

THE JOURNEY HOME

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

December 31, 2019 and 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, 2019 and 2018 and 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 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, 2019 and 2018, and the results of its operations and its cash flows for the years 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, 2019 and 2018, and have issued our report thereon dated December 7, 2020, 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 15 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.

A handwritten signature in blue ink that reads "Dempsey Vantrone + Follis PLLC".

Murfreesboro, Tennessee

December 7, 2020

The Journey Home
STATEMENT OF FINANCIAL POSITION
December 31, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 141,120	\$ 63,022
Restricted cash and cash equivalents	20,645	20,254
Grants receivable		
Federal and state grants	6,811	5,742
Other local grants	16,527	22,644
Other accounts receivable	7,720	3,940
Prepaid expenses	441	441
Inventory	16,535	16,584
Total Current Assets	<u>209,799</u>	<u>132,627</u>
Property, Plant, and Equipment, net of accumulated depreciation of \$270,296	<u>777,819</u>	<u>819,262</u>
 Total Assets	 <u><u>\$ 987,618</u></u>	 <u><u>\$ 951,889</u></u>

Liabilities and Net Assets

Current Liabilities		
Current portion of long-term debt	\$ 5,552	\$ 5,470
Accounts payable and accrued expenses	16,867	19,810
Payroll taxes and withholdings payable	13,731	11,307
Client related deposits and savings	21,274	18,563
Total Current Liabilities	<u>57,424</u>	<u>55,150</u>
Long-Term Liabilities		
Long-term debt	<u>47,383</u>	<u>53,117</u>
Total Liabilities	<u>104,807</u>	<u>108,267</u>
Net Assets		
Net Assets without donor restrictions	300,503	261,314
Net Assets with donor restrictions		
Restricted property acquisition grants	<u>582,308</u>	<u>582,308</u>
Total Net Assets	<u>882,811</u>	<u>843,622</u>
 Total Liabilities and Net Assets	 <u><u>\$ 987,618</u></u>	 <u><u>\$ 951,889</u></u>

See accompanying notes to financial statements.

The Journey Home
STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	<u>Without Donor restriction</u>	<u>With Donor restriction</u>	<u>December 31, 2019 Total</u>	<u>December 31, 2018 Total</u>
Support and Revenues:				
Public Support				
Direct Public Grants	\$ 115,846	\$ -	\$ 115,846	\$ 97,314
Donated Facilities	1,200	-	1,200	1,200
Donated Vehicles	-	-	-	2,684
Direct Public Support	552,313	-	552,313	488,951
Government Grants	258,358	-	258,358	475,743
Program Revenues				
Program and Exhibit Revenue				
Supportive Housing	101,595	-	101,595	71,776
Special Events	26,680	-	26,680	24,997
Other Revenue	6,978	-	6,978	3,587
TOTAL SUPPORT AND REVENUES	1,062,970	-	1,062,970	1,166,252
Expenses:				
Program Services				
Client Services	93,841	-	93,841	81,663
Hunger Program	371,507	-	371,507	372,897
Clothing and Hygiene Program	23,291	-	23,291	27,028
Housing Programs	480,434	-	480,434	435,236
Total Program Services	969,073	-	969,073	916,824
Supporting Services				
Administrative	31,633	-	31,633	25,917
Fundraising	23,075	-	23,075	13,234
TOTAL EXPENSES	1,023,781	-	1,023,781	955,975
Change in net assets	39,189	-	39,189	210,277
Net assets at beginning of year	261,314	582,308	843,622	633,345
Net assets at end of year	<u>\$ 300,503</u>	<u>\$ 582,308</u>	<u>\$ 882,811</u>	<u>\$ 843,622</u>

See accompanying notes to financial statements.

The Journey Home
FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	Program Services				Supporting Expenses		December 31, 2019	December 31, 2018
	Hunger Program	Housing Programs	Clothing and Hygiene Program	Client Services and other programs	Administrative	Fundraising	Total	Total
Cash Awards and Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,999
Computer Expense	1,162	1,502	73	293	99	72	3,201	2,426
Copying	436	564	27	110	37	27	1,201	733
Depreciation Expense	15,039	19,450	943	3,797	1,279	934	41,442	36,589
Equipment Rental	103	133	6	26	9	6	283	1,206
Insurance	1,971	2,549	124	497	168	122	5,431	6,617
Miscellaneous Expenses	7,317	100,669	459	13,822	625	12,761	135,653	99,773
Postage	313	404	20	78	27	19	861	632
Professional expenses	2,177	2,816	136	551	1,357	135	7,172	12,195
Real Estate, Personal Prop Tax	3,282	4,245	206	828	279	204	9,044	7,307
Rent & Utilities	13,320	211,870	835	3,365	1,134	827	231,351	235,916
Repair & Maintenance	1,709	2,211	107	3,436	146	106	7,715	23,051
Salaries, Wages and Payroll Taxes	26,338	131,971	5,992	64,982	26,338	7,764	263,385	196,409
Supplies	297,355	776	14,301	1,808	51	37	314,328	325,677
Telephone	410	530	26	104	35	25	1,130	2,948
Waste Removal/Janitorial	575	744	36	144	49	36	1,584	1,497
TOTAL EXPENSES	\$ 371,507	\$ 480,434	\$ 23,291	\$ 93,841	\$ 31,633	\$ 23,075	\$ 1,023,781	\$ 955,975

See accompanying notes to financial statements.

The Journey Home

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 39,189	\$ 210,277
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	41,442	36,590
Donated facilities included in contributions		
Changes in assets and liabilities:		
Increase in grant receivables	5,048	11,193
Increase in other receivables	(3,780)	7,136
Increase in inventories	49	(49)
Decrease in accounts payable and accrued expenses	(519)	(5,340)
Decrease in client deposits	2,711	2,399
Net cash provided by operating activities	84,140	55,931
Cash flows from financing activities:		
Transfers from restricted cash	(391)	(2,317)
Payments on long-term debt	(5,652)	(1,413)
Net cash used in financing activities	(6,043)	(3,730)
Net increase in cash and cash equivalents	78,098	(13,084)
Cash and cash equivalents, beginning of year	63,022	76,106
Cash and cash equivalents, end of year	<u>\$ 141,120</u>	<u>\$ 63,022</u>
Supplemental cash flow disclosures		
Non cash: Donated rent	<u>\$ 1,200</u>	<u>\$ 1,200</u>
Non cash: Donated rent provided to program	<u>\$ (1,200)</u>	<u>\$ (1,200)</u>
Non cash: Property acquired with note payable	<u>\$ -</u>	<u>\$ 60,000</u>
Non cash: Grant for acquisition of real property	<u>\$ -</u>	<u>\$ 207,275</u>
Non cash: Donated vehicles provided to The Journey Home	<u>\$ -</u>	<u>\$ 2,684</u>
Non cash: Donated vehicles provided to program participant	<u>\$ -</u>	<u>\$ (2,684)</u>
Non cash: Donated food and other household items provided to The Journey Home	<u>\$ 304,170</u>	<u>\$ 287,216</u>
Non cash: Donated food and other household items provided to program participants	<u>\$ (304,170)</u>	<u>\$ (287,216)</u>

See accompanying notes to financial statements.

The Journey Home
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 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, 2019 and 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, 2019, the Home's tax returns related to fiscal years ended December 31, 2017 through December 31, 2019 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.

h. 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.

The Journey Home
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

i. 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, 2019, management deems all accounts receivable to be collectible; therefore, no allowance account has been established.

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.

k. 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 3 - Land, Buildings, and Equipment

At December 31, 2019 land, buildings, and equipment is summarized as follows:

	2019	2018
Land	\$ 162,100	\$ 162,100
Buildings and improvements	813,911	813,911
Equipment	72,104	72,104
	<hr/>	<hr/>
Total land, buildings, and equipment	1,048,115	1,048,115
	<hr/>	<hr/>
Less accumulated depreciation	270,296	228,853
	<hr/>	<hr/>
Net land, buildings, and equipment	\$ 777,819	\$ 819,262
	<hr/>	<hr/>

Depreciation expense amounted to \$41,443 and \$36,589 for the years ended December 31, 2019 and 2018; respectively.

The Journey Home
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

Note 4 – Notes Payable

Notes payable obligations consist of the following as of December 31, 2019 are as follows:

	<u>2019</u>	<u>2018</u>
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 .75%. The note is scheduled to mature in September of 2028. The note is collateralized by certain real estate.	\$ 52,935	\$ 58,587
Less: current portion	<u>(5,552)</u>	<u>(5,470)</u>
Long term debt, net of current portion	<u>\$ 47,383</u>	<u>\$ 53,117</u>

Aggregate maturities of Notes payable obligations as of December 31, 2019 are as follows:

Year Ending <u>December 31,</u>	
2020	\$ 5,552
2021	5,636
2022	5,721
2023	5,808
2024	5,896
Thereafter	<u>24,322</u>
	<u>\$ 52,935</u>

Note 5- 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.

Note 6 – 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 Journey Home
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

Note 6 – Financial Assets and Liquidity (Continued)

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>2019</u>	<u>2018</u>
Financial Assets:		
Cash	\$ 161,765	63,022
Accounts Receivable, net	<u>31,058</u>	<u>32,326</u>
Total Financial Assets	192,823	95,348
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>(20,645)</u>	<u>(20,254)</u>
Financial assets available to meet cash needs for general expenditure within 1 year	<u>\$ 172,178</u>	<u>\$ 75,094</u>

Note 7 – Operating Leases

The Company leases residential and commercial space in Murfreesboro, Tennessee under a long-term and short-term operating lease. The long-term lease term extends until August 2021, and requires monthly lease payments of approximately \$2,000. Short term leases are no less than a year and have monthly lease payments ranging from approximately \$500 to \$1,250.

The minimum future rentals on the non-cancellable operating leases in excess of one year at December 31, 2019 are summarized as follows:

<u>Year Ending December 31,</u>	
2020	\$ 2,000
2021	16,000
2022	-
2023	-
2024	-
Thereafter	<u>-</u>
	<u>\$ 18,000</u>

The Journey Home
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

Note 8 – Subsequent Events

Subsequent to December 31, 2019, as a result of the COVID-19 pandemic, there was an abrupt closing of all non-essential commercial businesses, school systems, and other public and private operations, as various city, county, state, and federal issued declarations of emergency and stay at home orders. The Home's services were not directly ceased as they were deemed essential business activities.

As a result, management anticipates declined revenues as well as increased expenses during 2020. As of the date of these financial statements, the full scope of the impact of the pandemic on the Company is not fully known. The Company applied for a loan through the Small Business Administration's Paycheck Protection Program created as a result of the CARES Act. On April 15th, 2020, the loan was funded in the amount of \$50,972. As of the date of the financial statements, no determination has been made as to the amount qualifying for forgiveness under the program. Management anticipates a significant portion of the loan will qualify based on the available guidance as of December 7, 2020.

The Home has evaluated subsequent events through December 7, 2020, 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, 2019

Grantor	CFDA#	Contract #	Grant Receivable				Local Match	Grant Receivable				
			December 31, 2018		Receipts	Expenditures		December 31, 2019				
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0138L4J101603	\$	3,233	\$	3,233	\$	-	\$	-		
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0197L4J101705		-		9,400		9,400	696	-		
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0173L4J101706		442		14,382		13,940	750	-		
US Dept of Housing & Urban Development Supporting Housing Agreement	14.231	TN01061AJIO1707		329		7,312		6,983	750	-		
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0107IAJ101708		1,738		41,500		39,762	3,000	-		
US Dept of Housing & Urban Development Emergency Solutions Grant Program	14.231	ESG-18-28	*	22,644		82,089		59,445	59,445	-		
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0197L4J101806		-		3,622		3,622	256	-		
US Dept of Housing & Urban Development Supporting Housing Agreement	14.231	TN0173L4J101807		-		3,215		3,215	400	-		
US Dept of Housing & Urban Development Supporting Housing Agreement	14.231	TN0106L4J101808		-		2,469		2,469	250	-		
US Dept of Housing & Urban Development Supporting Housing Agreement	14.235	TN0107L4J101809		-		14,781		14,784	1,000	3		
US Dept of Housing & Urban Development Emergency Solutions Grant Program	14.231	ESG-19-26	*	-		52,996		68,831	55,509	15,835		
US Dept of Housing & Urban Development Public Service Grant Program	14.231	PSG-19-26	*	-		-		7,500	-	7,500		
Total federal and state awards			\$	28,386	\$	234,999	\$	229,951	\$	122,056	\$	23,338

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.