

**THE SHALOM FOUNDATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

To the 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 corporation, the "Organization") which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, (collectively, 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.

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 auditors' 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 Shalom Foundation, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

September 6, 2016

THE SHALOM FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash	\$ 56,479	\$ 163,673
Marketable Securities	5,685	6,716
Pledges Receivable	21,819	75,199
Prepaid Expenses	3,212	-
Total Current Assets	<u>87,195</u>	<u>245,588</u>
Property and Equipment, net	<u>1,028,614</u>	<u>1,084,383</u>
Total Assets	<u><u>\$ 1,115,809</u></u>	<u><u>\$ 1,329,971</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	<u>\$ 104,669</u>	<u>\$ 83,564</u>
Net Assets		
Unrestricted Net Assets	947,890	1,225,507
Temporarily Restricted Net Assets	63,250	20,900
Total Net Assets	<u>1,011,140</u>	<u>1,246,407</u>
Total Liabilities and Net Assets	<u><u>\$ 1,115,809</u></u>	<u><u>\$ 1,329,971</u></u>

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

THE SHALOM FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Changes in Unrestricted Net Assets		
Public Support		
Donations	\$ 692,250	\$ 890,190
Special Events	73,990	144,884
In-Kind Donations	16,000	16,000
Interest Income	8,579	1,094
Unrealized Holding Gains (Loss)	(1,031)	604
Net Assets Released from Restrictions	20,900	1,880
Total Public Support	<u>810,688</u>	<u>1,054,652</u>
Functional Expenses		
Program	1,001,369	1,114,344
Administrative	39,948	50,870
Fundraising	46,988	63,856
Total Functional Expenses	<u>1,088,305</u>	<u>1,229,070</u>
Loss Due to Theft	<u>-</u>	<u>81,160</u>
Decrease in Unrestricted Net Assets	<u>(277,617)</u>	<u>(255,578)</u>
Changes in Temporarily Restricted Net Assets		
Contributions	63,250	20,900
Net Assets Released From Restrictions	<u>(20,900)</u>	<u>(1,880)</u>
Increase in Temporarily Restricted Net Assets	<u>42,350</u>	<u>19,020</u>
Decrease in Net Assets	(235,267)	(236,558)
Net Assets, Beginning of Year	<u>1,246,407</u>	<u>1,482,965</u>
Net Assets, End of Year	<u>\$ 1,011,140</u>	<u>\$ 1,246,407</u>

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

THE SHALOM FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 100,987	\$ 25,247	\$ 14,026	\$ 140,260
Contract Labor	931	-	-	931
Payroll Taxes	7,657	1,861	1,058	10,576
Program Services	654,086	-	-	654,086
Rent	10,880	2,880	2,240	16,000
Depreciation	54,757	-	8,914	63,671
Travel and Meals	86,986	-	-	86,986
Advertising and Marketing Materials	4,928	-	802	5,730
Project Expense and Supplies	3,181	-	-	3,181
Repairs and Maintenance	3,400	850	472	4,722
Board and Committee Expenses	1,360	-	-	1,360
Website Management	350	-	-	350
Professional Services	12,916	3,229	1,794	17,939
Supplies	3,072	768	427	4,267
Entertainment-Event	2,870	-	980	3,850
Meals-Event	9,526	-	1,352	10,878
Facility Rental Fee	4,929	-	661	5,590
Rental Equipment-Event	622	-	203	825
Insurance-Event	1,582	-	8,962	10,544
Seminars and Conferences	137	-	22	159
Dues and Subscriptions	3,813	953	530	5,296
Taxes and Licenses	301	75	42	418
Payroll Service Fees	1,488	372	207	2,067
Accounting Fees	7,222	1,806	1,003	10,031
Gifts	1,864	-	304	2,168
Bank and Credit Card Fees	9,893	-	1,610	11,503
Equipment Lease	2,043	-	-	2,043
Postage and Shipping	955	-	155	1,110
Printing and Copying	624	156	87	867
Utilities	7,004	1,751	973	9,728
Other	1,005	-	164	1,169
	<u>\$ 1,001,369</u>	<u>\$ 39,948</u>	<u>\$ 46,988</u>	<u>\$ 1,088,305</u>

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

THE SHALOM FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 143,219	\$ 35,805	\$ 19,892	\$ 198,916
Contract Labor	1,945	-	-	1,945
Payroll Taxes	12,572	3,056	1,737	17,365
Program Services	732,082	-	-	732,082
Rent	10,880	2,880	2,240	16,000
Depreciation	52,928	-	8,616	61,544
Travel and Meals	81,520	-	-	81,520
Advertising and Marketing Materials	204	-	33	237
Project Expense and Supplies	4,185	-	-	4,185
Repairs and Maintenance	2,883	721	401	4,005
Board and Committee Expenses	1,736	-	-	1,736
Computer Expense	1,387	347	193	1,927
Website Management	27	-	-	27
Professional Services	9,127	2,282	1,268	12,677
Supplies	3,265	816	454	4,535
Entertainment-Event	3,295	-	980	4,275
Meals-Event	10,958	-	1,352	12,310
Facility Rental Fee	1,700	-	661	2,361
Rental Equipment-Event	3,271	-	203	3,474
Insurance-Event	3,752	-	21,260	25,012
Seminars and Conferences	188	-	31	219
Dues and Subscriptions	4,150	1,038	577	5,765
Taxes and Licenses	290	72	40	402
Payroll Service Fees	1,682	421	234	2,337
Accounting Fees	4,157	1,039	577	5,773
Gifts	1,965	-	320	2,285
Bank and Credit Card Fees	5,473	-	891	6,364
Equipment Lease	2,121	-	-	2,121
Postage and Shipping	2,894	-	471	3,365
Printing and Copying	1,682	420	234	2,336
Utilities	7,892	1,973	1,096	10,961
Other	585	-	95	680
Team Shirts and Manuals	329	-	-	329
	<u>\$ 1,114,344</u>	<u>\$ 50,870</u>	<u>\$ 63,856</u>	<u>\$ 1,229,070</u>

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

THE SHALOM FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities:		
Decrease in Net Assets	\$ (235,267)	\$ (236,558)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	63,671	61,544
Unrealized Holding (Gains) Loss	1,031	(604)
(Increase) Decrease in Operating Assets:		
Pledges Receivable	53,380	(74,949)
Prepaid Expenses	(3,212)	-
Increase in Operating Liabilities:		
Accounts Payable	<u>21,105</u>	<u>27,648</u>
Net Cash Used by Operating Activities	<u>(99,292)</u>	<u>(222,919)</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	<u>(7,902)</u>	<u>(128,875)</u>
Net Cash Used by Investing Activities	<u>(7,902)</u>	<u>(128,875)</u>
Net Decrease in Cash	(107,194)	(351,794)
Cash, Beginning of Year	<u>163,673</u>	<u>515,467</u>
Cash, End of Year	<u><u>\$ 56,479</u></u>	<u><u>\$ 163,673</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, 2015 AND 2014

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The purpose of the Organization is to promote public awareness and facilitate support for underprivileged children in the United States and developing nations. The Organization currently has programs in Guatemala which provide educational and medical opportunities to children in some of the poorest areas of the country. The Organization's primary source of revenue includes donations and fundraising events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash

Cash consists of cash on hand and on deposit at banks. The Organization generally maintains cash on deposit at financial institutions which, at times, may exceed federally insured limits. The Organization had no uninsured cash balance as of December 31, 2015 and 2014.

Advertising

All advertising costs are expensed when incurred. There were no direct response advertising costs incurred in 2015 or 2014.

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 temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

**THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Organization leased 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 2015 and 2014.

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, 2015, 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 2012.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the United States and developing nations. 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.

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.

NOTE 3 - LEASES

Copier Lease

The Organization leased a copy machine on July 30, 2014 for a term of four years. This is a non-cancelable lease that has minimum payment requirements. Payments are required to be made monthly during the term of the lease. The future minimum lease payments are outlined below:

2016	\$ 2,004
2017	2,004
2018	1,169
	<u>\$ 5,177</u>

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - INVESTMENTS

FASB ASC 820 provides the framework for measuring fair value. That framework 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:

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 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014
Surgery Center	\$ 1,169,024	\$ 1,161,122
Office equipment and furniture	21,286	21,286
Shalom House Guatemala	128,875	128,875
Less accumulated depreciation	<u>(290,571)</u>	<u>(226,900)</u>
	<u><u>\$ 1,028,614</u></u>	<u><u>\$ 1,084,383</u></u>

NOTE 6 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of donated funds designated by donors for various programs. Temporarily restricted net assets totaled \$63,250 and \$20,900 as of December 31, 2015 and 2014 respectively.

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 - FOREIGN OPERATIONS

The Organization maintains a significant amount of property and equipment in Guatemala. As of December 31, 2015 and 2014, property and equipment in other countries, net of accumulated depreciation, amounted to \$1,027,239 and \$1,081,880 respectively. The Organization primarily conducts its program activities in Guatemala.

NOTE 8 - LOSS DUE TO THEFT

In 2014, the Organization was a victim of identity theft, resulting in \$81,160 of damages. While the Organization contacted the proper authorities, it was unable to claim any reparations. Therefore, an expense of \$81,160 has been recorded on the statements of activities and changes in net assets as "Loss Due to Theft" for the year ended December 31, 2014. Management does not believe that the Organization is at any greater risk than prior to the event.

NOTE 9 - RELATED PARTIES

In 2015 and 2014, the Organization sent payments of \$636,513 and \$433,737, respectively, to not for profit organizations in Guatemala. This Guatemalan not for profit organizations share board members with the Organization.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 6, 2016, the date which the financial statements were available to be issued.