THE SHALOM FOUNDATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2017 AND 2016

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BLANKENSHIP CPA GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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. (the Organization) which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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

August 10, 2018

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THE SHALOM FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Current Assets		
Cash - Unrestricted	$ 278,882	$ 17,521
Marketable Securities	57,242	43,853
Pledges Receivable	7,100	12,050
Prepaid Expenses	-	941
Total Current Assets	343,224	74,365
Property and Equipment, net	956,537	987,668
Other Asset		
Cash - Restricted	29,315	37,436
Total Assets	$ 1,329,076	$ 1,099,469

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities		
Accounts Payable	$ 108,656	$ 93,912
Deferred Revenue	18,553	21,500
Total Current Liabilities	127,209	115,412
Net Assets		
Unrestricted	1,172,552	946,621
Temporarily Restricted	29,315	37,436
Total Net Assets	1,201,867	984,057
Total Liabilities and Net Assets	$ 1,329,076	$ 1,099,469

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, 2017 AND 2016

	2017	2016
Changes in Unrestricted Net Assets		
Public Support		
Donations	$ 1,054,823	$ 615,186
Special Events	156,016	218,463
In-Kind Donations	33,043	16,000
Rental Income	8,250	6,750
Interest Income	1,175	212
Investment Income	1,480	154
Net Realized Gain on Marketable Securities	3,297	-
Net Unrealized (Loss) Gain on Marketable Securities	(3,644)	2,798
Total Public Support	1,254,440	859,563
Functional Expenses		
Program	922,732	808,646
Administrative	52,794	18,202
Fundraising	52,983	40,234
Total Functional Expenses	1,028,509	867,082
Increase (Decrease) in Unrestricted Net Assets	225,931	(7,519)
Changes in Temporarily Restricted Net Assets		
Contributions	-	37,436
Net Assets Used for Restricted Purpose	(8,121)	-
(Decrease) Increase in Temporarily Restricted Net Assets	(8,121)	37,436
Increase in Net Assets	217,810	29,917
Net Assets, Beginning of Year	984,057	954,140
Net Assets, End of Year	$ 1,201,867	$ 984,057

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

THE SHALOM FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program	Administrative	Fundraising	Total
Salaries and Wages	$ 70,884	$ 17,721	$ 9,845	$ 98,450
Contract Labor	12,666	-	-	12,666
Payroll Taxes	5,394	1,349	749	7,492
Support Services	668,856	-	-	668,856
Rent	10,880	2,880	2,240	16,000
Depreciation	48,414	-	7,881	56,295
Travel and Meals	58,352	-	-	58,352
Advertising and Marketing Materials	2,613	-	425	3,038
Project Expense and Supplies	5,068	-	-	5,068
Repairs and Maintenance	3,315	829	460	4,604
Board and Committee Expenses	2,240	-	-	2,240
Computer Expense	1,092	273	152	1,517
Website Management	272	-	-	272
Professional Services	4,356	1,089	605	6,050
Special Events	-	-	26,398	26,398
Seminars and Conferences	297	-	48	345
Dues and Subscriptions	931	233	129	1,293
Taxes and Licenses	255	64	36	355
Payroll Service Fees	1,617	404	225	2,246
Accounting Fees	6,775	1,694	941	9,410
Gifts	177	-	29	206
Bank and Credit Card Fees	10,441	-	1,700	12,141
Equipment Lease	-	1,749	-	1,749
Postage and Shipping	454	-	74	528
Printing and Copying	1,975	494	274	2,743
Utilities	4,556	1,139	633	6,328
Legal Fees	-	22,876	-	22,876
Other	852	-	139	991
	$ 922,732	$ 52,794	$ 52,983	$ 1,028,509

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

THE SHALOM FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program	Administrative	Fundraising	Total
Salaries and Wages	$ 31,514	$ 7,879	$ 4,377	$ 43,770
Contract Labor	2,120	-	-	2,120
Payroll Taxes	2,718	679	377	3,774
Support Services	626,681	-	-	626,681
Rent	10,880	2,880	2,240	16,000
Depreciation	47,567	-	7,743	55,310
Travel and Meals	52,762	-	-	52,762
Advertising and Marketing Materials	249	-	40	289
Project Expense and Supplies	866	-	-	866
Repairs and Maintenance	2,357	589	327	3,273
Board and Committee Expenses	1,441	-	-	1,441
Computer Expense	2,357	590	328	3,275
Website Management	323	-	-	323
Professional Services	50	13	7	70
Special Events	-	-	20,770	20,770
Seminars and Conferences	13	-	2	15
Dues and Subscriptions	675	169	94	938
Taxes and Licenses	421	105	59	585
Payroll Service Fees	1,422	356	198	1,976
Accounting Fees	7,023	1,756	976	9,755
Gifts	150	-	25	175
Bank and Credit Card Fees	10,924	-	1,778	12,702
Equipment Lease	-	2,083	-	2,083
Postage and Shipping	1,236	-	201	1,437
Printing and Copying	400	100	56	556
Utilities	4,014	1,003	557	5,574
Other	483	-	79	562
	$ 808,646	$ 18,202	$ 40,234	$ 867,082

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

THE SHALOM FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Increase in Net Assets	$ 217,810	$ 29,917
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	56,295	55,310
Donated Equipment	(17,043)	-
Donated Marketable Securities	(162,086)	(35,370)
Proceeds from Sale of Marketable Securities	148,350	-
Net Realized Gain on Marketable Securities	(3,297)	-
Net Unrealized Loss (Gain) on Marketable Securities	3,644	(2,798)
Contributions Restricted for Purchasing Equipment	-	(50,000)
Change in Operating Assets and Liabilities:		
Pledges Receivable	4,950	9,769
Prepaid Expenses	941	2,271
Accounts Payable	14,744	(10,757)
Deferred Revenue	(2,947)	(35,500)
Net Cash Provided (Used) by Operating Activities	261,361	(37,158)
Cash Flows from Investing Activities:		
Purchase of Equipment	(8,121)	(14,364)
Net Cash Used by Investing Activities	(8,121)	(14,364)
Cash Flows from Financing Activities:		
Contributions Restricted for Purchasing Equipment	-	50,000
Net Cash Provided by Financing Activities	-	50,000
Net Increase (Decrease) in Cash	253,240	(1,522)
Cash, Beginning of Year	54,957	56,479
Cash, End of Year	$ 308,197	$ 54,957

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Shalom Foundation, Inc. is a faith-based Tennessee not-for-profit corporation that provides life-changing medical and surgical care to impoverished children in Guatemala. Through the Moore Pediatric Surgery Center, volunteer medical mission teams collaborate with local medical specialists to provide health, healing, and hope to children and their families. These services are provided free of charge to the patients. 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 financial institutions. The Organization's cash on deposit with financial institutions may at times exceed the federally insured limit of $250,000. At December 31, 2017, the Organization had cash on deposit in excess of the federally insured limit totaling approximately $31,000. At December 31, 2016, the Organization had no deposits in excess of the federally insured limit.

Advertising

All advertising costs are expensed when incurred.

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.

Deferred revenue represents collections for medical trips taking place after December 31. Prepaid expenses represent expenditures relating to those trips.

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 2017 and 2016.

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, 2017, 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 2014.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Allocations were made by the Organization based on their reviews of expenses as well as estimates made by management.

The following program and supporting services are included in the accompanying financial statements:

Program - 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2017 and 2016, contributions receivable totaled $7,100 and $12,050 respectively. All amounts are due within one year.

NOTE 4 - INVESTMENTS

The Organization uses Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurement". FASB ASC 820 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.

NOTE 4 - INVESTMENTS (CONTINUED)

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 as of December 31:

	2017	2016
Surgery Center	$ 1,206,752	$ 1,181,588
Shalom House Guatemala	128,875	128,875
Office Equipment and Furniture	23,086	23,086
	1,358,713	1,333,549
Less: Accumulated Depreciation	(402,176)	(345,881)
	$ 956,537	$ 987,668

NOTE 6 - FOREIGN OPERATIONS

The Organization maintains a significant amount of property and equipment in Guatemala where it primarily conducts its program activities. As of December 31, 2017 and 2016, property and equipment in other countries, net of accumulated depreciation, amounted to $954,562 and $985,283 respectively.

NOTE 7 - OPERATING LEASES

The Organization leases certain office equipment under non-cancelable operating leases. Future estimated minimum lease payments required under the leases are as follows:

Year Ending December 31,	
2018	$ 1,869
2019	1,680
2020	1,680
2021	980
	$ 6,209

NOTE 8 - SUPPLEMENTAL CASH FLOW DISCLOSURES

During the years ended December 31, 2017 and 2016, the Organization received donated marketable securities in the amount of $162,086 and $35,370 respectively.

During the year ended December 31, 2017, the Organization received donated equipment in the amount of $17,043.

Cash consists of the following amounts as of December 31, 2017:

	Unrestricted	Restricted	Total
Cash, Beginning of Year	$ 17,521	$ 37,436	$ 54,957
Increase (Decrease) in Cash	261,361	(8,121)	253,240
Cash, End of Year	$ 278,882	$ 29,315	$ 308,197

Cash consists of the following amounts as of December 31, 2016:

	Unrestricted	Restricted	Total
Cash, Beginning of Year	$ 56,479	$ -	$ 56,479
(Decrease) Increase in Cash	(38,958)	37,436	(1,522)
Cash, End of Year	$ 17,521	$ 37,436	$ 54,957

NOTE 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	2017	**2016**
Cash restricted for purchase of equipment	$ 29,315	$ 37,436

NOTE 10 - RELATED PARTIES

The Organization made payments of $682,372 and $635,778 for the years ended December 31, 2017 and 2016, respectively, to not-for-profit organizations in Guatemala that share common members of their Board of Directors. These payments are for assistance in covering program service expenses for the related not-for-profit organizations.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 10, 2018, the date which the financial statements were available to be issued.

NOTE 12 - RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued Accounting Standard Update No. 2016-14, Not-for-Profit Entities: Topic 958 ("ASU 2016-14"), to amend the requirements for financial statements and notes of a not-for-profit entity. The new guidance is effective for periods beginning after December 15, 2017, on a retrospective basis, with early adoption permitted. ASU 2016-14 will result in changes to financial statement presentation and additional disclosures. The Organization is currently evaluating the impact, if any, of its pending adoption of ASU 2016-14 on its financial position, results of operations, and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases: Topic 842 ("ASU 2016-02"), to supersede nearly all existing lease guidance under GAAP. ASU 2016-02 requires the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating leases. ASU 2016-02 also requires qualitative disclosures along with specific quantitative disclosures and is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach. The Organization is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on its financial position, results of operations and cash flows.