off through a charge to the allowance for doubtful accounts.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A — NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

It is the Organization's policy to capitalize property and equipment purchased at cost. Maintenance and ordinary repairs are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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.

Depreciation is provided under the straight line method based on estimated service lives of 5 years. When property and equipment is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in unrestricted net assets.

Revenue recognition

Revenue is recognized when earned.

Contributions and grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and nature of any donor restrictions or by law.

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted increases to those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or the purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Contributed services and other non-cash donations

Individuals may volunteer their time and perform a variety of tasks that assist the Organization at fundraising activities. As of December 31, 2017 and 2016, these services did not meet the criteria for recognition as contributed services and have not been recorded in the financial statements.

Non-cash donations such as diapers, baby formula, etc. that the Organization uses to support expectant mothers and birthparents are recorded as revenue at fair market value and a related expense is recorded as the items are used. In 2017 and 2016 no such donations or expenses were used.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A — NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of December 31, 2017 and 2016, there were no outstanding promises to give.

Income taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and classification by the Internal Revenue Service as an other than private foundation. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2017 and 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

As of December 31, 2017 and 2016, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files a U.S. Federal information tax return. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2017, 2016, and 2015.

Advertising

The costs of advertising are expensed as incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B - PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 28,269	\$ 29,759
Leasehold improvements	<u>15,790</u>	<u>66,304</u>
	44,059	96,063
Accumulated depreciation	<u>(33,820)</u>	<u>(91,520)</u>
	<u><u>\$ 10,239</u></u>	<u><u>\$ 4,543</u></u>

Depreciation expense for 2017 and 2016 is \$1,643 and \$1,562, respectively.

NOTE C – OPERATING LEASE

During 2017, the Organization entered into a new leasing arrangement for office space that is considered an operating lease. The lease agreement matures August 2019 and requires monthly rent in the amount of \$3,300. The agreement may be extended an additional two years upon written notice given at least 90 days prior to the end of the previous term. During 2016, the Organization leased office space under an arrangement that was considered an operating lease. The lease renewed annually. Total rent expense for the years ended December 31, 2017 and 2016 was \$29,475 and \$27,000, respectively.

The following schedule of future minimum payments under the non-cancelable operating lease is as follows:

Year ending December 31,	
<u>2018</u>	\$ 39,600
2019	<u>26,400</u>
	<u><u>\$ 66,000</u></u>

NOTE D - CONCENTRATION OF RISK

The Organization is highly dependent on revenues from fees for services, church giving, event revenue, general contributions and grants from donors in the Middle Tennessee area and is thus impacted by the local economic environment.

NOTE E- RETIREMENT PLAN

The Organization sponsors a defined contribution IRC 403(b) plan (the "Plan") for its employees. The Plan covers substantially all employees. The Organization contributed \$10,224 and \$10,203 in 2017 and 2016, respectively, to the Plan.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE F - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions that occurred between December 31, 2017 and June 19, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No such events or transactions were noted requiring recognition or disclosure in the financial statements.