

**GREENHOUSE MINISTRIES
(A NONPROFIT ORGANIZATION)**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016

Matlock Clements

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of
Greenhouse Ministries

We have audited the accompanying financial statements of Greenhouse Ministries (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, 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 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 Greenhouse Ministries as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Matlock Clements, P.C.
Murfreesboro, Tennessee
July 28, 2017

GREENHOUSE MINISTRIES

Murfreesboro, Tennessee

Statement of Financial Position
For Management Use Only

December 31, 2016

ASSETS

Current Assets -		
Cash	\$	103,184
Accounts receivable		1,300
Inventory		23,184
Designated cash		283,573
Unconditional promises to give, current portion (less allowance of \$0)		143,988
		<u>555,229</u>
	TOTAL CURRENT ASSETS	
Fixed Assets -		
Land		250,389
Buildings		295,758
Vehicles		34,605
Leasehold improvements		3,438
Equipment		10,382
Less accumulated depreciation		(59,511)
		<u>535,061</u>
Other Assets -		
Unconditional promises to give, noncurrent portion (less allowance of \$0)		18,941
	TOTAL ASSETS	\$ <u><u>1,109,231</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities -		
Accounts payable	\$	626
Accrued payroll and related items		5,449
		<u>6,075</u>
	TOTAL CURRENT LIABILITIES	
Notes payable		341,658
	TOTAL LIABILITIES	<u>347,733</u>
Net Assets -		
Unrestricted -		
Unrestricted net assets		(33,639)
Board designated		283,573
		<u>249,934</u>
Temporarily restricted -		511,564
	TOTAL NET ASSETS	<u>761,498</u>
	TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>1,109,231</u></u>

See notes to financial statements.

GREENHOUSE MINISTRIES

Murfreesboro, Tennessee

Statement of Activities
For Management Use Only

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue -			
Donations received	\$ 383,322	\$ -	\$ 383,322
Thrift store sales	123,113	-	123,113
Grants	117,515	16,824	134,339
Program income	33,710	-	33,710
Fundraising income	102,712	181,063	283,775
Donated facilities	14,400	-	14,400
Miscellaneous	8,212	-	8,212
TOTAL SUPPORT AND REVENUE	<u>\$ 782,984</u>	<u>\$ 197,887</u>	<u>\$ 980,871</u>
Expenses -			
Program Services -			
Client services	\$ 136,613	\$ -	\$ 136,613
Education	54,061	-	54,061
Housing	67,265	-	67,265
Food pantry	123,118	612	123,730
Community outreach	16,347	-	16,347
Thrift store	113,425	-	113,425
Supporting Services -			
Management and general activities	155,239	-	155,239
Fundraising	91,243	-	91,243
TOTAL EXPENSES	<u>757,311</u>	<u>612</u>	<u>757,923</u>
CHANGE IN NET ASSETS	25,673	197,275	222,948
Net Assets, January 1, 2016	<u>224,261</u>	<u>314,289</u>	<u>538,550</u>
NET ASSETS, DECEMBER 31, 2016	<u>\$ 249,934</u>	<u>\$ 511,564</u>	<u>\$ 761,498</u>

See notes to financial statements.

GREENHOUSE MINISTRIES

Murfreesboro, Tennessee

Statement of Functional Expenses
For Management Use Only

For the Year Ended December 31, 2016

	Program Services						Supporting Services		
	Client Services	Education	Housing	Food Pantry	Community Outreach	Thrift Store	Management and General Activities	Fundraising	Total
Salaries and wages	\$ 85,972	\$ 29,994	\$ 15,012	\$ -	\$ 11,240	\$ 67,780	\$ 60,027	\$ 30,547	\$ 300,572
Payroll taxes	3,625	2,295	324	-	386	5,185	3,153	2,100	17,068
Total Salaries and Related Expense	\$ 89,597	\$ 32,289	\$ 15,336	\$ -	\$ 11,626	\$ 72,965	\$ 63,180	\$ 32,647	\$ 317,640
Rent	\$ 30,484	\$ 14,400	\$ 28,591	\$ 5,195	\$ 2,598	\$ 14,311	\$ 13,984	\$ -	\$ 109,563
Utilities	7,562	5,100	10,392	1,697	848	4,007	4,356	-	33,962
Specific assistance	5,680	-	-	-	-	-	-	-	5,680
Repairs and maintenance	-	1,477	1,941	-	-	5,336	16,751	-	25,505
Supplies	2,045	288	-	-	-	979	5,882	-	9,194
Fundraising	-	-	-	-	-	-	-	58,596	58,596
Advertising	-	-	-	-	-	2,116	4,981	-	7,097
Postage and printing	-	-	-	-	-	-	1,803	-	1,803
Miscellaneous	1,245	507	4,237	9,333	1,275	10,083	13,646	-	40,326
Meetings and conferences	-	-	-	-	-	-	6,302	-	6,302
Volunteer training and support	-	-	-	-	-	-	2,132	-	2,132
Bank fees	-	-	-	-	-	3,628	1,196	-	4,824
Interest	-	-	-	-	-	-	405	-	405
Property taxes	-	-	4,226	-	-	-	2,461	-	6,687
Insurance	-	-	2,542	-	-	-	5,413	-	7,955
Food supplies	-	-	-	107,505	-	-	-	-	107,505
Depreciation	-	-	-	-	-	-	10,786	-	10,786
Unrealized loss on investments	-	-	-	-	-	-	1,961	-	1,961
TOTAL EXPENSES	\$ 136,613	\$ 54,061	\$ 67,265	\$ 123,730	\$ 16,347	\$ 113,425	\$ 155,239	\$ 91,243	\$ 757,923

See notes to financial statements.

GREENHOUSE MINISTRIES

Murfreesboro, Tennessee

Statement of Cash Flows
For Management Use Only

For the Year Ended December 31, 2016

Cash Flows from Operating Activities -	
Increase in net assets	\$ 222,948
To reconcile increase in net assets to net cash provided by operating activities -	
Add: Depreciation	10,786
Decrease in inventory	33,321
Decrease in unconditional promises to give	59,531
Decrease in investments	61,700
Increase in accrued payroll and related items	2,469
Deduct: Increase in accounts receivable	(1,300)
Decrease in accounts payable	(1,427)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>388,028</u>
Cash Flows from Investing Activities -	
Purchases of property and equipment	(25,382)
NET CASH USED BY INVESTING ACTIVITIES	<u>(25,382)</u>
Cash Flows from Financing Activities -	
Payment on note payable	(70,850)
NET CASH USED BY FINANCING ACTIVITIES	<u>(70,850)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	291,796
Cash and cash equivalents January 1, 2016	94,961
CASH AND CASH EQUIVALENTS DECEMBER 31, 2016	<u>\$ 386,757</u>
Cash paid for interest	<u>\$ 405</u>
Cash for cash flow purposes	
Cash	\$ 103,184
Designated cash	283,573
	<u>\$ 386,757</u>

See notes to financial statements.

GREENHOUSE MINISTRIES
(A NONPROFIT ORGANIZATION)

Murfreesboro, Tennessee

Notes to Financial Statements

December 31, 2016

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Greenhouse Ministries (Greenhouse) is a nonprofit organization that provides relational ministries that are designed to inspire, give hope, and change lives. Greenhouse was founded in 1999 to reach out to underprivileged individuals and families in Rutherford County by providing assistance with food, clothing, job skill training, adult education classes and counseling. The Organization is supported primarily through donor contributions and grants.

Basis of Accounting - Greenhouse's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation - Financial statement presentation follows generally accepted accounting principles. Under generally accepted accounting principles, Greenhouse is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets represent the expendable resources that are available for operations at management's discretion.

Temporarily Restricted - Net assets which represent resources restricted by donors as to purpose or by the passage of time. Greenhouse had temporarily restricted net assets of \$511,564 at December 31, 2016.

Permanently Restricted - Net assets which represent resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Greenhouse has no permanently restricted net assets.

Contributions - Greenhouse follows generally accepted accounting principles whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support, depending on the nature of the restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, it is reported as unrestricted.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Greenhouse that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Greenhouse uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donations of Property - Donations of property and goods are recorded as contributions at their estimated fair value at the date of donation. Greenhouse operates a food pantry and the thrift store as part of its mission.

Donated Services - Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Greenhouse.

GREENHOUSE MINISTRIES
(A NONPROFIT ORGANIZATION)

Murfreesboro, Tennessee

Notes to Financial Statements (continued)

December 31, 2016

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status - Greenhouse is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, federal income taxes are not provided in the accompanying financial statements. Greenhouse has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are 2013, 2014, and 2015. Greenhouse is not currently under audit nor has Greenhouse been contacted by any jurisdiction. Based on the evaluation of Greenhouse's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended December 31, 2016.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of December 31, 2016, Greenhouse had no cash equivalents.

Investments - The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. See Note I.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

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

Property and Equipment - The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at costs. Donated property and equipment are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which ranges from five to forty years.

Advertising - The Organization expenses advertising costs as they are incurred.

Subsequent Events - The Board of Directors has evaluated subsequent events through July 28, 2017, the date the financial statements were available to be issued.

Note B - INVENTORY

The Garden Patch is a thrift store operated by the Greenhouse as a means of raising funds for its program services. Items sold at the store have been donated by various members of the community. The fair market value is estimated using subsequent sales.

The Greenhouse operates a food pantry as part of its mission. Food inventory is estimated based upon a price per pound. The estimated price per pound at December 31, 2016, was \$1 per pound.

GREENHOUSE MINISTRIES
(A NONPROFIT ORGANIZATION)

Murfreesboro, Tennessee

Notes to Financial Statements (continued)

December 31, 2016

Note C - OPERATING LEASES

Greenhouse has a month to month lease for office, showroom and warehouse space at 309 South Spring Street. The monthly lease is \$5,500 per month.

In addition, Greenhouse has use of space at 300 East Vine Street rent free from First Baptist Church of Murfreesboro. The facility is estimated to have an approximate annual fair market rental value of \$14,400. This is reflected in donated facilities revenue in the statement of activities and in rent expenses in the statement of functional expenses in the accompanying financial statements.

Note D - ZOE HOUSE AND ACADEMY STREET PROPERTY DONATION

In 2010, the Greenhouse was deeded a house from the City of Murfreesboro which was purchased with federal funds from the Neighborhood Stabilization Program (NSP). The value of the house at the time of the transfer was \$241,658 and a carrying value at December 31, 2016 of \$207,020. As part of the agreement, the Greenhouse entered into a note agreement with the City of Murfreesboro for the value of the house. The note has an interest rate of 0%. If the Greenhouse does not default on any of the conditions of the note agreement, the note will be forgiven at the end of the 10 year affordability period.

The conditions the Greenhouse must meet in order to have the Note forgiven at the end of the affordability period include: the property is leased only to NSP eligible tenants at NSP permitted rents; no lien encumbers the property without the express written consent of the City; neither the property nor any interest therein may be leased, except as specified, sold, transferred, or otherwise conveyed.

In 2015, the Greenhouse was deeded a duplex and lot from the City of Murfreesboro which was purchased with federal funds from Community Development Block Grant (CDBG) funds through the City's Acquisition of Real Property Program (ARP Program). The value of the house at the time of the transfer was \$111,100 and a carrying value at December 31, 2016 of \$109,035. As part of the agreement, the Greenhouse entered into a note agreement with the City of Murfreesboro in the amount of \$100,000. The note has an interest rate of 0%. If the Greenhouse does not default on any of the conditions of the note agreement, the note will be forgiven at the end of the 10 year affordability period.

The conditions the Greenhouse must meet in order to have the Note forgiven at the end of the affordability period include: the property is leased only to eligible very-low-income tenants at United States Department of Housing and Urban Development (HUD) permitted rents in compliance with the ARP policies and procedures; no lien encumbers the property without the express written consent of the City; neither the property nor any interest therein may be leased, except as specified, sold, transferred, or otherwise conveyed.

Note E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted contributions contain donor-imposed restrictions that direct the Greenhouse to use the donation as specified and is satisfied either by the passage of time (time restriction) or by fulfilling the donor-imposed purpose (purpose restriction). In addition, temporarily restricted net assets are made up of unconditional promises to give as described in Note H, that are due to be received in periods subsequent to December 31, 2016, net of the unamortized discount. This time restriction lapses in the period the promise is due. At the time these amounts become due, they will be reclassified from temporarily restricted to unrestricted net assets, and reported in the statement of activities as net assets released from restrictions. A time restriction stipulates the time period for which the contribution is to be used and is released from the restriction with the passage of time. A purpose restriction specifies the purpose or specific program that the contribution is to support. The release from a purpose restriction is by fulfillment of the purpose.

Temporarily restricted net assets at December 31, 2016:

Time restrictions:	\$129,240
Purpose restrictions:	<u>382,324</u>
Total	<u>\$511,564</u>

GREENHOUSE MINISTRIES
(A NONPROFIT ORGANIZATION)

Murfreesboro, Tennessee

Notes to Financial Statements (continued)

December 31, 2016

Note F - NOTE PAYABLE

On January 6, 2014, the Greenhouse entered into a promissory note in the amount of \$152,000 secured by a parcel of land adjacent to the South Spring Street location. The Greenhouse prepaid the remaining principal amount of \$70,850. Interest cost incurred and charged to expense for the note payable for the year ending December 31, 2016 was \$138.

Note G - DESIGNATED CASH

At December 31, 2016, the Greenhouse board of directors has designated \$283,573 in cash for purposes of purchasing land and constructing a building as described in Note F.

Note H - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give represent promises to give which have been made by donors but have not yet been received by the Greenhouse. These promises were made to support the Greenhouse building expansion, with contributions over three years. Promises to give due currently are reported at their net realizable value, which is estimated to approximate fair value due to their short maturity. Promises to give due in more than one year are recognized at fair value, based on expected collections using present value techniques and discount rates ranging from 1.29% to 1.52%. Unconditional promises to give have a total balance of \$162,929. The Greenhouse has recorded these promises to give during 2015 and 2016 at their expected collections; accordingly no allowance for promises to give considered uncollectible has been provided at December 31, 2016. Net unconditional promises to give for which the time restrictions have not yet expired are recorded as temporarily restricted net assets.

Total unconditional promises to give were as follows at December 31, 2016:

Receivable in less than one year	\$ <u>143,988</u>
Receivable in one to three years	\$ 19,981
Less discount to net present value	<u>(1,040)</u>
Net long-term promises to give	\$ <u>18,941</u>
Total	\$ <u><u>162,929</u></u>

Note I - CONCENTRATIONS

At December 31, 2016, the Greenhouse had on deposit with financial institutions operating cash, and board designated cash in the amounts of \$102,277 and \$278,328, respectively. Cash held in bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In the normal course of business, the Greenhouse may have deposits that exceed the insured balance. These deposits exceeded the amount insured by the FDIC by \$110,727 at December 31, 2016.

Note J - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, the Greenhouse purchased information technology equipment and services in the amount of \$8,855 from a company which is owned by a member of the board of directors.