

THE JOURNEY HOME
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

December 31, 2015

CONTENTS

FINANCIAL STATEMENTS

| | |
|---------------------------------|--------|
| INDEPENDENT AUDITORS' REPORT | 3 - 4 |
| STATEMENT OF FINANCIAL POSITION | 5 |
| STATEMENT OF ACTIVITIES | 6 |
| STATEMENT OF CASH FLOWS | 7 |
| NOTES TO FINANCIAL STATEMENTS | 8 - 11 |

SUPPLEMENTAL INFORMATION

| | |
|--|----|
| FUNCTIONAL EXPENSES INFORMATION | 13 |
| SCHEDULE OF STATE AND FEDERAL FINANCIAL ASSISTANCE | 14 |

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, 2015 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, 2015, 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, 2015, and have issued our report thereon dated November 30, 2016, 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 13 - 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.

Murfreesboro, Tennessee

Dempsey Vantrease + Foltz PLLC

November 30, 2016

The Journey Home

STATEMENT OF FINANCIAL POSITION

December 31, 2015

Assets

Current Assets

| | | |
|--------------------------------------|----|----------------|
| Cash and cash equivalents | \$ | 57,908 |
| Restricted cash and cash equivalents | | 29,565 |
| Grants receivable | | |
| Federal and state grants | | 29,774 |
| Other local grants | | 6,705 |
| Other accounts receivable | | 20,804 |
| Prepaid expenses | | 441 |
| Inventory | | 16,535 |
| Total Current Assets | | <u>161,732</u> |

Property, Plant, and Equipment, net of
accumulated depreciation of \$123,771

566,691

Total Assets

\$ 728,423

Liabilities and Net Assets

Current Liabilities

| | | |
|--|----|---------------|
| Accounts payable and accrued expenses | \$ | 8,543 |
| Payroll taxes and withholdings payable | | 5,957 |
| Client related deposits and savings | | 29,565 |
| Total Current Liabilities | | <u>44,065</u> |

Net Assets

| | | |
|------------------------|--|----------------|
| Temporarily restricted | | 10,000 |
| Unrestricted | | 674,358 |
| Total Net Assets | | <u>684,358</u> |

Total Liabilities and Net Assets

\$ 728,423

See accompanying notes to financial statements.

The Journey Home

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Support and Revenues: | | | |
| Public Support | | | |
| Direct Public Grants | \$ 98,818 | \$ 10,000 | \$ 108,818 |
| Donated Facilities | 107,494 | - | 107,494 |
| Donated Vehicles | 3,004 | - | 3,004 |
| Direct Public Support | 438,884 | - | 438,884 |
| Government Grants | 121,504 | - | 121,504 |
| Program Revenues | | | |
| Program and Exhibit Revenue | | | |
| Supportive Housing | 37,063 | - | 37,063 |
| Special Events | 9,938 | - | 9,938 |
| Other Revenue | 6,639 | - | 6,639 |
| TOTAL SUPPORT AND REVENUES | 823,344 | 10,000 | 833,344 |
| Net assets release from restrictions | 40,000 | (40,000) | - |
| TOTAL SUPPORT AND REVENUES AND OTHER SUPPORT | 863,344 | (30,000) | 833,344 |
| Expenses: | | | |
| Program Services | | | |
| Client Services | 260,418 | - | 260,418 |
| Hunger Program | 314,536 | - | 314,536 |
| Clothing and Hygiene Program | 22,074 | - | 22,074 |
| Supportive Housing | 153,254 | - | 153,254 |
| Total Program Services | 750,282 | - | 750,282 |
| Supporting Services | | | |
| Administrative | 49,638 | - | 49,638 |
| Fundraising | 7,358 | - | 7,358 |
| TOTAL EXPENSES | 807,278 | - | 807,278 |
| Change in net assets | 56,066 | (30,000) | 26,066 |
| Net assets at beginning of year | 618,292 | 40,000 | 658,292 |
| Net assets at end of year | <u>\$ 674,358</u> | <u>\$ 10,000</u> | <u>\$ 684,358</u> |

See accompanying notes to financial statements.

The Journey Home

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

| | |
|---|---------------------|
| Reconciliation of increase in net assets to net cash provided by operating activities: | |
| Increase in net assets | \$ 26,066 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 25,403 |
| Donated facilities included in contributions | (107,494) |
| Changes in assets and liabilities: | |
| Increase in grant receivables | 8,618 |
| Increase in other receivables | (4,565) |
| Decrease in accounts payable and accrued expenses | (2,573) |
| Increase in client deposits | <u>8,423</u> |
| Net cash used in operating activities | (46,122) |
| Cash flows from investing activities: | |
| Purchase of property and equipment | (8,116) |
| Cash flows from financing activities: | |
| Transfers to restricted cash | <u>(8,423)</u> |
| Net decrease in cash and cash equivalents | (62,661) |
| Cash and cash equivalents, beginning of year | <u>120,569</u> |
| Cash and cash equivalents, end of year | <u>\$ 57,908</u> |
| Supplemental cash flow disclosures | |
| Non cash: Donated facilities | <u>\$ 107,494</u> |
| Non cash: Donated vehicles provided to The Journey Home | <u>\$ 3,004</u> |
| Non cash: Donated vehicles provided to program participant | <u>\$ (3,004)</u> |
| Non cash: Donated food and other household items provided to The Journey Home | <u>\$ 298,812</u> |
| Non cash: Donated food and other household items provided to program participants | <u>\$ (298,812)</u> |

See accompanying notes to financial statements.

The Journey Home

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, *Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met either by actions of the Home and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Home. Generally, the donors of these assets permit the Home to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions whose restrictions are met in the same reporting period as the contributions are recorded as increases in unrestricted net assets.

The Journey Home

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Contributions receivable consist of unconditional promises receivable from donors.

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, 2015, the Home's tax returns related to fiscal years ended December 31, 2013 through December 31, 2015 remain open to examination by the tax authorities.

The Journey Home

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

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. 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, 2015, 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.

The Journey Home

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

Note 3 - Land, Buildings, and Equipment

At December 31, 2015 land, buildings, and equipment is summarized as follows:

| | |
|--------------------------------------|-------------------|
| Land | \$ 101,100 |
| Buildings and improvements | 529,031 |
| Equipment | <u>60,331</u> |
| Total land, buildings, and equipment | 690,462 |
| Less accumulated depreciation | <u>123,771</u> |
| Net land, buildings, and equipment | <u>\$ 566,691</u> |

Depreciation expense amounted to \$25,403 for the year ended December 31, 2015.

Note 4 - 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.

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 – Subsequent Events

The Home has evaluated subsequent events through November 30, 2016, 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

FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

| | Program Services | Supporting Expenses | | Total |
|--|-----------------------|---------------------|-----------------|-------------------|
| | Programs and Services | Administrative | Fundraising | |
| Salaries, Wages and Payroll Taxes | \$ 130,730 | \$ 14,523 | \$ - | \$ 145,253 |
| Medical Assistance Program | 151 | - | - | 151 |
| Depreciation Expense | 20,453 | 4,950 | - | 25,403 |
| Transportation Program | 13,179 | - | - | 13,179 |
| Clothing & Hygiene Program | 22,074 | - | - | 22,074 |
| Prevention Rent and Utility Assistance | 15,915 | - | - | 15,915 |
| Supportive Housing | 153,254 | - | - | 153,254 |
| Emergency Housing | 21,346 | - | - | 21,346 |
| Employment & Identity Program | 1,294 | - | - | 1,294 |
| Hunger Programs | 314,536 | - | - | 314,536 |
| Client Personal Expenses | 3,003 | - | - | 3,003 |
| Assistance to Individuals | 8,048 | - | - | 8,048 |
| Case Management & Counseling | 114 | - | - | 114 |
| Fundraising | 1,618 | - | 7,358 | 8,976 |
| Insurance | - | 6,623 | - | 6,623 |
| Business Expense | - | 807 | - | 807 |
| Equipment Rental | - | 1,527 | - | 1,527 |
| Building Repair & Maintenance | 3,210 | - | - | 3,210 |
| Building Alarm/Security | - | 1,614 | - | 1,614 |
| Waste Removal/Janitorial | 2,782 | - | - | 2,782 |
| Volunteer Program | 312 | - | - | 312 |
| Misc. General & Admin Expenses | - | 11,940 | - | 11,940 |
| Postage | 728 | - | - | 728 |
| Copying | 372 | 94 | - | 466 |
| Professional expenses | - | 6,512 | - | 6,512 |
| Telephone | 2,365 | 592 | - | 2,957 |
| Office Supplies | 1,823 | 456 | - | 2,279 |
| Rent & Utilities | 32,975 | - | - | 32,975 |
| TOTAL EXPENSES | \$ 750,282 | \$ 49,638 | \$ 7,358 | \$ 807,278 |

See accompanying notes to financial statements.

The Journey Home
Schedule of State and Federal Financial Assistance
Year Ended December 31, 2015

| Grantor | CFDA# | Contract # | Grant Receivable December 31, 2014 | Receipts | Expenditures | Local Match | Grant Receivable December 31, 2015 |
|---|--------|------------------|--|-----------|--------------|----------------|--|
| US Dept of Housing & Urban Development Supporting Housing Agreement | 14.235 | TN0197B4J101100 | \$ 10,636 | 10,636 | \$ - | \$ - | \$ - |
| US Dept of Housing & Urban Development Emergency Solutions Grant Program | 14.231 | * | 27,000 | 27,000 | - | - | - |
| US Dept of Housing & Urban Development Supporting Housing Agreement | 14.235 | TN00173L4J101302 | 2 | 2 | - | - | - |
| US Dept of Housing & Urban Development Supporting Housing Agreement | 14.235 | TN0106L4J101303 | 71 | 71 | - | - | - |
| US Dept of Housing & Urban Development Supporting Housing Agreement | 14.235 | TN107L4J101304 | 3 | 3 | - | - | - |
| US Dept of Housing & Urban Development Supporting Housing Agreement | 14.235 | TN0197L4J101402 | - | - | 5,584 | - | 5,584 |
| US Dept of Housing & Urban Development Supporting Housing Agreement | 14.235 | TN0173L4J101403 | - | 2,896 | 2,900 | - | 4 |
| US Dept of Housing & Urban Development Supporting Housing Agreement | 14.235 | TB0106L4J101404 | - | - | 2,125 | - | 2,125 |
| US Dept of Housing & Urban Development Supporting Housing Agreement | 14.235 | TN0107L4J101405 | - | 13,160 | 13,162 | - | 2 |
| US Dept of Housing & Urban Development Emergency Solutions Grant Program | 14.231 | * | - | 7,941 | 60,000 | 30,000 | 22,059 |
| Total federal and state awards | | | \$ 37,712 | \$ 61,709 | \$ 83,771 | \$ 30,000 | \$ 29,774 |

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.