FAMILY PROMISE – SALT LAKE
(A Non-Profit Organization)

Independent Auditors' Report
and Financial Statements

June 30, 2018 and 2017

Contents

STAYNERBATES
Certified Public Accountants + Business Advisors

Stayner Bates P.C.
510 S 200 W Suite 200
Salt Lake City, Utah 84101
801 531 9100
Fax: 801 531 9147
stayner.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Family Promise – Salt Lake
Salt Lake City, Utah

We have audited the accompanying financial statements of Family Promise - Salt Lake (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2018 and 2017 and 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.

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 audits 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 Family Promise - Salt Lake as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Stayner Bates, P.C.

Stayner Bates, P.C.
Salt Lake City, Utah
April 8, 2019

FAMILY PROMISE - SALT LAKE

(A Non-Profit Organization)

Statements of Financial Position

	June 30, 2018	June 30, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 265,558	$ 328,476
Grants and pledges receivable	9,944	245,706
Other current assets	4,287	3,078
Total Current Assets	279,789	577,260
PROPERTY AND EQUIPMENT, NET	988,796	561,603
OTHER ASSETS		
Deposits	10,825	9,836
Total Other Assets	10,825	9,836
TOTAL ASSETS	$ 1,279,410	$ 1,148,699

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

FAMILY PROMISE - SALT LAKE
(A Non-Profit Organization)
Statements of Financial Position (Continued)

LIABILITIES AND NET ASSETS

	June 30, 2018	June 30, 2017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 22,110	$ 19,826
Accounts payable - related party	5,444	4,321
Notes payable, current portion	5,616	3,392
Total Current Liabilities	33,170	27,539
LONG-TERM LIABILITIES		
Notes payable	321,953	193,011
Total Long-Term Liabilities	321,953	193,011
Total Liabilities	355,123	220,550
NET ASSETS		
Unrestricted	647,573	644,860
Temporarily restricted	276,714	283,289
Total Net Assets	924,287	928,149
TOTAL LIABILITIES AND NET ASSETS	$ 1,279,410	$ 1,148,699

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

FAMILY PROMISE - SALT LAKE
(A Non-Profit Organization)
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	2018 Total
PUBLIC SUPPORT AND REVENUE			
General donations and special events	$ 217,431	$ -	$ 217,431
Grants - government	68,014	-	68,014
Grants - other	140,812	-	140,812
Rent income	48,850	-	48,850
In-kind contributions	251,490	-	251,490
Other income	764	-	764
Interest income	758	-	758
Total Public Support and Revenue	728,119	-	728,119
OPERATING EXPENSES			
Program Services:			
Program expenses	659,021	6,575	665,596
Supporting Services:			
Management and general	39,403	-	39,403
Fundraising	26,982	-	26,982
Total Supporting Services	66,385	-	66,385
Total Operating Expenses	725,406	6,575	731,981
Change in Net Assets	2,713	(6,575)	(3,862)
Net Assets at Beginning of Year	644,860	283,289	928,149
Net Assets at End of Year	$ 647,573	$ 276,714	$ 924,287

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

FAMILY PROMISE - SALT LAKE
(A Non-Profit Organization)
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	2017 Total
PUBLIC SUPPORT AND REVENUE			
General donations and special events	$ 194,428	$ -	$ 194,428
Grants - government	49,229	-	49,229
Grants - other	325,225	-	325,225
Rent income	38,231	-	38,231
In-kind contributions	168,453	-	168,453
Other income	740	-	740
Interest income	439	-	439
Total Public Support and Revenue	776,745	-	776,745
OPERATING EXPENSES			
Program Services:			
Program expenses	446,074	6,575	452,649
Supporting Services:			
Management and general	31,562	-	31,562
Fundraising	16,051	-	16,051
Total Supporting Services	47,613	-	47,613
Total Operating Expenses	493,687	6,575	500,262
Change in Net Assets	283,058	(6,575)	276,483
Net Assets at Beginning of Year	361,802	289,864	651,666
Net Assets at End of Year	$ 644,860	$ 283,289	$ 928,149

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

FAMILY PROMISE - SALT LAKE
(A Non-Profit Organization)
Statement of Functional Expenses
For the Year Ended June 30, 2018

	PROGRAM SERVICES	SUPPORTING SERVICES Management and General	SUPPORTING SERVICES Fund Raising	Total Functional Expenses
Salaries, wages, and related expenses	$ 215,047	$ 19,330	$ 7,249	$ 241,626
In-kind shelter	79,101	-	-	79,101
In-kind food	36,046	-	-	36,046
In-kind other services	50,365	-	-	50,365
In-kind program	84,778	-	-	84,778
In-kind professional fees	-	1,200	-	1,200
Interest	9,407	3,136	-	12,543
Telephone and utilities	16,997	5,666	-	22,663
Family support	63,972	-	-	63,972
Program supplies	6,293	-	-	6,293
Insurance	13,322	701	-	14,023
Program communication	3,213	-	-	3,213
Licenses, dues, and fees	6,854	762	-	7,616
Repairs and maintenance	30,023	-	-	30,023
Professional services	8,848	7,165	-	16,013
Staff development and training	6,557	-	-	6,557
Promotion and events	-	-	19,733	19,733
Travel and automobile	3,302	-	-	3,302
Miscellaneous	4,057	-	-	4,057
Total Functional Expenses Before Depreciation	638,182	37,960	26,982	703,124
Depreciation	27,414	1,443	-	28,857
Total Functional Expenses	$ 665,596	$ 39,403	$ 26,982	$ 731,981

FAMILY PROMISE - SALT LAKE
(A Non-Profit Organization)
Statement of Functional Expenses
For the Year Ended June 30, 2017

	PROGRAM SERVICES	SUPPORTING SERVICES Management and General	SUPPORTING SERVICES Fund Raising	Total Functional Expenses
Salaries, wages, and related expenses	$ 143,147	$ 12,867	$ 4,825	$ 160,839
In-kind shelter	75,159	-	-	75,159
In-kind food	34,291	-	-	34,291
In-kind event donations	2,852	-	-	2,852
In-kind program	54,751	-	-	54,751
In-kind professional fees	-	1,400	-	1,400
Interest	7,998	2,666	-	10,664
Telephone and utilities	16,823	5,608	-	22,431
Family support	41,540	-	-	41,540
Program supplies	5,719	-	-	5,719
Insurance	8,048	424	-	8,472
Program communication	4,037	-	-	4,037
Licenses, dues, and fees	4,367	485	-	4,852
Repairs and maintenance	16,368	-	-	16,368
Professional services	10,042	6,975	-	17,017
Staff development and training	815	-	-	815
Promotion and events	-	-	11,226	11,226
Travel and automobile	2,551	-	-	2,551
Bad debt expense	101	-	-	101
Miscellaneous	2,432	-	-	2,432
Total Functional Expenses Before Depreciation	431,041	30,425	16,051	477,517
Depreciation	21,608	1,137	-	22,745
Total Functional Expenses	$ 452,649	$ 31,562	$ 16,051	$ 500,262

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

FAMILY PROMISE - SALT LAKE
(A Non-Profit Organization)
Statements of Cash Flows

	For the Years Ended June 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (3,862)	$ 276,483
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	28,857	22,745
Interest expense	969	740
(Increase) decrease in operating assets:		
Grants and pledges receivable	235,762	(220,960)
Other current assets	(1,209)	(206)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	2,284	(5,327)
Accounts payable - related party	1,123	(371)
Net Cash Provided by Operating Activities	263,924	73,104
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(456,050)	-
Net Cash Used by Investing Activities	(456,050)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan costs	(6,878)	-
Increase in deposits	(989)	(836)
Proceeds from long-term debt	140,800	-
Payments on long-term debt	(3,725)	(3,236)
Net Cash Provided (Used) by Financing Activities	129,208	(4,072)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(62,918)	69,032
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	328,476	259,444
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 265,558	$ 328,476

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

FAMILY PROMISE - SALT LAKE
(A Non-Profit Organization)
Statements of Cash Flows (Continued)

	For the Years Ended June 30,	
	2018	2017
CASH PAID FOR:		
Interest	$ 11,574	$ 9,924
Income taxes	$ -	$ -

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

NOTE 1 - ORGANIZATION AND DESCRIPTION OF OPERATIONS

Family Promise – Salt Lake (the "Organization") was incorporated on September 19, 1995, as a Utah non-profit corporation under the name Salt Lake Interfaith Hospitality Network. In 2007, the Organization changed its name to Family Promise – Salt Lake to parallel that of its national office. The Organization is dedicated to supporting families during transitional times in order to ease the individual family and community concerns and challenges of homelessness. The Organization identifies qualifying families and provides program services to assist these families during this transitional period. Program services include assistance with skill training, securing of employment, securing of permanent housing and working with other social service agencies. The Organization also enlists the cooperation of a network of local area churches, synagogues, and community organizations to accomplish this task without duplication of available services including providing food and shelter.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Organization conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit-organizations. The following is a summary of the more significant of the Organizations' accounting policies:

<u>Basis of Accounting</u>

The financial statements of the Organization are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization has elected a June 30 year-end.

The Organization has adopted the provisions of Accounting Standards Codification 958, *Not-For-Profit Entities* (ASC 958), Accounting Standards Codification 720-25, *Contributions* Made (ASC 720-25), and Accounting Standards Codification 225-45-6, *Classification of Revenues, Expenses, Gains, and Losses* (ASC 225-45-6). Under these ASC's, the Organization is required to report and record its financial position, activities and contributions received under three classes: permanently restricted, temporarily restricted and unrestricted. These classes are determined by the donor's restrictions for the use of the funds or the lack thereof. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor's restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are shown in the statement of activities as net assets released from restriction. Temporary restrictions expire when a time restriction is met, or the purpose of the restricted funds has been accomplished.

As of June 30, 2018 and 2017, the Organization had no assets that are permanently restricted. Temporarily restricted net assets and unrestricted net assets are defined as follows:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets. As of June 30, 2018 and 2017, temporarily restricted net assets consisted of the carrying amount of a residential real estate property (donated to the Organization during a prior year) with a donor-imposed restriction on use. The property was valued at $300,000 at the date of the donation. The carrying amount of the property as of June 30, 2018 and 2017, net of accumulated depreciation of $23,286 and $16,711, was $276,714 and $283,289, respectively. A restrictive covenant on the warranty deed requires the Organization to use the residential real estate property to house and accommodate low-income families for a minimum of fifty (50) years or to only convey the residential real estate property to a 501(c)(3) entity during the same period. The Organization intends to use the property for its stated purpose for at least the required fifty-year restricted period.

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

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. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Where specific costs can be identified with a particular function, such costs are charged directly to that function. Certain costs that could not be identified with a particular program have been allocated across programs based upon an analysis of personnel time spent in each of those programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. While actual results could differ from those estimates, management believes that the estimates are reasonable.

Key estimates made in the accompanying financial statements include, among others, allowances for doubtful accounts on grants and pledges receivable, the economic useful lives and recovery of long-lived assets, and amounts and valuation of donated goods and services.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, checking and savings accounts and highly liquid investments with original maturities of three months or less.

Concentration of Credit Risk

The Organization's bank deposits are held in a financial institution which is insured by the Federal Deposit Insurance Corporation ("FDIC") to certain levels. The Organization has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash. However, no assurance can be provided that access to the Organization's cash will not be impacted by adverse economic conditions in the financial markets.

As of June 30, 2018 and 2017, the Organization had in its bank accounts $14,884 and $78,476, respectively, in excess of the federally insured limits.

Property and Equipment

Property and equipment are stated at cost or, if received as contributions, at appraised value as of the date of contribution. Significant replacements and betterments in excess of $1,000 are capitalized, while maintenance and repairs are charged to expense when incurred. Depreciation is provided using the straight-line method over estimated useful lives of the assets, ranging from 5 to 39 years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

As a non-profit organization, the Organization claims exemption from Federal and State income taxes under section 501(c)(3) of the Internal Revenue Code and State law. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. The Organization files a Form 990 tax return.

As of June 30, 2018 and for the year then ended, the Organization has not engaged in any activity which management considers to be activity that could result in a loss of their 501(c)(3) IRS designation. In addition, management does not consider any of the activity of the Organization to be considered unrelated business income that could result in income tax. For the year ended June 30, 2018, there was no tax interest or penalties reflected in the statement of activities or in the statement of financial position.

Revenue Recognition

The basis of revenue recognition for each of the revenue producing sources included in contributions, special events, grants and rent income is as follows:

Contributions

Contributions are generally recorded only upon receipt, unless evidence or an unconditional promise to give has been received. Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give (pledges) that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, it is reported as unrestricted support.

Legally enforceable intentions to give are recorded similarly to unconditional promises to give. Intentions to give which are not legally enforceable are recorded when the funds are received.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

The Organization recognizes contribution revenue for donated property and equipment in the period received at the property or equipment's fair value. If donated assets have questionable or uncertain value and no alternative use that adds value to the assets, the Organization does not recognize them in the financial statements. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use 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.

When the Organization receives donations or contributions through services performed, the fair value of the donated services are recognized in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. Services that do not meet either of the preceding criteria are not recognized. Donated services are recorded at their fair value.

The Organization receives a significant amount of donated services from unpaid volunteers who assist with families and special projects. The related value of such services has not been recognized in the statement of activities because the criteria for recognition under ASC 720 have not been met, as described above. A number of professional organizations and individuals donate their time to the efforts of the Organization. These in-kind donated services have been recognized in the financial statements at the fair value of the services performed.

Religious congregations provide shelter and meals to transitional families identified by the Organization and for whom the Organization provides program services. The Organization directs to whom the meals and shelter are provided. The in-kind value of these meals and shelter has been reflected as contributions and corresponding costs of program services provided based on the relative market value of the meals and shelter provided. For the year ended June 30, 2018, the total value of meals and food was determined to be $36,046. The total value of shelter provided for the same period was determined to be $79,101.

For the year ended June 30, 2017, the total value of meals and food was determined to be $40,814. The total value of shelter provided for the same period was determined to be $75,159.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Special Event Revenue

Special event revenue is recognized in the period when the activity leading to that revenue is performed. Funds received to cover expenses for special event revenue is deferred until the event is held.

Grants

Grants are recognized as revenue in the period the amounts are granted. Grant expenditures in excess of grants received as of year-end are reported as grants receivable.

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the period for which it is contracted.

Rent Income

Rent income is recognized on a straight-line basis over the term of the lease.

Fair Value of Financial Instruments

The Organization has adopted the provisions of ASC 820, *Fair Value Measurements and Disclosure* (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. ASC 820 establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques.

The Organization determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization's financial instruments include cash, grants and pledges receivable, accounts payable, and notes payable. The carrying amounts of cash, grants and pledges receivable, and accounts payable approximate fair values because of the short-term nature of these instruments. The aggregate carrying amounts of the notes payable obligations approximate fair value as they bear interest at market interest rates based on their terms and maturities.

Grants and Pledges Receivable

Grants and pledges receivable are deemed by management to be fully collectible.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation of Long-Lived Assets

In accordance with impairment or disposal of long-lived assets subsections of ASC Subtopic 360-10, *Property, Plant and Equipment – Overall*, long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying value of the long-lived assets or asset group is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

No impairment losses were recognized for the years ended June 30, 2018 or 2017.

Allocation of Joint Costs

The Organization allocates joint costs between fundraising and program services or management and general in accordance with ASC Subtopic 958-720, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising.*

Advertising

Advertising costs are expensed when incurred.

Reclassifications

Certain reclassifications to prior year amounts have been made to conform to the current year presentation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs

The Organization follows the guidance of ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, (ASU 2015-03)*, which requires that debt issuance costs be presented in the statement of financial position as a direct reduction from the carrying value of the corresponding debt liability (see Note 4). Costs related to obtaining long-term debt are capitalized and amortized over the term of the related debt using the straight-line method. Accumulated amortization on these capitalized costs at June 30, 2018 and 2017 was $1,709 and $740, respectively. Amortization of these costs charged to operations for the years ended June 30, 2018 and 2017 was $969 and $740, respectively. This amortization charge has been included in interest expense in the accompanying statements of functional expenses for the years ended June 30, 2018 and 2017. When a loan is paid in full, any unamortized financing costs are removed from the related accounts and charged to interest expense.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, to defer the effective date of ASU 2014-09 by 1 year. Accordingly, ASU 2014-09 will now be effective for the Organization's year ending June 30, 2020. The adoption of ASU 2014-09 must be made using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined with ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 and ASU 2015-14 on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires an entity to recognize the rights and obligations resulting from leases as lease assets and lease liabilities on the balance sheet, including leases previously recorded and classified as operating leases. Pursuant to this new guidance, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset (lease asset) representing its right to use the underlying asset for the lease term, initially measured at the present value of the lease payments. This new standard is effective for the Organization for the year ended June 30, 2021, with early application permitted, using a modified retrospective approach. The Organization is currently evaluating the impact of the pending adoption of ASU 2016-02 on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which changes the way all not-for-profits (NFPs) classify net assets and prepare financial statements. Adoption of FASB ASU 2016-14 will result in significant changes to financial reporting and disclosure for NFPs. Some of the more significant changes will be the change of net asset classifications from three classes (unrestricted, temporarily restricted, and permanently restricted) to two (net assets without donor restrictions and net assets with donor restrictions); reporting expenses classified by function and nature will be required in the statement of activities rather than optional; and additional disclosure of quantitative and qualitative information about liquidity will be required. This new standard is effective for the Organization for the year ended June 30, 2019, using a modified retroactive approach. The Organization is currently evaluating the impact of the pending adoption of ASU 2016-14 on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This standard clarifies how certain cash receipts and cash payments should be classified on the statement of cash flows. This new standard is effective for the Organization for the year ended June 30, 2019. The Organization is currently evaluating the impact of the pending adoption of ASU 2016-15 on its financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) did not or are not believed to have a material impact on the Organization’s present or future financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment and the related accumulated depreciation are summarized as follows:

	June 30, 2018	June 30, 2017
Buildings	$ 1,064,124	$ 703,920
Building improvements	79,579	74,149
Land	132,816	43,600
Vehicles	21,330	20,130
Total property and equipment	1,297,849	841,799
Less: accumulated depreciation	(309,053)	(280,196)
Property and equipment, net	$ 988,796	$ 561,603

During the year ended June 30, 2018, the Organization purchased two additional residential real estate properties in Salt Lake City, Utah for approximately $437,000, which are used as rentals to house and accommodate low-income families.

Depreciation expense for the years ended June 30, 2018 and 2017 totaled $28,857 and $22,745, respectively.

NOTE 4 - NOTES PAYABLE

Notes payable as follows:

	June 30, 2018	June 30, 2017
Mortgage payable to a corporation, due in monthly installments of principal and interest of $764 based on a 30-year amortization, with an interest rate of 5.095%, maturing March 1, 2028 with a balloon payment due for the remaining unpaid amount, secured by real property, all related rents, contracts and leases, and all related fixtures and furnishings.	$ 140,468	$ -
Subtotal	$ 140,468	$ -

NOTE 4 - NOTES PAYABLE (Continued)

	June 30, 2018	June 30, 2017
Balance forward	$ 140,468	$ -
Mortgage payable to a corporation, due in monthly installments of principal and interest of $1,097 based on a 30-year amortization, with an interest rate of 4.76%, maturing May 1, 2031 with a balloon payment due for the remaining unpaid amount, secured by real property, all related rents, contracts and leases, and all related fixtures and furnishings.	203,371	206,764
Totals	343,839	206,764
Less: current portion	(5,616)	(3,392)
Less: debt issuance costs	(16,270)	(10,361)
Long-term portion	$ 321,953	$ 193,011

Interest expense paid during the years ended June 30, 2018 and 2017 related to these mortgage notes totaled $11,574 and $9,924, respectively.

Annual maturities of the note payable are as follows:

Year Ending June 30:	
2019	$ 5,616
2020	5,897
2021	6,192
2022	6,501
2023	6,826
Thereafter	312,807
Total	$ 343,839

NOTE 5 - RELATED PARTY TRANSACTIONS

For the years ending June 30, 2018 and 2017, the Organization made payments for annual dues to their national affiliate, Family Promise, Inc., totaling $5,793 and $5,977, respectively. As of June 30, 2018 and 2017, the Organization had accounts payable due to Family Promise, Inc. totaling $5,444 and $4,321, respectively.

NOTE 6 - CONCENTRATIONS

The Organization generally receives significant grants from three large donors. If the donors decided not to contribute in a given year, it could have an adverse effect on operations.

NOTE 7 - ALLOCATION OF JOINT COSTS

During the years ended June 30, 2018 and 2017, the Organization incurred joint costs of $241,626 and $160,839, respectively, for activities that included fundraising appeals. These joint costs were allocated as follows:

	June 30, 2018	June 30, 2017
Program Services	$ 215,047	$ 143,147
Management and General	19,330	12,867
Fundraising	7,249	4,825
Total	$ 241,626	$ 160,839

NOTE 8 - COMMITMENTS AND CONTINGENCIES

During June 2018, the Organization purchased a mobile home in Layton, Utah. Pursuant to this purchase, the Organization agreed to leave the mobile home in the park for a minimum of five (5) years. If the mobile home is moved prior to the expiration of the five (5) year period, the Organization has agreed to pay an additional $5,000 for the mobile home purchase. On the same date, the Organization entered into a lease agreement to lease the space for the mobile home. The term of the lease is month-to-month with monthly payments of $575.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 8, 2019, the date which the financial statements were available to be issued, and noted no material subsequent events that would require disclosure in or adjustment to these financial statements as of June 30, 2018.