

The Shalom Foundation, Inc.

Financial Statements
For the Years Ended December 31, 2020 and 2019

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Independent Auditor's Report

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, 2020 and 2019, 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 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 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 Shalom Foundation, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 9 of the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 4, 2021

The Shalom Foundation, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 379,025	\$ 109,210
Investments	148,553	119,640
Accounts receivable	128,260	353,562
Property and equipment, net	<u>833,339</u>	<u>867,633</u>
Total assets	\$ 1,489,177	\$ 1,450,045
Liabilities and Net Assets		
Accounts payable	\$ 23,299	\$ 43,919
Deferred revenues	6,309	35,091
EIDL loan	<u>92,000</u>	<u>-</u>
Total liabilities	121,608	79,010
Net assets		
Without donor restrictions	1,234,908	995,419
With donor restrictions	<u>132,661</u>	<u>375,616</u>
Total net assets	<u>1,367,569</u>	<u>1,371,035</u>
Total liabilities and net assets	\$ 1,489,177	\$ 1,450,045

The Shalom Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 662,369	\$ -	\$ 662,369
Special events	126,311	-	126,311
In-kind donations	18,400	-	18,400
EIDL grant	10,000	-	10,000
Rental income	9,750	-	9,750
Interest income	432	-	432
Investment income	1,033	-	1,033
Net realized gain (loss) on investments	(718)	-	(718)
Net unrealized gain (loss) on investments	(20,876)	-	(20,876)
Net assets released from restrictions	<u>242,955</u>	<u>(242,955)</u>	<u>-</u>
Total revenues, gains, and other support	1,049,656	(242,955)	806,701
Expenses			
Program services	763,712	-	763,712
Management and general	23,785	-	23,785
Fundraising	<u>22,670</u>	<u>-</u>	<u>22,670</u>
Total expenses	810,167	-	810,167
Change in net assets	239,489	(242,955)	(3,466)
Net assets, beginning of year	<u>995,419</u>	<u>375,616</u>	<u>1,371,035</u>
Net assets, end of year	\$ 1,234,908	\$ 132,661	\$ 1,367,569

The Shalom Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 940,230	\$ -	\$ 940,230
Special events	71,000	-	71,000
In-kind donations	16,000	-	16,000
Rental income	9,000	-	9,000
Interest income	272	-	272
Investment income	1,727	-	1,727
Net realized gain (loss) on investments	6,253	-	6,253
Net unrealized gain (loss) on investments	20,616	-	20,616
Net assets released from restrictions	<u>4,036</u>	<u>(4,036)</u>	<u>-</u>
Total revenues, gains, and other support	1,069,134	(4,036)	1,065,098
Expenses			
Program services	1,021,553	-	1,021,553
Management and general	21,248	-	21,248
Fundraising	<u>42,907</u>	<u>-</u>	<u>42,907</u>
Total expenses	1,085,708	-	1,085,708
Change in net assets	(16,574)	(4,036)	(20,610)
Net assets, beginning of year	<u>1,011,993</u>	<u>379,652</u>	<u>1,391,645</u>
Net assets, end of year	\$ 995,419	\$ 375,616	\$ 1,371,035

The Shalom Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 46,961	\$ 11,740	\$ 6,522	\$ 65,223
Contract labor	7,650	-	-	7,650
Payroll taxes	3,571	893	496	4,960
Support services	599,517	-	-	599,517
Accounting fees	619	155	86	860
Advertising and marketing	165	-	28	193
Board and committee expenses	1,343	-	-	1,343
Computer expense	3,474	869	483	4,826
Depreciation	40,888	-	6,656	47,544
Dues and subscriptions	106	27	15	148
Equipment lease	-	1,448	-	1,448
Gifts	213	-	35	248
Payroll service fees	1,735	433	241	2,409
Postage and shipping	3,993	-	652	4,645
Printing and copying	1,094	273	152	1,519
Processing fees	2,265	-	369	2,634
Professional services	10,405	2,603	1,445	14,453
Project expense and supplies	196	-	-	196
Rent	12,512	3,312	2,576	18,400
Repairs and maintenance	2,399	600	333	3,332
Seminars and conferences	22	-	4	26
Special events	-	-	1,588	1,588
Taxes and licenses	1,035	260	144	1,439
Travel and meals	17,450	-	-	17,450
Utilities	4,687	1,172	652	6,511
Website management	237	-	-	237
Other	1,175	-	193	1,368
	\$ 763,712	\$ 23,785	\$ 22,670	\$ 810,167

The Shalom Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 37,836	\$ 9,459	\$ 5,255	\$ 52,550
Contract labor	5,041	-	-	5,041
Payroll taxes	2,895	724	402	4,021
Support services	810,718	-	-	810,718
Accounting fees	1,800	450	250	2,500
Advertising and marketing	53	-	9	62
Board and committee expenses	1,252	-	-	1,252
Computer expense	3,659	915	509	5,083
Depreciation	40,302	-	6,561	46,863
Dues and subscriptions	99	25	14	138
Equipment lease	-	1,698	-	1,698
Gifts	2,265	-	372	2,637
Payroll service fees	1,677	419	233	2,329
Postage and shipping	3,860	-	630	4,490
Printing and copying	4,302	1,075	597	5,974
Processing fees	5,021	-	818	5,839
Professional services	6,479	1,621	900	9,000
Project expense and supplies	3,689	-	-	3,689
Rent	10,880	2,880	2,240	16,000
Repairs and maintenance	2,530	633	351	3,514
Seminars and conferences	430	-	70	500
Special events	-	-	22,221	22,221
Taxes and licenses	187	47	26	260
Travel and meals	64,478	-	-	64,478
Utilities	5,208	1,302	724	7,234
Website management	2,465	-	-	2,465
Other	4,427	-	725	5,152
	\$ 1,021,553	\$ 21,248	\$ 42,907	\$ 1,085,708

The Shalom Foundation, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 109,210	\$ 77,668
Cash flows from operating activities		
Change in net assets	(3,466)	(20,610)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	47,544	46,863
Donated marketable securities	(94,818)	(160,047)
Proceeds from sale of investments	44,311	185,119
Net realized (gain) loss on investments	718	(6,253)
Net unrealized (gain) loss on investments	20,876	(20,616)
Change in:		
Accounts receivable	225,302	-
Accounts payable	(20,620)	26,033
Deferred revenues	(28,782)	8,678
Net cash provided (used) by operating activities	191,065	59,167
Cash flows from investing activities		
Purchase of marketable securities	-	(27,625)
Purchase of equipment	(13,250)	-
Net cash provided (used) by investing activities	(13,250)	(27,625)
Cash flows from financing activities		
Proceeds from EIDL loan	92,000	-
Net cash provided (used) by financing activities	92,000	-
Net change in cash	269,815	31,542
Cash, end of year	\$ 379,025	\$ 109,210

The Shalom Foundation, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Nature of Activities

The Shalom Foundation, Inc. (the Organization) 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 sources of revenue include donations and fundraising events.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported 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. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. 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, 2020 and 2019, the Organization had no deposits in excess of the federally insured limit.

Accounts Receivable

Accounts receivable consists of amounts due to the organization once they are released from escrow in relation to concerts promoted by the organization. Accordingly, accounts receivable have been reported net of amounts promised to other organizations.

Pledges Receivable

Pledges receivable are stated at unpaid balances. The Organization expects to fully collect these items within one year; therefore, no allowance for uncollectible accounts has been recorded in the financial statements in relation to pledges receivable.

The Shalom Foundation, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Investments

The Organization's investments consist of marketable securities' which are carried at the readily determinable fair market value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement* with any net unrealized gains and losses being reported on the statements of activities. For the purposes of computing realized gains and losses, cost is identified on a specific identification basis. Purchases and sales of investments are recorded on a trade-date basis. Interest and dividend income are recorded when earned.

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.

EIDL Loan

In 2020, the Organization received a loan in accordance with the EIDL section of the Coronavirus Aid, Relief, and Economic Security Act.

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 restricted support and increase net assets with donor restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Deferred revenues represents collections for medical trips taking place after December 31.

Special Events

Special events that are ongoing and major activities are reported gross in the statement of activities.

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.

The Shalom Foundation, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Donated Goods and Services

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.

Advertising

All advertising costs are expensed when incurred.

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 (IRS) as other than a private foundation.

US GAAP requires 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 IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2020, no uncertain positions have been 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 IRS for years before 2017.

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 Guatemala. Additionally, program services include an allocation of identified indirect costs which facilitate those activities.

Management and general – 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 recordkeeping, 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, creation, and distribution of fundraising materials.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The Shalom Foundation, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Reclassifications

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

Note 2. Availability and Liquidity

The following represents the Organization's financial assets at December 31:

	2020	2019
Financial assets		
Cash	\$ 379,025	\$ 109,210
Investments	148,553	119,640
Accounts receivable	<u>128,260</u>	<u>353,562</u>
Total financial assets at year-end	655,838	582,412
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>(4,401)</u>	<u>(22,054)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 656,437	\$ 560,358

As part of its liquidity plan, the Organization has a policy to structure its financial assets in order to have the funds available to meet its general expenditures, liabilities, and other obligations as they come due.

From time to time the organization promotes concerts in which they receive certain amounts generated from the event.

Note 3. Investments

The Organization uses FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 – Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

Level 2 – Inputs are based on observable inputs corroborated by market data but not quoted on active markets.

Level 3 – Inputs are based on unobservable inputs and include situations where there is little, if any, market activity for the assets or liabilities and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Shalom Foundation, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 3. Investments

The following table sets forth, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 131,316	\$ -	\$ -	\$ 131,316
Mortgage backed securities	-	17,237	-	17,237
	<u>\$ 131,316</u>	<u>\$ 17,237</u>	<u>\$ -</u>	<u>\$ 148,553</u>

The following table sets forth, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 88,503	\$ -	\$ -	\$ 88,503
Mutual fund	7,129	-	-	7,129
Mortgage backed securities	-	24,008	-	24,008
	<u>\$ 95,632</u>	<u>\$ 24,008</u>	<u>\$ -</u>	<u>\$ 119,640</u>

The valuation methodologies used for assets measured at fair value, including their general classification based on the fair value hierarchy, include the following:

Equity securities and mutual fund – valuation is based on readily determinable fair values based on quoted prices in active markets.

Mortgage backed securities – valuation is based on matrix pricing, which is widely used in the industry to value debt securities without relying exclusively on quoted prices of an individual security.

The Shalom Foundation, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 4. Property and Equipment

Property and equipment consist of the following as of December 31:

	2020	2019
Surgery center	\$ 1,223,227	\$ 1,209,977
Shalom house Guatemala	128,875	128,875
Office equipment and furniture	28,242	28,242
Less: accumulated depreciation	<u>(547,005)</u>	<u>(499,461)</u>
Property and equipment, net	\$ 833,339	\$ 867,633

Note 5. 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, 2020 and 2019, property and equipment in other countries, net of accumulated depreciation, amounted to \$828,744 and \$862,080, respectively.

Note 6. Net Assets

Net assets with donor restrictions consist of the following as of December 31:

	2020	2019
Purchases of equipment	\$ 4,401	\$ 22,054
Accounts receivable	<u>128,260</u>	<u>353,562</u>
Net assets with donor restrictions	\$ 132,661	\$ 375,616

Note 7. Leases

The Organization leases office space. The lease, received as an in-kind donation, is treated as an operating lease and is recorded at its fair market value of \$18,400 and \$16,000 for 2020 and 2019, respectively.

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

Year ended December 31,	
2021	\$ 980

Note 8. Related Party Transactions

The Organization made payments of \$607,177 and \$760,222 for the years ended December 31, 2020 and 2019, 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.

The Shalom Foundation, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 9. Restatement

The Organization has restated previously issued financial statements to correct an error related to the presentation of accounts receivable. The effect of the Organization's previously issued financial statements is summarized as follows:

	Previously Reported	Increase	Restated
Statement of financial position as of January 1, 2019			
Accounts receivable	\$ 225,302	\$ 128,260	\$ 353,562
Net assets with donor restrictions	\$ 251,392	\$ 128,260	\$ 379,652

Note 10. Subsequent Events

Management has evaluated subsequent events through October 4, 2021, the date on which the financial statements were available for issuance.