

Financial Statements

HOMES OF LOVE, INC.

Year Ended December 31, 2017

TABLE OF CONTENTS

| | <u>Page Nos.</u> |
|---|------------------|
| INDEPENDENT ACCOUNTANTS' COMPILATION REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Functional Expenses | 4 |
| Statement of Cash Flows | 5 |
| Notes to the Financial Statements | 6-8 |

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Homes of Love, Inc.
Knoxville, Tennessee

Management is responsible for the accompanying financial statements of Homes of Love, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Mitchell Emert + Hill

August 14, 2018

HOMES OF LOVE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

CURRENT ASSETS

| | | |
|---|--|---------------|
| Cash | | \$ 152,821 |
| Advances to home operators | | 42,707 |
| Accounts receivable, net of allowance for uncollectible accounts | | 1,940 |
| Inventory | | 965 |
| Grants receivable | | 2,000 |
| Prepaid expenses | | <u>21,018</u> |

TOTAL CURRENT ASSETS 221,451

PROPERTY AND EQUIPMENT

| | | |
|--------------------------|-----------------|-------------------|
| Property and equipment | \$ 54,525 | |
| Accumulated depreciation | <u>(28,910)</u> | <u>25,615</u> |
| | | <u>\$ 247,067</u> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|------------------|--|----------|
| Accounts payable | | \$ 2,257 |
|------------------|--|----------|

NET ASSETS

| | | |
|-------------------------|----------------|-------------------|
| Temporarily restricted: | | |
| Home start up costs | \$ 5,773 | |
| Unrestricted | <u>239,037</u> | <u>244,810</u> |
| | | <u>\$ 247,067</u> |

See the accompanying notes to the financial statements
and independent accountants' compilation report.

HOMES OF LOVE, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Totals</u> |
|--|---------------------|-----------------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Contributions: | | | |
| General | \$ 441,791 | \$ 0 | \$ 441,791 |
| Education | 57,010 | 0 | 57,010 |
| Interest income | 1 | 0 | 1 |
| Store sales | 20 | 0 | 20 |
| Other | 580 | 0 | 580 |
| | <u>499,402</u> | <u>0</u> | <u>499,402</u> |
| EXPENSES | | | |
| Program services | 349,117 | 0 | 349,117 |
| Fundraising | 34,846 | 0 | 34,846 |
| Management and general | 71,279 | 0 | 71,279 |
| | <u>455,242</u> | <u>0</u> | <u>455,242</u> |
| CHANGE IN NET ASSETS | 44,160 | 0 | 44,160 |
| NET ASSETS AT THE BEGINNING OF THE YEAR | <u>194,877</u> | <u>5,773</u> | <u>200,650</u> |
| NET ASSETS AT THE END OF THE YEAR | <u>\$ 239,037</u> | <u>\$ 5,773</u> | <u>\$ 244,810</u> |

See the accompanying notes to the financial statements
and independent accountants' compilation report.

HOMES OF LOVE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

| | <u>Program Services</u> | <u>Fundraising</u> | <u>Management and General</u> | <u>Totals</u> |
|-------------------------|-----------------------------|--------------------|-----------------------------------|-------------------|
| Salaries | \$ 70,485 | \$ 24,933 | \$ 32,565 | \$ 127,983 |
| Program coordinator | 4,458 | 0 | 0 | 4,458 |
| Occupancy | 11,668 | 4,128 | 5,611 | 21,407 |
| Telephone/internet | 327 | 116 | 151 | 594 |
| Donor management | 0 | 1,216 | 0 | 1,216 |
| Supplies | 1,498 | 493 | 3,325 | 5,316 |
| Postage | 2,599 | 919 | 1,201 | 4,719 |
| Operation of homes | 219,932 | 0 | 0 | 219,932 |
| Medical | 611 | 0 | 0 | 611 |
| Education | 33,328 | 0 | 0 | 33,328 |
| Credit card fees | 0 | 0 | 4,117 | 4,117 |
| Training | 0 | 0 | 1,252 | 1,252 |
| Store expense | 0 | 67 | 0 | 67 |
| Printing | 0 | 0 | 10,976 | 10,976 |
| Furniture and equipment | 0 | 0 | 1,068 | 1,068 |
| Travel | 2,827 | 0 | 0 | 2,827 |
| Marketing | 0 | 2,048 | 0 | 2,048 |
| Website development | 0 | 438 | 438 | 876 |
| Depreciation | 1,384 | 490 | 639 | 2,513 |
| Accounting | 0 | 0 | 3,050 | 3,050 |
| Wire transfers | 0 | 0 | 5,792 | 5,792 |
| Miscellaneous | 0 | 0 | 1,095 | 1,095 |
| | <u>\$ 349,117</u> | <u>\$ 34,846</u> | <u>\$ 71,279</u> | <u>\$ 455,242</u> |

See the accompanying notes to the financial statements
and independent accountants' compilation report.

HOMES OF LOVE, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

| | | |
|---|--------------|--------------------------|
| CASH PROVIDED(USED) BY OPERATING ACTIVITIES | | |
| Change in net assets | | \$ 44,160 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | \$ 2,513 | |
| (Increase)decrease in: | | |
| Advances to operators | (17,618) | |
| Accounts receivable | (680) | |
| Grants receivable | 15,863 | |
| Prepaid expenses | (11,726) | |
| Decrease in accounts payable | <u>(145)</u> | <u>(11,793)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | 32,367 |
| CASH PROVIDED(USED) BY INVESTING ACTIVITIES | | |
| Purchase of property and equipment | | <u>(23,434)</u> |
| NET INCREASE IN CASH | | 8,933 |
| CASH AT THE BEGINNING OF THE YEAR | | <u>143,889</u> |
| CASH AT THE END OF THE YEAR | | <u><u>\$ 152,821</u></u> |

See the accompanying notes to the financial statements
and independent accountants' compilation report.

HOMES OF LOVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE A - DESCRIPTION OF ORGANIZATION

Homes of Love, Inc. (Homes of Love) is a non-profit Tennessee corporation that establishes and maintains small, permanent, family-structured homes for orphaned and at-risk children in Southeast Asia and Africa. Its purpose is to provide long-term emotional, physical, educational, and spiritual care to these children.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions they may undertake in the future, actual results could differ from those estimates. Estimates are used when accounting for contributed goods, depreciation, allocation of expenses, and contingencies, among others.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits. For purposes of the statement of cash flows, cash on deposit with financial institutions and all cash investments with original maturities of three months or less are considered to be cash and cash equivalents.

Inventories

Inventories consist of t-shirts, hats and coffee mugs for resale. Inventories are valued at the lower of cost (determined on a first-in, first-out basis) or market.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at the estimated fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is between 5 and 10 years. Depreciation expense for the year ended December 31, 2017 was \$2,513.

HOMES OF LOVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2017

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are charged to program services, management and general, and fundraising functions based on direct expenses incurred. Indirect expenses are allocated among the program and supporting services benefited.

Support and Revenue

Contributions are recorded as support when cash or other assets are received. Donated goods and other items are recorded as support at their estimated fair market value on the date of receipt. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period as the contributions are received are reported as unrestricted support.

Income Taxes

Homes of Love is exempt from federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code, except on unrelated business income. Homes of Love's income tax filings are subject to audit by the Internal Revenue Service generally for three years after they are filed. However, Homes of Love is not currently under audit nor has Homes of Love been contacted by this jurisdiction. Homes of Love believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

HOMES OF LOVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2017

NOTE C - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Homes of Love to concentrations of credit risk consist primarily of cash and cash equivalents. Cash is maintained in demand deposit accounts which, at times, may exceed federally insured limits. By their nature, all such financial instruments involve risk, including the credit risk of nonperformance by other parties. Exposure to credit risk is managed through credit approvals, and monitoring procedures. Homes of Love had no major concentrations of credit risk at December 31, 2017.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 were available for the following purpose:

| | |
|---------------------|---------|
| Home start up costs | \$5,773 |
|---------------------|---------|

NOTE E - OPERATING LEASE/RELATED PARTY TRANSACTION

Homes of Love leases its office space from the executive director and her husband, who is a member of the Board of Directors, under an operating lease expiring July 31, 2027. Under the terms of the lease, Homes of Love is required to make payments for operating expenses, including: insurance, repairs and maintenance

Minimum future lease payments are \$2,250 per month for the term of the lease. Total lease expense was \$20,875 for the year ended December 31, 2017.

NOTE F - FOREIGN OPERATIONS

Homes of Love operates fourteen homes for orphaned and at-risk children in Southeast Asia. Approximately \$42,707 of the net assets reported in the accompanying statement of financial position are advances to home operators and held overseas.

NOTE G - SUBSEQUENT EVENTS

Homes of Love has evaluated subsequent events through August 14, 2018 which is the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.