

THE SHALOM FOUNDATION, INC.

DECEMBER 31, 2011 and 2010

**Report
of
Examination**

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

July 17, 2012

Board of Directors
The Shalom Foundation, Inc.
Franklin, Tennessee

We have audited the accompanying balance sheet of The Shalom Foundation, Inc. (a nonprofit corporation) as of December 31, 2011 and 2010, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and 2010 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses 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 taken as a whole.

Parsons and Associates

Parsons and Associates

THE SHALOM FOUNDATION, INC.
BALANCE SHEET
DECEMBER 31

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash on hand and in bank	\$ 453,895	\$ 249,075
Cash in bank - Guatemala	6,280	15,941
Pledges receivable	25,474	0
Inventory (at cost)	1,800	1,800
Prepaid expenses	57	0
<u>Total Current Assets</u>	<u>487,506</u>	<u>266,816</u>
<u>Property and Equipment (at cost)</u>	<u>1,129,398</u>	<u>1,100,903</u>
<u>Other Assets</u>		
Marketable securities	1,310	1,286
Receivable - other	5,879	0
<u>Total Other Assets</u>	<u>7,189</u>	<u>1,286</u>
<u>Total Assets</u>	<u>\$ 1,624,093</u>	<u>\$ 1,369,005</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 52,335	\$ 4,284
Deferred revenue	20,615	0
<u>Total Current Liabilities</u>	<u>72,950</u>	<u>4,284</u>
<u>NET ASSETS</u>		
<u>Unrestricted Assets</u>	1,551,143	1,364,721
<u>Total Liabilities and Net Assets</u>	<u>\$ 1,624,093</u>	<u>\$ 1,369,005</u>

See notes to financial statements.

THE SHALOM FOUNDATION, INC.
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31

	2011			2010		
	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>Revenues</u>						
Donations	\$ 1,151,925	\$ 1,151,925		\$ 1,030,733	\$ 1,030,733	\$
Special events	205,330	205,330		166,730	166,730	
Investment income	2,709	2,709		2,777	2,777	
In-kind donations	18,709	18,709		81,515	81,515	
Unrealized gain (loss)	0	0		74	74	
Other	9,287	9,287		2,700	2,700	
Funds released from restrictions	0	0		0	281,869	(281,869)
<u>Total Revenues</u>	<u>1,387,960</u>	<u>1,387,960</u>	0	<u>1,284,529</u>	<u>1,566,398</u>	<u>(281,869)</u>
<u>Expenditures</u>						
Program	888,474	888,474		665,926	665,926	
Administration	128,236	128,236		67,485	67,485	
Fundraising	184,828	184,828		130,140	130,140	
<u>Total Expenditures</u>	<u>1,201,538</u>	<u>1,201,538</u>	0	<u>863,551</u>	<u>863,551</u>	<u>0</u>
<u>Revenue over Expenditures</u>	186,422	186,422	0	420,978	702,847	(281,869)
<u>Net Assets</u> - beginning	1,364,721	1,364,721	0	943,743	661,874	281,869
<u>Net Assets</u> - ending	\$ <u>1,551,143</u>	\$ <u>1,551,143</u>	\$ <u>0</u>	\$ <u>1,364,721</u>	\$ <u>1,364,721</u>	\$ <u>0</u>

See notes to financial statements.

THE SHALOM FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 186,422	\$ 420,978
Adjustments to reconcile change in net assets to net cash provided by operating activities: unrealized (gain)loss on investments	(24)	(72)
depreciation	38,738	898
(Increase) decrease in:		
Pledges receivable	(25,474)	2,882
Receivables - other	(5,879)	0
Prepaid expenses	(57)	0
Increase (decrease) in:		
Accounts payable	48,051	785
Deferred income	<u>20,615</u>	(8,600)
Cash provided by operating activities	<u>262,392</u>	<u>416,871</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(67,233)	(865)
Donations of fixed assets	<u>0</u>	(565,973)
Cash (used) by investing activities	(67,233)	(566,838)
Increase (decrease) in Cash and Cash Equivalents	195,159	(149,967)
Cash - January 1	265,016	414,983
Cash - December 31	\$ <u>460,175</u>	\$ <u>265,016</u>

See notes to financial statements.

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Accounting

The financial statements of The Shalom Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets at December 31, 2011 and December 31, 2010.

Permanently Restricted Net Assets

Net assets subject to imposed stipulations that they be maintained permanently by the Organization. Generally, these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2011 and December 31, 2010.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of twelve months or less to be cash equivalents.

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided various services, including construction work, throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donations.

Estimates

Management used estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under 509(a)(2).

Inventories

Inventories are stated at the lower of cost or market determined by the first in, first out method.

Investments

Investments in marketable securities with readily determinable fair values are stated at fair value.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Office equipment	5 years
Real property	40 years

Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - INVESTMENTS

The Organization's investment at December 31, 2011 and 2010 consisted of marketable securities recorded at fair market value as summarized below:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Equities	\$ 1,243	\$ 1,310	\$ 1,243	\$ 1,286

NOTE 3 - LEASES

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.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2011</u>	<u>2010</u>
Office equipment and furniture	\$ 21,285	\$ 19,809
Equipment - Surgery Center	219,822	186,997
Building, leasehold improvements	<u>941,300</u>	<u>908,368</u>
Total Fixed Assets	1,182,407	1,115,174
Less accumulated depreciation	(53,009)	(14,271)
Total Net Fixed Assets	\$ <u>1,129,398</u>	\$ <u>1,100,903</u>

NOTE 5 - FINANCIAL INSTRUMENTS

The Organization maintains cash balances at two financial institutions located in Middle Tennessee. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2011, the Organization's uninsured cash balances totaled \$198,709.

NOTE 6 - INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it

THE SHALOM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2011 and 2010.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the Secretary of State for the State of Tennessee. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2009.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events were evaluated through July 17, 2012, which is the date the financial statements were available to be issued.

THE SHALOM FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	<u>Total</u>	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>
Salaries and wages	\$ 164,995	\$ 112,196	\$ 29,700	\$ 23,099
Contract labor	43,388	43,388		
Translators	440	440		
Payroll taxes	12,622	8,583	2,272	1,767
Program services	404,681	404,681		
Rent	16,000	10,880	2,880	2,240
Depreciation	38,738	26,342	6,973	5,423
Medical supplies	194	194		
Travel and meals	266,307	181,089	47,935	37,283
Advertising and marketing materials	859	584	155	120
Project expense and supplies	47,573	47,573		
Repairs and maintenance	1,448	985	260	203
Board/committee expenses	2,181		2,181	
Computer expense	1,111	755	200	156
Website management	191		191	
Professional services	22,567	4,556	13,334	4,677
Supplies	8,255	5,613	1,486	1,156
Entertainment - event	42,608			42,608
Meals - event	30,751			30,751
Facility rental fee	3,240			3,240
Rental equipment - event	24,011			24,011
Seminars and conferences	783	532	141	110
Dues and subscriptions	4,988	3,392	898	698
Taxes and licenses	610	415	110	85
Property tax	0			
Payroll service fees	2,099	1,427	378	294
Accounting fees	8,537		8,537	
Legal fees	1,300	1,300		
Gifts	2,814	1,914	506	394
Bank and credit card fees	13,082	8,896	2,355	1,831
Office supplies	9,712	6,604	1,748	1,360
Equipment lease	1,726		1,726	
Packing material	0			
Postage and shipping	3,479	2,366	626	487
Printing and copying	271	184	49	38
Utilities	15,392	10,467	2,770	2,155
Other	1,916	1,303	345	268
Team shirts and manuals	2,669	1,815	480	374
<u>Total</u>	<u>\$1,201,538</u>	<u>\$ 888,474</u>	<u>\$ 128,236</u>	<u>\$ 184,828</u>

See notes to financial statements.

THE SHALOM FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	<u>Total</u>	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>
Salaries and wages	\$ 141,353	\$ 110,255	\$ 14,135	\$ 16,963
Contract labor	37,267	37,267		
Translators	1,793	1,793		
Payroll taxes	9,697	7,564	968	1,165
Program services	194,329	194,329		
Rent	16,000	12,480	1,600	1,920
Depreciation	898	700	90	108
Medical supplies	6,111	6,111		
Travel and meals	214,487	214,487		
Advertising and marketing materials	342		342	
Project expense and supplies	36,572	36,572		
Repairs and maintenance	6,951		6,951	
Board/committee expenses	3,660		3,660	
Computer expense	4,018		4,018	
Website management	1,624		1,624	
Professional services	38,318	4,453		33,865
Supplies	35,935			35,935
Entertainment - event	1,500			1,500
Meals - event	26,692			26,692
Facility rental fee	6,004			6,004
Rental equipment - event	0			
Seminars and conferences	0			
Dues and subscriptions	1,955	665	1,290	
Taxes and licenses	7,035	5,805	830	400
Property tax	672	672		
Payroll service fees	1,279	998	128	153
Accounting fees	11,068	1,328	9,740	
Legal fees	6,029	6,029		
Gifts	3,974	448	2,158	1,368
Bank and credit card fees	7,734		7,734	
Office supplies	10,449	3,649	6,043	757
Equipment lease	1,310		1,310	
Packing material	626	626		
Postage and shipping	2,836	238	1,814	784
Printing and copying	442	145	297	
Utilities	21,049	16,418	2,105	2,526
Other	648		648	
Team shirts and manuals	2,894	2,894		
<u>Total</u>	<u>\$ 863,551</u>	<u>\$ 665,926</u>	<u>\$ 67,485</u>	<u>\$ 130,140</u>

See notes to financial statements.