CHATTANOOGA ROOM IN THE INN, INC.

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2018

JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE

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December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chattanooga Room in the Inn, Inc.

We have audited the accompanying financial statements of Chattanooga Room in the Inn, Inc., which comprise the Statement of Financial Position as of December 31, 2018, and the related Statements of Activities, Cash Flows, and Functional Expenses 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.

Board of Directors
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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chattanooga Room in the Inn, Inc. as of December 31, 2018, 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.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Effect of Adopting New Accounting Standard
As discussed in Note 14, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to the matter.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
March 18, 2019

CHATTANOOGA ROOM IN THE INN, INC.
Statement of Financial Position
December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash	$ 340,041	$ 265	$ 340,306
Investments	102,599	30,861	133,460
Grant receivable	3,183	-	3,183
Total current assets	445,823	31,126	476,949
Non-current assets			
Lots held for resale	5,700	-	5,700
Property and equipment - net	629,088	-	629,088
Other	500	-	500
Total non-current assets	635,288	-	635,288
TOTAL ASSETS	$ 1,081,111	$ 31,126	$ 1,112,237
LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	$ 3,047	$ -	$ 3,047
Accrued liabilities	22,714	-	22,714
Notes payable - current	4,575	-	4,575
Total current liabilities	30,336	-	30,336
Long-term liabilities			
Notes payable	55,026	-	55,026
Total liabilities	85,362	-	85,362
Net assets			
Without donor restrictions:			
Undesignated	880,634	-	880,634
Board designated	115,115	-	115,115
With donor restrictions	-	31,126	31,126
Total net assets	995,749	31,126	1,026,875
TOTAL LIABILITIES AND NET ASSETS	$ 1,081,111	$ 31,126	$ 1,112,237

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

CHATTANOOGA ROOM IN THE INN, INC.
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Federal, state and local grants	$ 68,002	$ -	$ 68,002
Private agency grants	5,750	-	5,750
Contributions	267,081	50,782	317,863
Fund-raising events	58,437	-	58,437
Investment return, net	4,496	-	4,496
Rental income	36,712	-	36,712
Net assets released from restrictions:			
Satisfaction of program restrictions	45,191	(45,191)	-
Total revenues, gains and other support	485,669	5,591	491,260
EXPENSES			
Program service			
Shelter and assistance	371,859	-	371,859
Supporting services			
Management and general	42,011	-	42,011
Fund-raising	42,087	-	42,087
Total supporting services	84,098	-	84,098
Total expenses	455,957	-	455,957
Change in net assets	29,712	5,591	35,303
Net assets - beginning (as adjusted)	966,037	25,535	991,572
Net assets - end	$ 995,749	$ 31,126	$ 1,026,875

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

CHATTANOOGA ROOM IN THE INN, INC.
Statement of Cash Flows
December 31, 2018

Cash Flows From Operating Activities	
Increase (decrease) in net assets	$ 35,303
Adjustments to reconcile net income to net cash provided (used) by operating activities	
Depreciation	27,083
Net realized and unrealized (gains) on investments	(8,358)
(Increase) decrease in grant receivable	(3,183)
Increase (decrease) in accounts payable	885
Increase (decrease) in accrued liabilities	379
Net cash provided (used) by operating activities	52,109
Cash Flows From Investing Activities	
Net purchase of investments	(100,000)
Cash Flows From Financing Activities	
Repayment of debt	(4,697)
Net increase (decrease) in cash	(52,588)
Cash - beginning	392,894
Cash - end	$ 340,306
Supplemental Disclosure	
Interest paid	$ 2,918

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

CHATTANOOGA ROOM IN THE INN, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Service	Supporting Services		
	Shelter and Assistance	Management and General	Fund-Raising	Total
EXPENSES				
Salaries	$ 210,069	$ 26,316	$ 7,594	$ 243,979
Payroll taxes	19,387	2,428	701	22,516
Employee benefits	7,688	963	278	8,929
Copier lease	2,002	-	-	2,002
Depreciation expense	27,083	-	-	27,083
Dues and subscriptions	2,322	-	-	2,322
Fund-raising	-	-	33,514	33,514
Guest services	7,962	-	-	7,962
Insurance	22,587	-	-	22,587
Interest	2,918	-	-	2,918
Mileage	109	-	-	109
Miscellaneous	76	131	-	207
Occupancy	5,274	-	-	5,274
Office supplies	1,223	-	-	1,223
Printing and postage	1,982	-	-	1,982
Professional fees	-	12,173	-	12,173
Rental property	25,896	-	-	25,896
Repairs and maintenance	5,748	-	-	5,748
Supplies and equipment	5,802	-	-	5,802
Telephone	4,546	-	-	4,546
Training	341	-	-	341
Utilities	18,844	-	-	18,844
Total	$ 371,859	$ 42,011	$ 42,087	$ 455,957

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

CHATTANOOGA ROOM IN THE INN, INC.
Notes to Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Nature of Activities

Chattanooga Room in the Inn, Inc. operates as a non-profit entity located in the greater Chattanooga, Tennessee area, which provides temporary shelter and offers support in accessing appropriate community services for the homeless women, and women with children who desire to make a commitment to bringing stability to their lives. The Entity's primary funding sources are donor contributions from donors who live in the greater Chattanooga, Tennessee area and from local government grants.

B. Basis of Presentation - Net Asset Accounting

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor or grantor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for a specific purpose. The Entity reports contributions restricted by donors, including property and equipment, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

C. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and Financial Accounting Standards Board (FASB) ASC 958-205-05-6. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The financial statements reflect all significant receivables, payables and other liabilities. The reserve method is used to estimate the allowance for uncollectible receivables, if any.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Entity considers all unrestricted highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

E. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected within investment return, net, in the Statement of Activities. Donated investments are reflected as contributions at their market value at the date of receipt. In accordance with FASB 958-225-45-6, investment gains and income whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fair Value Measurement

The Entity adopted the provisions of ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis. Adoption of the provisions of ASC 820-10-50 did not have an impact on the measurement of the Entity's financial assets and liabilities, but did result in additional disclosures contained in the footnotes herein.

G. Prepayment of Expenses

Expenses extending over more than one accounting period are expensed in the accounting period in which it was paid.

H. Promises to Give

Donor promises to give are evaluated on the basis of criteria in FASB ASC 958-310-25. Those that meet the criteria are recognized as revenues or gains in the period the pledge is received and as assets (cash, receivables, etc.) or decrease of liabilities, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Entity 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. At year-end, there were no promises to give.

I. Inventory

Supplies are expensed when they are purchased, therefore, no inventory is maintained.

J. Property and Equipment

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for equipment in excess of $500 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7-39 years
Furniture and equipment	5-7 years
Vehicles	3-7 years

K. Compensated Absences

It is the Entity's policy to accrue vacation and sick leave for the future benefit of its employees. This accrual is recorded as a liability in the Statement of Financial Position.

L. Unearned Revenues

The Entity had no unearned revenues received prior to year-end for the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Valuation of Donated Services

The Entity depends upon the services donated by its board members, supporters and volunteers to carry out many of its internal operations. The Entity follows the recommendations of FASB ASC 958-605-25-16 in reporting contributed services. Contributions of services are recognized as revenue and expenses if the services received create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other contributed services that do not meet the above criteria are not recognized. The services donated do not meet the criteria, which would require recognition of their value in the financial statements.

N. Methods Used for Allocation of Expenses Among Functions

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated on the basis of estimated of time and effort.

O. Description of Program and Supporting Services

Shelter and Assistance

Dedicated to empowering homeless women and children to become self-sufficient by offering a temporary home while providing programs and services necessary to meet their goals.

Management and General

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Entity's programs; and manage the functioning of the Board of Directors and financial and budgetary responsibilities.

Fund-raising

Provides the structure necessary to encourage and secure financial support from individuals, foundations and corporations.

P. Advertising

Advertising costs are expensed as incurred.

Q. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Uncertain Tax Position

The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. Based on its evaluation, the Entity has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Entity's evaluation was performed for tax years ended December 31, 2015 through December 31, 2018, for Federal income tax, the years that remain subject to examination by major jurisdictions as of December 31, 2018.

S. Non-profit Entity

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code.

T. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between December 31, 2018 and March 18, 2019, which is the date that the financial statements were available to be issued for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	$ 340,306
Investments	133,460
Grant receivable	3,183
Total financial assets	476,949
Less: net assets with donor restrictions	(31,126)
Less: board-designated funds	(115,115)
Financial assets available to meet cash needs for general expenditures within one year	$ 330,708

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Entity maintains resources to meet any donor-imposed restrictions, which makes those resources unavailable for general expenditures. In addition, the Entity invests cash in excess of daily requirements in short-term investments.

The Entity's endowment funds consists of a donor-restricted endowment and a board-restricted endowment. Income from the donor-restricted endowment is restricted for a specific purpose and therefore, is not available for general expenditure. As described in Note 13, the board-designated endowment has a spending rate of 5%. $505 of appropriations from the board-designated endowment will be available within the next 12 months.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

Although the Entity does not intend to spend its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The Entity may receive contributions and promises to give that are restricted by donors, and considers contributions restricted for programs that are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Entity manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Entity has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days of operating expenses. The Entity has a policy to target a year-end balance of reserves without donor-imposed restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, the Entity forecasts its future cash flows, monitors its liquidity quarterly and monitors its reserves annually. During the year, the level of liquidity and reserves was managed within the policy requirements.

NOTE 3 - CASH

At December 31, 2018, the carrying amount of cash was $340,306, which consisted of petty cash of $25 and demand deposits of $340,281. The bank balance was $341,077. FDIC insures up to $250,000 per bank. At year-end, $75,258 was in excess of FDIC limits.

NOTE 4 - INVESTMENTS

Investments at December 31, 2018, are stated at fair value as follows:

	Cost	Fair Value	Net Unrealized Appreciation (Loss)
Certificates-of-deposit	$ 125,115	$ 125,115	$ -
Common stock	*	8,345	$ -
Total		$ 133,460	

*Cost information not available.

The certificates-of-deposit are in excess of FDIC insured amounts by $25,115. The common stock is subject to market risks.

NOTE 5 - FAIR VALUE MEASUREMENT

ASC 820-10-50 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the assets or transfer the liability occurs in the principal market for the assets or liability or, in the absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Fund has the ability to access.
2) Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
3) Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2018.

	Level 1	Level 2	Level 3	Total
Investments	$ 133,460	$ -	$ -	$ 133,460

NOTE 6 - GRANT RECEIVABLE

Grant receivable consists of $3,183 due from the Department of Housing and Urban Development.

NOTE 7 - PROPERTY AND EQUIPMENT - NET

Changes in the fixed assets for the year ended December 31, 2018, were as follows:

	Balance 12-31-17	Additions	Deletions	Balance 12-31-18
Land	$ 45,929	$ -	$ -	$ 45,929
Building and improvements	971,201	-	-	971,201
Furniture and equipment	63,051	-	-	63,051
Vehicles	33,150	-	-	33,150
	1,113,331	-	-	1,113,331
Accumulated depreciation	(457,160)	(27,083)	-	(484,243)
Total	$ 656,171	$ (27,083)	$ -	$ 629,088

Depreciation expense was $27,083 for the year ended December 31, 2018.

NOTE 8 - NOTES PAYABLE

Notes payable as of December 31, 2018, are as follows:

Loan dated 01/14/09 in the amount of $33,337, variable interest rate, balloon on a 20-year amortization	$ 21,102
Loan dated 01/14/09 in the amount of $37,108, variable interest rate, balloon on a 20-year amortization	23,577
Loan dated 12/22/09 in the amount of $24,194, variable interest rate, balloon on a 20-year amortization	14,922
	59,601
Short-term portion	(4,575)
Long-term notes payable	$ 55,026

Future debt requirements are as follows:

December 31	Principal
2019	$ 4,575
2020	4,836
2021	5,113
2022	5,406
2023	5,715
2024-2028	33,671
2029	285
	$ 59,601

The notes payable dated 1/14/2009, 1/14/2009, and 12/22/2009 have variable interest rates through the respective maturity dates of 1/14/2029, 1/14/2029, and 12/22/2029. Interest paid during the fiscal year amounted to $2,918.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated	$ 880,634
Board-designated for:	
Reserve fund	105,000
Endowment fund	10,115
	115,115
Total	$ 995,749

The reserve fund is established to serve as a savings account and shall be used at the discretion and only with the permission of the Finance Committee. Any fund-raiser with profits of $5,000 or greater shall pay 5% of the profit to the reserve fund.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:	
Cameron Yarnell Scholarship	$ 265
Donor restricted gifts for school uniforms	861
Endowment	15,000
	16,126
Subject to time restrictions:	
Donation received in 2018 to be used in 2019	15,000
Total	$ 31,126

NOTE 11 - FUNDING

The Entity receives a major portion of its revenue from United Way of Greater Chattanooga. A major reduction of these funds could have a significant effect on future operations.

NOTE 12 - COMMERCIAL INSURANCE

It is the policy of the Entity to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, and employee health. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 13 - ENDOWMENT

The Entity's endowment consists of funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 13 - ENDOWMENT (Continued)

Interpretation of Relevant Law

The Entity is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Entity has interpreted the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Entity considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Entity has interpreted the UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the UPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) the duration and preservation of the fund,
(2) the purposes of the organization and the donor-restricted endowment fund,
(3) general economic conditions,
(4) the possible effect of inflation and deflation,
(5) the expected total return from income and the appreciation of investments,
(6) other resources of the organization and
(7) the investment policies of the Entity.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Entity to retain as a fund of perpetual duration. Deficiencies of this nature did not exist during the year.

Return Objectives and Risk Parameters

The Entity has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The investment manager is to pursue a conservative investment management philosophy in the handling of this portfolio. Both fixed income securities and common stocks are appropriate for inclusion in the portfolio. The asset mix will seek to achieve an approximate balance between fixed income investments and growth investments. Over a full market cycle this mix of assets should result in an investment return of 5% per year. Actual returns in any given year may vary from this amount.

NOTE 13 - ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Entity relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Entity targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Withdrawal from this fund will be based on a total return policy anticipating a 5% per annum withdrawal. Such determination will be made by the Entity's Board of Directors. During the year ended December 31, 2018, the Board of Directors elected not to take a distribution from the endowment fund.

Endowment Net Asset Composition by Type of Fund

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 10,115	$ -	$ 10,115
Donor-restricted endowment funds	-	15,000	15,000
Total funds	$ 10,115	$ 15,000	$ 25,115

Reconciliation of the Beginning and Ending Balances of the Endowment in Total and by Net Asset Class

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 10,102	$ 15,000	$ 25,102
Investment return, net	13	-	13
Contributions	-	-	-
Appropriation of endowment assets	-	-	-
Other changes	-	-	-
Endowment net assets, end of year	$ 10,115	$ 15,000	$ 25,115

Description of Amounts Classified as Net Assets with Donor Restrictions (Endowment Only)

Original donor-restricted endowment gift amount and amounts required to be retained by donor	$ 15,000
Term endowment funds	-
Accumulated investment gains on endowment funds:	
Without purpose restrictions	-
With purpose restrictions	-
Total endowment funds classified as net assets with donor restrictions	$ 15,000

NOTE 14 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended December 31, 2018, the Entity adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

	Amounts under the FASB No. 117 model	Reclassifications	"As adjusted" amounts under ASU No. 2016-14
Net assets:			
Unrestricted	$ 966,037	$ (966,037)	$ -
Temporarily restricted	10,535	(10,535)	-
Permanently restricted	15,000	(15,000)	-
Without donor restrictions	-	966,037	966,037
With donor restrictions	-	25,535	25,535
Total net assets	$ 991,572	$ -	$ 991,572

SUPPLEMENTAL INFORMATION

CHATTANOOGA ROOM IN THE INN, INC.
Comparative Schedule of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash	$ 340,306	$ 392,894
Investments	133,460	25,102
Grant receivable	3,183	-
Total current assets	476,949	417,996
Non-current assets		
Lots held for resale	5,700	5,700
Property and equipment - net	629,088	656,171
Other	500	500
Total non-current assets	635,288	662,371
TOTAL ASSETS	$ 1,112,237	$ 1,080,367
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	$ 3,047	$ 2,162
Accrued liabilities	22,714	22,335
Notes payable - current	4,575	4,327
Total current liabilities	30,336	28,824
Long-term liabilities		
Notes payable	55,026	59,971
Total liabilities	85,362	88,795
Net assets		
Without donor restrictions:		
Undesignated	880,634	850,935
Board designated	115,115	115,102
With donor restrictions	31,126	25,535
Total net assets	1,026,875	991,572
TOTAL LIABILITIES AND NET ASSETS	$ 1,112,237	$ 1,080,367

CHATTANOOGA ROOM IN THE INN, INC.
Comparative Schedule of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
REVENUES, GAINS AND OTHER SUPPORT		
Federal, state and local grants	$ 68,002	$ 54,967
Private agency grants	5,750	5,000
Contributions	317,863	400,954
Fund-raising events	58,437	119,540
Investment return, net	4,496	1,164
Rental income	36,712	33,532
Total revenues, gains and other support	491,260	615,157
EXPENSES		
Program service		
Shelter and assistance	371,859	366,092
Supporting services		
Management and general	42,011	41,454
Fund-raising	42,087	77,851
Total supporting services	84,098	119,305
Total expenses	455,957	485,397
Change in net assets	35,303	129,760
Net assets - beginning (as adjusted)	991,572	861,812
Net assets - end	$ 1,026,875	$ 991,572