

**THE SHALOM FOUNDATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Shalom Foundation, Inc.

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, 2014 and 2013, 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.

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, 2014 and 2013, 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.


June 30, 2015

THE SHALOM FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|-----------------------------------|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 163,673 | \$ 515,467 |
| Marketable Securities | 6,716 | 6,112 |
| Pledges Receivable | 75,199 | 250 |
| Total Current Assets | <u>245,588</u> | <u>521,829</u> |
| Property and Equipment, net | <u>1,084,383</u> | <u>1,017,052</u> |
| Total Assets | <u><u>\$ 1,329,971</u></u> | <u><u>\$ 1,538,881</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts Payable | <u>\$ 83,564</u> | <u>\$ 55,916</u> |
| Net Assets | | |
| Unrestricted Net Assets | 1,225,507 | 1,481,085 |
| Temporarily Restricted Net Assets | 20,900 | 1,880 |
| Total Net Assets | <u>1,246,407</u> | <u>1,482,965</u> |
| Total Liabilities and Net Assets | <u><u>\$ 1,329,971</u></u> | <u><u>\$ 1,538,881</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, 2014 AND 2013

| | 2014 | 2013 |
|---|----------------------------|----------------------------|
| Changes in Unrestricted Net Assets | | |
| Public Support | | |
| Donations | \$ 890,190 | \$ 1,112,281 |
| Special Events | 144,884 | 386,433 |
| In-Kind Donations | 16,000 | 16,000 |
| Interest Income | 1,094 | 3,052 |
| Unrealized Holding Gains | 604 | 619 |
| Net Assets Released from Restrictions | <u>1,880</u> | <u>-</u> |
| Total Public Support | <u>1,054,652</u> | <u>1,518,385</u> |
| Functional Expenses | | |
| Program | 1,132,626 | 1,472,804 |
| Administrative | 50,870 | 55,145 |
| Fundraising | <u>45,574</u> | <u>50,335</u> |
| Total Functional Expenses | <u>1,229,070</u> | <u>1,578,284</u> |
| Loss Due to Theft | <u>81,160</u> | <u>-</u> |
| Decrease in Unrestricted Net Assets | <u>(255,578)</u> | <u>(59,899)</u> |
| Changes in Temporarily Restricted Net Assets | | |
| Contributions | 20,900 | 1,880 |
| Net Assets Released From Restrictions | <u>(1,880)</u> | <u>-</u> |
| Increase in Temporarily Restricted Net Assets | <u>19,020</u> | <u>1,880</u> |
| Decrease in Net Assets | (236,558) | (58,019) |
| Net Assets, Beginning of Year | <u>1,482,965</u> | <u>1,540,984</u> |
| Net Assets, End of Year | <u><u>\$ 1,246,407</u></u> | <u><u>\$ 1,482,965</u></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/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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

| | <u>Program</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------|--------------------|---------------------|
| Salaries and Wages | \$ 140,547 | \$ 35,137 | \$ 19,520 | \$ 195,204 |
| Contract Labor | 4,889 | - | - | 4,889 |
| Payroll Taxes | 13,560 | 3,296 | 1,873 | 18,729 |
| Program Services | 963,126 | - | - | 963,126 |
| Rent | 10,880 | 2,880 | 2,240 | 16,000 |
| Depreciation | 48,310 | - | 7,864 | 56,174 |
| Travel and Meals | 182,679 | - | - | 182,679 |
| Advertising and Marketing Materials | 220 | - | 36 | 256 |
| Project Expense and Supplies | 5,758 | - | - | 5,758 |
| Repairs and Maintenance | 17,089 | 4,272 | 2,373 | 23,734 |
| Board/Committee Expenses | 1,213 | - | - | 1,213 |
| Computer Expense | 1,574 | 394 | 219 | 2,187 |
| Website Management | 299 | - | - | 299 |
| Professional Services | 8,030 | 2,008 | 1,115 | 11,153 |
| Supplies | 8,486 | 2,121 | 1,179 | 11,786 |
| Entertainment-Event | 2,520 | - | 980 | 3,500 |
| Meals-Event | 8,477 | - | 1,352 | 9,829 |
| Facility Rental Fee | 7,484 | - | 2,910 | 10,394 |
| Rental Equipment-Event | 522 | - | 203 | 725 |
| Insurance-Event | 7,656 | - | 2,978 | 10,634 |
| Seminars and Conferences | 96 | - | 16 | 112 |
| Dues and Subscriptions | 3,152 | 788 | 438 | 4,378 |
| Taxes and Licenses | 232 | 58 | 32 | 322 |
| Payroll Service Fees | 1,415 | 354 | 197 | 1,966 |
| Accounting Fees | 7,153 | 1,788 | 994 | 9,935 |
| Gifts | 4,892 | - | 796 | 5,688 |
| Bank and Credit Card Fees | 8,978 | - | 1,461 | 10,439 |
| Equipment Lease | 2,321 | - | - | 2,321 |
| Postage and Shipping | 2,512 | - | 409 | 2,921 |
| Printing and Copying | 1,493 | 373 | 207 | 2,073 |
| Utilities | 6,704 | 1,676 | 931 | 9,311 |
| Other | 77 | - | 12 | 89 |
| Team Shirts and Manuals | 460 | - | - | 460 |
| | <u>\$ 1,472,804</u> | <u>\$ 55,145</u> | <u>\$ 50,335</u> | <u>\$ 1,578,284</u> |

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

THE SHALOM FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|---|--------------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Decrease in Net Assets | \$ (236,558) | \$ (58,019) |
| Adjustments to Reconcile Decrease in Net Assets to Net Cash (Used) Provided by Operating Activities: | | |
| Depreciation | 61,544 | 56,174 |
| Donated Stock | - | (2,113) |
| Unrealized Holding Gains | (604) | (619) |
| (Increase) Decrease in Operating Assets: | | |
| Pledges Receivable | (74,949) | 22,540 |
| Prepaid Expenses | - | 352 |
| Security Deposits | - | 6,281 |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable | 27,648 | (14,603) |
| Deferred Revenue | - | (7,714) |
| Net Cash (Used) Provided by Operating Activities | <u>(222,919)</u> | <u>2,279</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of Property and Equipment | <u>(128,875)</u> | <u>-</u> |
| Net Cash Used by Investing Activities | <u>(128,875)</u> | <u>-</u> |
| Net (Decrease) Increase in Cash | (351,794) | 2,279 |
| Cash, Beginning of Year | <u>515,467</u> | <u>513,188</u> |
| Cash, End of Year | <u><u>\$ 163,673</u></u> | <u><u>\$ 515,467</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, 2014 AND 2013

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. At December 31, 2014 and 2013, the Organization's uninsured cash balance totaled \$0 and \$138,226, respectively.

Advertising

All advertising costs are expensed when incurred. There were no direct response advertising costs incurred in 2014 or 2013.

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, 2014 AND 2013

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 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 2014 and 2013.

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, 2014, 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 2011.

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, 2014 AND 2013

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:

| | |
|------|----------|
| 2015 | \$ 2,004 |
| 2016 | 2,004 |
| 2017 | 2,004 |
| 2018 | 1,169 |
| | <hr/> |
| | \$ 7,181 |
| | <hr/> |

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

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013

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:

| | 2014 | 2013 |
|--------------------------------|----------------------------|----------------------------|
| Surgery Center | \$ 1,161,122 | \$ 1,161,122 |
| Office equipment and furniture | 21,286 | 21,286 |
| Shalom House Guatemala | 128,875 | - |
| Less accumulated depreciation | <u>(226,900)</u> | <u>(165,356)</u> |
| | <u><u>\$ 1,084,383</u></u> | <u><u>\$ 1,017,052</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 \$20,900 and \$1,880 as of December 31, 2014 and 2013 respectively.

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

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 7 - FOREIGN OPERATIONS

The Organization maintains a significant amount of property and equipment in Guatemala. As of December 31, 2014 and 2013, property and equipment in other countries, net of accumulated depreciation, amounted to \$1,081,880 and \$958,375 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 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2015, the date which the financial statements were available to be issued.

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