

THREE HOTS & A COT, INC  
FINANCIAL STATEMENTS  
&  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2013  
TOGETHER WITH  
INDEPENDENT ACCOUNTANT'S REVIEW REPORT

BROGDON & BENSLEM, LLC  
**CERTIFIED PUBLIC ACCOUNTANTS**  
2021 SHADY CREST DRIVE  
HOOVER, ALABAMA 35216

## CONTENTS

### Independent Accountant's Review Report on the Financial Statements

<u>Financial Statements</u>	Page(s)
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF ACTIVITIES and FUND BALANCES	2
STATEMENT OF CASH FLOW	3
SCHEDULE OF CONTRIBUTIONS RECEIVED	4
SCHEDULE OF PROGRAM EXPENSES	5
SCHEDULE OF RENTAL INCOME AND EXPENSES	6
SCHEDULE OF ADMINISTRATIVE EXPENSES	7
Notes to financial statements	8-11

# BROGDON AND BENSALEM CPA, LLC

Certified Public Accountants

2021 Shady Crest Drive Suite 100  
Hoover, AL 35216  
205-721-2820

Member  
American Institute of  
Certified Public Accountants

Member  
Alabama Society of  
Certified Public Accountants

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To Management  
Three Hots and A Cot, Inc.  
Birmingham, AL

We have reviewed the accompanying balance sheet of Three Hots and A Cot, Inc. (A not-for-Profit Organization) as of December 31, 2013 and the related statement of activities and fund balance and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles accepted in the United States of America.



July 23, 2014

THREE HOTS AND A COT, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2013

ASSETS

Current Assets		
Cash in Bank	\$	30,253
Note Receivable		2,000
Total Current Assets		32,253
Property and Equipment, Net (Note 2)		962,085
Other Assets		660
Total Assets	\$	994,998

LIABILITIES AND FUND BALANCES

Current Liabilities		
Accounts Payable	\$	1,114
Payroll Taxes Payable		881
Current Portion of Long Term Debt		2,551
Total Current Liabilities		4,546
Long Term Debt (Note 4)		7,247
Fund Balances (Note 3)		
General Fund - Unrestricted		983,205
Restricted Fund		
Total Liabilities and Fund Balances	\$	994,998

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

THREE HOTS AND A COT, INC.  
STATEMENT OF ACTIVITIES and FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Contributions Received	\$	655,825
Program Expenses		<u>129,478</u>
Excess Contributions over Program Expenses		526,347
General and Administrative Expenses		<u>131,724</u>
		394,623
Other Revenues and (deductions)		
Sale of Cookbooks		4,248
Rental Income		150,532
Rental Expenses		(184,362)
Interest Expense		<u>(94)</u>
		<u>(29,677)</u>
Total Excess of Revenues over Expenses		364,946
Fund Balances beginning of year		936,825
NET PROPERTY ADJUSTMENTS (NOTE 4)		<u>(318,566)</u>
Fund Balances End of Year		<u>983,205</u>

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

THREE HOTS AND A COT, INC.  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities:	
Excess Revenue over Expenditures	\$ 364,946
Adjustment to reconcile net income to net cash flows	
from operating activities:	
Non-Cash Contributions Received	(364,137}
Depreciation	20,721
Net change in current operating	
assets and liabilities	
Note Receivable	(2,000}
Deposit Refunded	560
Accounts Payable	1,114
Payroll Taxes Payable	<u>(816}</u>
Net Cash Flows from Operating Activities	20,388
Cash Flows from Investing Activities:	
Payments on Long Term Borrowing	(5,250}
Purchase of Property and Equipment	(11,432}
Property Improvements	(5,247}
Gains on Vehicle transactions	3,369
Net Cash Flows from Investing Activities	<u>(18,561}</u>
Cash Flows from Financing Activities:	
Proceeds from Equipment Financing	10,648
Net Change in Cash and Cash Equivalents	12,475
Cash and Cash Equivalents, beginning of year	17,778
Cash and Cash Equivalents, End of year	\$ 30,253

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

THREE HOTSANDACOT, INC.  
SCHEDULE OF CONTRIBUTIONS RECEIVED  
FOR THE YEAR ENDED DECEMBER 31,2013

Cash Contributions Received		
Direct Public Support	\$	382
Corporate Donations		102,535
Freedom Festival		6,982
Grass Cutting		1,865
Gun Shows		396
Individual Donations		112,017
Kiosk		535
Craft Show		277
Yard Sale		3,550
		\$ 228,539
Non-Cash Contributions Received		
Used Automobiles		5,137
Real Estate		359,000
		<u>364,137</u>
Grants Received		
Corporate Grants	\$	38,750
Individual Grants		7,500
State Grants		2,895
United Way		14,004
		<u>63,149</u>
Total Contributions Received	\$	<u>655,825</u>

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

THREE HOTSANDACOT, INC.  
SCHEDULE OF PROGRAM EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Advertising	\$	851.89
Appliances		1,697.01
Cable/Internet		6,174.94
Donations		150.00
Education		775.00
Fund Raising		13,448.49
Groceries		16,441.14
Medical Care		3,962.92
Participant Services		18,168.07
Telephone		14,544.52
Transportation		57,284.28
Miscellaneous Refunds		(4,019.78)
Total Program Expenses	\$	129,478.48

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



THREE HOTS AND A COT, INC.  
SCHEDULE OF RENTAL INCOME AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Rental Income Received	150,532.00
Rental Expenses	
House Maintenance	41,650.24
Outside Contract Services	60,755.31
Household	9,860.88
Insurance	21,790.64
Pest Control	1,236.00
Property Taxes	2,625.93
Utilities	46,443.48
Total Expenses	184,362.48
Net Rental Income (Loss)	(33,830.48)

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

THREE HOTS AND A COT, INC.  
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Accounting Fees	\$ 1,500.00
Automobile	700.00
Bank Service Fees	910.73
Building Permits	265.50
Business Registration fees	380.00
Depreciation	20,721.00
Dues and Subscriptions	1,216.23
Fire Dues	795.89
Insurance-liability, and E & O	6,105.67
Meals and Entertainment	7,532.12
Notary	136.90
Office Supplies	10,318.70
PayPal	291.25
Payroll Taxes	3,314.99
Postage, Printing and supplies	4,360.25
Repairs and Maintenance	14,612.99
Salaries and Wages	43,351.73
Security	2,034.95
Software expenses	612.99
Storage Rental	11,960.00
Title Fees	149.00
Travel and meetings	452.93
 Total General and Administrative Expenses	 \$ 131,723.82

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

THREE HOTS AND A COT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

1 Summary of Significant Accounting Policies

This summary of significant accounting policies of Three Hots and A Cot, Inc. (the Organization) is presented to assist the reader in understanding the accompanying financial statements. The financial statements and notes are the representation of the Organization's management which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles.

(a) Organization and Purpose

Three Hots and A Cot (the Organization) was incorporated under the laws of the State of Alabama, Jefferson County, January, 2010. The Organization was granted 501©(3) status by the Internal Revenue Service in a determination letter issued in May, 2009. The Organization provides programs, housing and services that will enhance the quality of life of displaced and homeless veterans through job training, encouragement, support and rehabilitation.

(b) Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

© Income Taxes

The Organization is a tax-exempt entity under section 501© (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Organization's Form 990 information returns are subject to examination, generally for three years after the filing date.

(d) Revenue Recognition

The Organization records both cash and non-cash contributions when received. Non-Cash items are recorded at estimated fair market value at the date of donation.

€ Advertising

Advertising and promotional costs are charged to expenses as incurred.

THREE HOTS AND A COT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31,2013

Summary of Significant accounting polices (continued)

f Cash and Cash Equivalents

The Organization maintains its cash accounts in two banks and a PayPal Account. The balance in the BBVA-Compass Bank account per the bank totaled \$1,407, and the balance in the Regions Bank account per the bank totaled \$27, 991, with \$315 in the PayPal account. Both bank accounts were less than the Federal Deposit Insurance Corporation insured amount of \$250,000.

2 Property and Equipment

The Organization follows the practice of capitalizing all expenditures for fixed assets over \$500 Depreciation is based on straight-line method over the estimated useful life of both real estate and other assets.

Expenditures which improve or extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, appropriate adjustments are made to the related cost and accumulated depreciation accounts and the resulting gains or losses are recorded accordingly. During 2013 certain real estate parcels were written down to their current tax values for a total adjustment of (\$318,492) .

As of December 31 property and equipment consists of the following:

Equipment	\$	11,116
Autos, Trucks and Trailers		50,352
Real Estate and Improvements		975,212
Total		1,036,680
 Accumulated Depreciation		 (74,595)
Net Property and Equipment	\$	962,085

Depreciation expense during 2013 was \$30,000.

THREE HOTS AND A COT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31,2013

3 Other Assets

At December 31, 2013 other assets consisted of Utilities Deposit of \$560 and Lease deposit on storage shed of \$100.

4 Long-term Debt

As of December 31, 2013 long-term debt consisted of the following:

Loan Payable - Kubota Tractor Finance	\$	9,798
Less: Current Portion		(2,551)
Total	\$	7,247

5 Fund Balances - Restricted

At December 31, 2013 there were no restrictions on assets.

6 Lease Commitments

The Organization leases a two-story house, zoned commercial, located at 5704 First Avenue North in Birmingham, AL, identified as the St. Benedict house. The lessor is Grace Episcopal Church. The initial term of the lease is March 17, 2010 to March 17, 2015. At the expiration of the initial lease term, the Organization shall have the option to renew the lease on the same terms and conditions for successive periods of one (1) year unless terminated by either party giving the other written notice of termination at least sixty (60) days prior to expiration date. The annual rent expense is One Dollar (\$1.00) per year. The Organization is responsible for all improvements made to the building, which in 2013 amounted to \$7,935.

7 Date of Management Review

Subsequent events have been evaluated through January 26, 2014, which is the date the financial statements were available to be issued.

(a) Related Party transactions

At the November 12, 2013 meeting the Board of Directors approved the transfer of property to three staff members at the then appraised values for no cost to the individuals. These three individuals accept the properties on an "as is/where is" basis and becomes immediately responsible for all maintenance, taxes and insurance.

THREE HOTS AND A COT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

7 Related Party transactions (continued)

On January 16, 2014 the three properties were transferred as follows:

		Book Value	Transferred Value	Gain (Loss)
Jerome Simpson	East Lake House	\$91,000	\$91,000	<u>\$0</u>
Rich Cislak	7353 Kimberly Ave	\$64,510	\$64,510	\$0
Vick Springston	5413 England Ave	\$112,920	\$112,920	\$0