

**FRIENDS LIFE COMMUNITY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2018**

**FRIENDS LIFE COMMUNITY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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## CPA for the Not-For-Profit Sector

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Friends Life Community

We have audited the accompanying statement of financial position of Friends Life Community as of December 31, 2018, and the related statement 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 of 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 consolidated 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 Friends Life Community as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Thomason Financial Resources".

May 1, 2019

**FRIENDS LIFE COMMUNITY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 712,836
Accounts receivable	8,455
Contributions receivable	9,587
Prepays	12,590
Total current assets	<u>743,468</u>

**Property and Equipment** (net of  
accumulated depreciation of \$77,209)

43,691

**Other Assets**

Deposits	4,000
Total assets	<u><u>\$ 791,159</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 8,228
Accrued liabilities	20,299
Total current liabilities	<u>28,527</u>

**Net Assets**

Board-designated	545,000
Undesignated	213,529
Total net assets without donor restrictions	<u>758,529</u>
With donor restrictions	4,103
Total net assets	<u>762,632</u>

Total liabilities and net assets	<u><u>\$ 791,159</u></u>
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The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Public Support:			
Contributions	\$ 148,239	\$ 4,103	\$ 152,342
Grant Revenue	5,500	-	5,500
Special event revenue:			
Revenue	224,916	-	224,916
Less direct costs	(64,541)	-	(64,541)
Net revenue from special events	160,375	-	160,375
Total public support	314,114	4,103	318,217
Revenue:			
Tuition	365,599	-	365,599
Less: scholarships	(6,642)	-	(6,642)
Net tuition	358,957	-	358,957
Transportation fees	8,601	-	8,601
Life skills fees	32,196	-	32,196
Other program fees	3,020	-	3,020
Merchandise sales	12,555	-	12,555
Less: cost of sales	(5,994)	-	(5,994)
Net merchandise sales	6,561	-	6,561
Interest income	1,451	-	1,451
Total revenue	410,786	-	410,786
Total public support and revenue	724,900	4,103	729,003
<b>Expenses</b>			
Program services:			
Life skills	191,443	-	191,443
Service learning	89,284	-	89,284
Arts	144,581	-	144,581
Total program services	425,308		425,308
Supporting services:			
Management and general	195,332	-	195,332
Fundraising	87,586	-	87,586
Total supporting services	282,918	-	282,918
Total expenses	708,226	-	708,226
<b>Change in net assets</b>	16,674	4,103	20,777
Net assets at beginning of year	741,855	-	741,855
<b>Net assets at end of year</b>	<u>\$ 758,529</u>	<u>\$ 4,103</u>	<u>762,632</u>

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services				Supporting Services			
	<u>Life Skills</u>	<u>Service Learning</u>	<u>Arts</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 127,902	\$ 62,530	\$ 93,794	\$ 284,226	\$ 111,833	\$ 46,773	\$ 158,606	\$ 442,832
Employee benefits	14,091	6,889	10,335	31,315	13,126	4,098	17,224	48,539
Payroll taxes	9,144	4,471	6,706	20,321	9,439	2,754	12,193	32,514
Total compensation	151,137	73,890	110,835	335,862	134,398	53,625	188,023	523,885
Professional fees				-	16,082	9,500	25,582	25,582
Direct program services	6,897	1,251	5,780	13,928	-	-	-	13,928
Transportation	2,402	2,402	534	5,338	-	-	-	5,338
Telephone and internet	887	304	836	2,027	253	253	506	2,533
Technology	-	-	-	-	16,239	-	16,239	16,239
Office supplies	558	191	526	1,275	167	160	327	1,602
Development expense	-	-	-	-	-	14,476	14,476	14,476
Insurance	7,699	3,764	5,645	17,108	3,807	1,096	4,903	22,011
Travel and meetings	200	54	-	254	1,733	100	1,833	2,087
Facility rent	13,545	4,644	12,771	30,960	3,870	3,870	7,740	38,700
Utilities	4,266	1,463	4,022	9,751	1,219	1,219	2,438	12,189
Facility maintenance and repairs	3,852	1,321	3,632	8,805	1,100	1,100	2,200	11,005
Direct expenses of special events	-	-	-	-	-	64,541	64,541	64,541
Bank fees	-	-	-	-	-	2,187	2,187	2,187
Miscellaneous	-	-	-	-	6,614	-	6,614	6,614
Depreciation	-	-	-	-	9,850	-	9,850	9,850
Total expenses	191,443	89,284	144,581	425,308	195,332	152,127	347,459	772,767
Less: expenses netted with revenue on statement of activities;								
Direct expenses of special events	-	-	-	-	-	(64,541)	(64,541)	(64,541)
Total expenses by function	\$ 191,443	\$ 89,284	\$ 144,581	\$ 425,308	\$ 195,332	\$ 87,586	\$ 282,918	\$ 708,226
Current year's percentages	27.03%	12.61%	20.41%	60.05%	27.58%	12.37%	39.95%	100.00%

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Cash Flows From Operating Activities:**

Change in net assets	\$ 20,777
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,850
Changes in operating assets and liabilities:	
Accounts receivable	3,254
Contributions receivable	2,913
Prepays	(2,980)
Accounts payable	3,165
Accrued liabilities	(3,246)
Net cash provided by operating activities	<u>33,733</u>
 Net change in cash and cash equivalents	 33,733
Cash and cash equivalents at beginning of year	679,103
Cash and cash equivalents at end of year	<u><u>\$ 712,836</u></u>

**Supplemental disclosure of non-cash operating activities**

In-kind contribution of technology services	\$ 8,330
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The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Friends Life Community (the “Organization”), is a nonprofit organization chartered in the State of Tennessee in 2007, to create the opportunity for teenagers and adults with disabilities to develop socially, grow personally, and enjoy community as they experience life together. The Organization earns income from tuition and is supported primarily through individual contributions and special events.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.



**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Basis of Presentation-continued**

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At December 31, 2018, the Organization had no cash equivalents.

**Tuition Revenue and Related Receivables**

Participant tuition and program fees are recorded as revenues during the year the related program services are rendered. Financial aid provided by the Organization as well as sponsorships paid by individual contributions for tuition and educational fees are reflected as reductions in tuition and program fees.

The Organization periodically evaluates the balances on a student-by-student basis based on payment history to determine if any balances are uncollectible. When the Organization determines that a receivable is uncollectible, the balance is removed from the receivables balance and charged directly against tuition revenue. The Organization believes that all tuition receivables are fully collectible. Accordingly, no allowance for doubtful accounts is required as of December 31, 2018.

**Property and Equipment**

Property and equipment are recorded at cost to the Organization, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. Estimated useful lives are 5-7 years for office furniture, computers, equipment and vehicles and 39 years for leasehold improvements.

Expenditures for repairs and maintenance are charged to operations when incurred.

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Contributions Receivable**

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. All contributions are expected to be collected in less than one year

**Use of 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.

**Contributions**

Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

**In-Kind Contributions**

The Organization received contributions in a form other than cash or investments. The Organization received contributions of technology services with an estimated fair value of \$8,330, during the year ended December 31, 2018. Donated technology services are reported as contribution revenue and as technology expense in the statement of activities for year ended December 31, 2018.

**Income Taxes**

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Expense Recognition and Allocation**

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Facility rent, and other expenses that cannot be directly identified are also allocated on the basis of activity reports prepared by key personnel.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the website is updated with requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

**Change in Accounting Principles**

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The Organization has \$726,775 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$708,733, accounts receivable of \$8,455 and contributions receivable of \$9,587. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 90 days of normal operating expenses. The Organization also has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2018:

Vehicles	\$ 41,756
Office furniture	39,095
Building improvements	15,900
Office equipment	4,186
Computers	8,013
Website	<u>11,950</u>
	\$ 120,900
Less accumulated depreciation	( <u>77,209</u> )
	<u>\$ 43,691</u>

**NOTE 4 – CONCENTRATION OF RISK**

Amounts held in a financial institution occasionally are in excess of the Federal Deposit Insurance Corporation limit. The organization deposits its cash with a high quality financial institution, and management believes the organization is not exposed to significant credit risk on those amounts

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 5 – LEASE COMMITMENT**

The Organization leased office facilities under an operating lease which expires March 30, 2019. Rent expense for the year ended December 31, 2018 totaled \$38,700.

Future minimum rental payments under noncancellable operating leases are as follows:

	<b>Rents</b>
2019	9,900

**NOTE 6 – BOARD-DESIGNATED NET ASSETS**

In 2009, the Organization received \$600,000 donation from a local family foundation. The Board approved for these monies to be placed in a board designated fund and such funds are currently residing in a money market bank account. Any proposed use of these funds must be submitted in writing for consideration and approval by the Board. Since inception through December 31, 2018, approximately \$55,000 has been spent with a balance of \$545,000 as of December 31, 2018.

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2018, net assets with donor restrictions are available for the following purpose:

Purpose restriction – Artistic program	\$ 4,103
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**NOTE 8 – RETIREMENT PLAN**

The Organization sponsors a salary reduction contribution plan covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary or a fixed dollar amount to the plan. The Organization makes a matching contribution to employees' salary reduction contribution up to a limit of 3% of annual compensation. Contributions amounted to \$6,294 for year ended December 31, 2018.

**NOTE 9 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through May 1, 2019, the issuance of the Organization's financial statements.