

**FRIENDS LIFE COMMUNITY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2016**

**FRIENDS LIFE COMMUNITY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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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, 2016, 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**

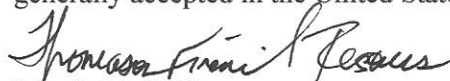
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2016, 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.

  
March 17, 2017

**FRIENDS LIFE COMMUNITY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 685,631
Accounts receivable	1,417
Grants receivable	10,000
Contributions receivable	25,903
Prepays	14,873
Total current assets	<u>737,824</u>

**Property and Equipment** (net of  
accumulated depreciation of \$55,746)

43,435

**Other Assets**

Deposits	4,890
Total assets	<u><u>\$ 786,149</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 8,195
Accrued liabilities	23,527
Deferred revenue	128
Total current liabilities	<u>31,850</u>

**Net Assets**

Board-designated	545,000
Undesignated	209,299
Total unrestricted net assets	<u>754,299</u>
Total net assets	<u>754,299</u>
Total liabilities and net assets	<u><u>\$ 786,149</u></u>

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Public Support:			
Contributions	\$ 54,470	\$ -	\$ 54,470
Grant Revenue	54,735	-	54,735
Special event revenue:			
Revenue	305,391	-	305,391
Less direct costs	(72,566)	-	(72,566)
Net revenue from special events	232,825	-	232,825
Total public support	342,030	-	342,030
 Revenue:			
Tuition	267,700	-	267,700
Less: scholarships	(5,800)	-	(5,800)
Net tuition	261,900	-	261,900
Transportation fees	5,701	-	5,701
Other program fees	4,928	-	4,928
Merchandise sales	6,703	-	6,703
Less: cost of sales	(4,675)	-	(4,675)
Net merchandise sales	2,028	-	2,028
Interest income	1,474	-	1,474
Total revenue	276,031	-	276,031
Net assets released from restrictions	15,000	(15,000)	-
Total public support and revenue	633,061	(15,000)	618,061
 <b>Expenses</b>			
Program services	356,947	-	356,947
Management and general	192,968	-	192,968
Fundraising	58,177	-	58,177
Total expenses	608,092	-	608,092
<b>Change in net assets</b>	24,969	(15,000)	9,969
Net assets at beginning of year	729,330	15,000	744,330
<b>Net assets at end of year</b>	<u>\$ 754,299</u>	<u>\$ -</u>	<u>\$ 754,299</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, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Payroll	\$ 218,619	\$ 117,633	\$ 43,508	\$ 379,760
Payroll taxes	18,260	9,825	3,635	31,720
Health insurance	25,734	8,158	3,017	36,909
Employee benefits	3,258	1,712	633	5,603
Total compensation	265,871	137,328	50,793	453,992
Professional services		23,269	5,453	28,722
Insurance	14,736	3,344	340	18,420
Mind, Body and Spirit	14,027	-	-	14,027
Transportation	4,468	-	-	4,468
Telephone and internet	2,771	692	-	3,463
Travel and meetings	1,855	464	-	2,319
Office supplies	2,882	720	-	3,602
Computer	3,800	-	-	3,800
Facility rent	28,000	7,000	-	35,000
Utilities	7,839	1,960	-	9,799
Facility maintenance and repairs	4,761	1,190	-	5,951
Direct expenses of special events	-	-	72,566	72,566
Bank fees	-	-	1,591	1,591
Depreciation	-	8,246	-	8,246
Other operating expenses	5,937	8,755	-	14,692
Total expenses	\$ 356,947	\$ 192,968	\$ 130,743	\$ 680,658
Less: expenses netted with revenue on statement of activities;				
Direct expenses of special events	-	-	(72,566)	(72,566)
Total expenses by function	\$ 356,947	\$ 192,968	\$ 58,177	\$ 608,092
Current year's percentages	59%	32%	10%	100%

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Cash Flows From Operating Activities:**

Change in net assets	\$ 9,969
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,246
Changes in operating assets and liabilities:	
Accounts receivable	909
Grants receivable	(10,000)
Contributions receivable	(22,303)
Prepays	(2,000)
Deposits	1,609
Accounts payable	3,704
Accrued liabilities	16,933
Deferred revenue	(1,722)
Net cash provided by operating activities	<u>5,345</u>

**Cash Flows From Investing Activities:**

Purchases of property and equipment	<u>(25,586)</u>
Net cash used in investing activities	<u>(25,586)</u>
 Net change in cash and cash equivalents	 (20,241)
Cash and cash equivalents at beginning of year	<u>705,872</u>
Cash and cash equivalents at end of year	<u><u>\$ 685,631</u></u>

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

In-kind contributions of facilities & materials for special events	\$ 26,215
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The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

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. There were no permanently or temporarily restricted net assets as of December 31, 2016.



**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

**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, 2016, 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 bad debt expense. The Organization believes that all tuition receivables are fully collectible. Accordingly, no allowance for doubtful accounts is required as of December 31, 2016.

**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.

**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.

**Grants Receivable**

The Organization considers grants and contracts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

**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 considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor 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.

**In-Kind Contributions**

The Organization received contributions in a form other than cash or investments. The Organization received contributions of facilities and supplies for use in conducting special events with an estimated fair value of \$26,215, during the year ended December 31, 2016. Donated use of facilities and supplies are reported as contributions in special event revenue and as special event expenses both in the statement of activities for year ended December 31, 2016.

**Deferred Revenue**

Tuition collected in advance of being earned has been included in the statement of financial position as deferred revenue. Such deferred revenue is recognizable within at least one year.

**Expense 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. Accordingly, certain costs have been allocated among programs and supporting services based on actual or estimated time employees spend on each function.

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

**Income Taxes**

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Organization 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 benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Tax years that remain open to examination include years ended December 31, 2013 through December 31, 2016.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2016:

Vehicles	\$ 41,756
Office furniture	20,070
Building improvements	15,900
Office equipment	4,185
Computers	5,320
Website	<u>11,950</u>
	\$ 99,181
Less accumulated depreciation	<u>( 55,746)</u>
	<u>\$ 43,435</u>

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 – 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.

**NOTE 4 – RESTRICTIONS ON NET ASSETS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<b><u>2016</u></b>
Residential Community	\$ 15,000

**NOTE 5 – LEASE COMMITMENT**

The Organization leased office facilities under an operating lease which expires March 30, 2018. Rent expense for the year ended December 31, 2016 totaled \$35,000.

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

	<b>Rents</b>
2017	36,000
2018	<u>9,000</u>
	<u>\$ 45,000</u>

**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, 2016, approximately \$55,000 has been spent with a balance of \$545,000 as of December 31, 2016.

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 – 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 \$5,604 for year ended December 31, 2016.

**NOTE 8 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through March 17, 2017, the issuance of the Organization's financial statements.