

**THE JOURNEY HOME**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

December 31, 2018

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
The Journey Home

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Journey Home (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018 and the related statement of activities and cash flows for the year 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 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 from material misstatements.

An audit involves performing procedures to obtain 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 Journey Home as of December 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## Supplementary Information

We have audited the financial statements of The Journey Home as of and for the year ended December 31, 2018, and have issued our report thereon dated October 22, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 14 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Dempsey Wentz + Follis PLLC*

Murfreesboro, Tennessee

October 22, 2019

**The Journey Home**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

**Assets**

Current Assets	
Cash and cash equivalents	\$ 63,022
Restricted cash and cash equivalents	20,254
Grants receivable	
Federal and state grants	5,742
Other local grants	22,644
Other accounts receivable	3,940
Prepaid expenses	441
Inventory	16,584
Total Current Assets	132,627
Property, Plant, and Equipment, net of accumulated depreciation of \$228,852	819,262
Total Assets	\$ 951,889

**Liabilities and Net Assets**

Current Liabilities	
Current portion of long-term debt	\$ 5,470
Accounts payable and accrued expenses	19,810
Payroll taxes and withholdings payable	11,307
Client related deposits and savings	18,563
Total Current Liabilities	55,150
Long-Term Liabilities	
Long-term debt	53,117
Total Liabilities	108,267
Net Assets	
Net Assets without donor restrictions	261,314
Net Assets with donor restrictions	
Restricted property acquisition grants	582,308
Total Net Assets	843,622
Total Liabilities and Net Assets	\$ 951,889

See accompanying notes to financial statements.

**The Journey Home**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2018

	<b>Without Donor restriction</b>	<b>With Donor restriction</b>	<b>Total</b>
Support and Revenues:			
Public Support			
Direct Public Grants	\$ 97,314	\$ -	\$ 97,314
Donated Facilities	1,200	-	1,200
Donated Vehicles	2,684	-	2,684
Direct Public Support	488,951	-	488,951
Government Grants	268,468	207,275	475,743
Program Revenues			
Program and Exhibit Revenue			
Supportive Housing	71,776	-	71,776
Special Events	24,997	-	24,997
Other Revenue	3,587	-	3,587
TOTAL SUPPORT AND REVENUES	958,977	207,275	1,166,252
Expenses:			
Program Services			
Client Services	81,663	-	81,663
Hunger Program	372,897	-	372,897
Clothing and Hygiene Program	27,028	-	27,028
Housing Programs	435,236	-	435,236
Total Program Services	916,824	-	916,824
Supporting Services			
Administrative	25,917	-	25,917
Fundraising	13,234	-	13,234
TOTAL EXPENSES	955,975	-	955,975
Change in net assets	3,002	207,275	210,277
Net assets at beginning of year	258,312	375,033	633,345
Net assets at end of year	<u>\$ 261,314</u>	<u>\$ 582,308</u>	<u>\$ 843,622</u>

See accompanying notes to financial statements.

**The Journey Home**  
**FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

	<u>Program Services</u>				<u>Supporting Expenses</u>		<u>Total</u>
	<u>Hunger Program</u>	<u>Housing Programs</u>	<u>Clothing and Hygiene Program</u>	<u>Client Services and other programs</u>	<u>Administrative</u>	<u>Fundraising</u>	
Cash Awards and Grants	\$ 1,170	\$ 1,366	\$ 85	\$ 255	\$ 81	\$ 42	\$ 2,999
Computer Expense	946	1,104	69	207	66	34	2,426
Copying	285	334	21	63	20	10	733
Depreciation Expense	14,273	16,659	1,034	3,125	992	506	36,589
Equipment Rental	470	549	34	103	33	17	1,206
Insurance	2,581	3,012	187	566	179	92	6,617
Miscellaneous Expenses	4,072	79,835	295	8,808	294	6,469	99,773
Postage	247	287	18	54	17	9	632
Professional expenses	3,665	4,278	266	801	3,055	130	12,195
Real Estate, Personal Prop Tax	2,850	3,327	207	624	198	101	7,307
Rent & Utilities	12,922	217,870	937	2,830	898	459	235,916
Repair & Maintenance	3,691	4,307	268	14,398	256	131	23,051
Salaries, Wages and Payroll Taxes	19,641	99,170	5,553	47,266	19,641	5,138	196,409
Supplies	304,349	1,115	17,929	2,184	66	34	325,677
Telephone	1,151	1,342	83	251	80	41	2,948
Waste Removal/Janitorial	584	681	42	128	41	21	1,497
<b>TOTAL EXPENSES</b>	<b><u>\$ 372,897</u></b>	<b><u>\$ 435,236</u></b>	<b><u>\$ 27,028</u></b>	<b><u>\$ 81,663</u></b>	<b><u>\$ 25,917</u></b>	<b><u>\$ 13,234</u></b>	<b><u>\$ 955,975</u></b>

See accompanying notes to financial statements.

**The Journey Home**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2018**

Reconciliation of increase in net assets to net cash provided by operating activities:	
Increase in net assets	\$ 210,277
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	36,590
Donated facilities included in contributions	
Grant for acquisition of real property	(207,275)
Changes in assets and liabilities:	
Increase in grant receivables	11,193
Increase in other receivables	7,136
Increase in inventories	(49)
Increase in other assets	1,000
Decrease in accounts payable and accrued expenses	(5,340)
Decrease in client deposits	<u>2,399</u>
Net cash provided by operating activities	55,931
Cash flows from investing activities:	
Purchase of property and equipment	(65,285)
Cash flows from financing activities:	
Transfers from restricted cash	(2,317)
Payments on long-term debt	<u>(1,413)</u>
Net cash used in financing activities	<u>(3,730)</u>
Net decrease in cash and cash equivalents	(13,084)
Cash and cash equivalents, beginning of year	<u>76,106</u>
Cash and cash equivalents, end of year	<u><u>\$ 63,022</u></u>
Supplemental cash flow disclosures	
Non cash: Donated rent	<u>\$ 1,200</u>
Non cash: Donated rent provided to program	<u>\$ (1,200)</u>
Non cash: Property acquired with note payable	<u>\$ 60,000</u>
Non cash: Grant for acquisition of real property	<u>\$ 207,275</u>
Non cash: Donated vehicles provided to The Journey Home	<u>\$ 2,684</u>
Non cash: Donated vehicles provided to program participant	<u>\$ (2,684)</u>
Non cash: Donated food and other household items provided to The Journey Home	<u>\$ 287,216</u>
Non cash: Donated food and other household items provided to program participants	<u><u>\$ (287,216)</u></u>

See accompanying notes to financial statements.

## The Journey Home

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018

#### Note 1 – Nature of Operations

The Journey Home (the Home), a tax-exempt organization under Internal Revenue Code 501(c)(3), a Christian ministry whose primary focus is to serve the homeless and disadvantaged of Rutherford County - providing practical resources for body, mind and spirit, and encouragement on their journey to economic stability and reintegration into community life. The financial statements of the Home have been prepared on the accrual basis.

#### Note 2 - Summary of Significant Accounting Policies

##### a. Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified 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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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

##### b. Contributions

The Home accounts for contributions in accordance with the recommendations of the FASB in ASC 958-605, *Accounting for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivables is provided based upon management's judgment, including such factors, as prior collection history, type of contribution, and nature of fund-raising activity.

## The Journey Home

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

#### Note 2 - Summary of Significant Accounting Policies (Continued)

c. Inventories

Inventories consisting of prepared and unprepared food, clothing, and various household supplies are valued at the lower of cost or market.

d. Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, net of accumulated depreciation. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets.

e. Taxes

The Home is a tax-exempt institution under Internal Revenue Code 501(c)(3); accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Home accounts for uncertainties in income tax law under FASB ASC 740-10 which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained by the taxing authority as of the reporting date. If the tax position is not considered "more-likely-than-not" to be sustained, then no benefits of the position are to be recognized. The Home has no unrecognized tax benefits for any of the periods presented. To the extent applicable in the future, interest and penalties related to income tax liabilities will be included in pre-tax income as interest expense and tax penalties. At December 31, 2017, the Home's tax returns related to fiscal years ended December 31, 2016 through December 31, 2018 remain open to examination by the tax authorities.

f. Use of Estimates in the Preparation of Financial Statements

Management of the Home has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

g. Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with an original maturity of three months or less.

## The Journey Home

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

#### Note 2 - Summary of Significant Accounting Policies (Continued)

##### h. Allowance for Doubtful Accounts

The Home provides an allowance for losses on receivables based on review of the current status of existing receivables, historical collection experience, and management's evaluation of the effect of existing economic conditions. As of December 31, 2018, management deems all accounts receivable to be collectible; therefore, no allowance account has been established.

##### i. Donated Services

Many individuals have donated time and services to advance the Home's programs and objectives. The value of the services has not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

##### j. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

#### Note 3 - Land, Buildings, and Equipment

At December 31, 2018 land, buildings, and equipment is summarized as follows:

Land	\$	162,100
Buildings and improvements		813,910
Equipment		72,104
Total land, buildings, and equipment		<u>1,048,114</u>
Less accumulated depreciation		<u>228,852</u>
Net land, buildings, and equipment	\$	<u>819,262</u>

Depreciation expense amounted to \$36,590 for the year ended December 31, 2018.

## The Journey Home

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

#### Note 4 – Notes Payable

Notes payable obligations consist of the following as of December 31, 2018 are as follows:

Note payable government insured; in the original amount of \$60,000 with monthly principal and interest payments of \$526. The note bears a variable interest rate set at the 4% below Wall Street Journal Prime Rate. At December 31, 2018 the interest rate was 1.5%. The note is schedule to mature in September of 2028. The note is collateralized by certain real estate.

	\$ 58,587
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Less: current portion	<u>(5,470)</u>
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Long term debt, net of current portion	<u>\$ 53,117</u>
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Aggregate maturities of Notes payable obligations as of December 31, 2018 are as follows:

Year Ending December 31,	
2020	\$ 5,470
2021	5,552
2022	5,636
2023	5,721
2024	5,808
Thereafter	<u>30,400</u>
	<u>\$ 58,587</u>

#### Note 5 - Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs have been allocated based on total direct expenses and salaries incurred in providing the various programs and activities.

#### Note 6- Financial instruments

The carrying values of the Home's financial instruments (cash and cash equivalents, receivables, notes, accounts payable, and accrued expenses) approximate fair value due to their current availability, relatively short maturities and/or current market interest rates.

## The Journey Home

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

#### Note 7 – Financial Assets and Liquidity

The Home is supported by both restricted and unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or a future period, the Home must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial resources may not be available for general expenditure within one year. As part of the Home's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Home's financial assets and liquidity as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2018</u>
Financial Assets:	
Cash	\$ 83,276
Accounts Receivable, net	<u>32,326</u>
Total Financial Assets	115,602
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(20,254)</u>
Financial assets available to meet cash needs for general expenditure within 1 year	<u><u>\$ 95,348</u></u>

#### Note 8 – Subsequent Events

The Home has evaluated subsequent events through October 22, 2019, which is the date the financial statements were available to be issued. Based on the evaluation no subsequent events were considered significant.

## **SUPPLEMENTAL INFORMATION**

The Journey Home  
Schedule of State and Federal Financial Assistance  
Year Ended December 31, 2018

Grantor	CFDA#	Contract #	Grant			Local Match	Grant Receivable
			Receivable December 31, 2017	Receipts	Expenditures		
US Dept of Housing & Urban Development Emergency Solutions Grant Program	14.231	ESG-17-28 *	\$ 33,397	\$ 74,467	\$ 41,070	\$ -	\$ -
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0138L4J101603	-	10,111	13,344	1,000	3,233
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0106L4J101605	-	15,333	15,333	2,000	-
US Dept of Housing & Urban Development Supporting Housing Agreement	14.231	TN0107L4J101606	748	40,286	39,538	750	-
US Dept of Housing & Urban Development Supporting Housing Agreement	14.231	TN0107L4J101607	-	6,897	6,897	750	-
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0197L4J101705	-	4,109	4,109	304	-
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0173L4J101706	-	4,205	4,647	-	442
US Dept of Housing & Urban Development Supporting Housing Agreement	14.231	TN0106L4J101707	-	1,999	2,328	250	329
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0107L4J101708	-	11,516	13,254	1,000	1,738
US Dept of Housing & Urban Development Emergency Solutions Grant Program	14.231	ESG-18-28 *	-	62,369	85,013	-	22,644
Total federal and state awards			<u>\$ 34,145</u>	<u>\$ 231,292</u>	<u>\$ 225,533</u>	<u>\$ 6,054</u>	<u>\$ 28,386</u>

Basis of Presentation:

This schedule is prepared on the accrual basis of accounting.

\* The Journey Home is grant subrecipient of The Tennessee Housing Development Agency and the City of Murfreesboro, TN.