

FRIENDS LIFE  
FINANCIAL STATEMENTS  
Year Ended December 31, 2009

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Friends Life  
Nashville, Tennessee

We have audited the accompanying statement of financial position of Friends Life as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

Because we were not engaged as auditors until after December 31, 2008, and in accordance with the terms of our engagement, we have not applied audit procedures necessary to satisfy ourselves about the classifications and amounts comprising the balance sheet at December 31, 2008. Significant aspects of the balance sheet at that date, including classifications and amounts, materially affect the determination of the changes in net assets and cash flows for the year ended December 31, 2009.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the changes in net assets and cash flows for the year ended December 31, 2009, or on the consistency of application of accounting principles with the preceding year.

In our opinion, the statement of financial position referred to in the first paragraph presents fairly, in all material respects, the financial position of Friends Life at December 31, 2009, in conformity with generally accepted accounting principles in the United States of America.

*Byrd, Proctor & Mills, P.C.*

November 2, 2010

FRIENDS LIFE  
STATEMENT OF FINANCIAL POSITION  
December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 73,422	\$ 600,000	\$ 673,422
Accounts receivable	11,480	-	11,480
Prepaid expenses and other current assets	<u>2,336</u>	<u>-</u>	<u>2,336</u>
Total current assets	87,238	600,000	687,238
PROPERTY AND EQUIPMENT			
Vehicles	27,266	-	27,266
Accumulated depreciation	<u>(3,181)</u>	<u>-</u>	<u>(3,181)</u>
	<u>24,085</u>	<u>-</u>	<u>24,085</u>
	<u><u>\$ 111,323</u></u>	<u><u>\$ 600,000</u></u>	<u><u>\$ 711,323</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	<u>\$ 2,098</u>	<u>\$ -</u>	<u>\$ 2,098</u>
Total current liabilities	2,098	-	2,098
NET ASSETS			
Unrestricted	109,225	-	109,225
Temporarily restricted	<u>-</u>	<u>600,000</u>	<u>600,000</u>
	<u>109,225</u>	<u>600,000</u>	<u>709,225</u>
	<u><u>\$ 111,323</u></u>	<u><u>\$ 600,000</u></u>	<u><u>\$ 711,323</u></u>

See accompanying notes.

FRIENDS LIFE  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 111,031	\$ 627,266	\$ 738,297
Program revenues	43,888	-	43,888
Special events	21,745	-	21,745
Interest income	106	-	106
Net assets released from restrictions	<u>27,266</u>	<u>(27,266)</u>	<u>-</u>
Total revenue, gains and other support	204,036	600,000	804,036
EXPENSES			
Program services	100,684	-	100,684
Supporting services			
Management and general	47,090	-	47,090
Fundraising	<u>6,541</u>	<u>-</u>	<u>6,541</u>
	<u>53,631</u>	<u>-</u>	<u>53,631</u>
Total expenses	154,315	-	154,315
CHANGE IN NET ASSETS	49,721	600,000	649,721
NET ASSETS - BEGINNING OF YEAR	<u>59,504</u>	<u>-</u>	<u>59,504</u>
NET ASSETS - END OF YEAR	<u><u>\$ 109,225</u></u>	<u><u>\$ 600,000</u></u>	<u><u>\$ 709,225</u></u>

See accompanying notes.

FRIENDS LIFE  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2009

	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 5,103	\$ -	\$ -	\$ 5,103
Salaries	66,441	26,896	-	93,337
Employee benefits	497	1,862	-	2,359
Payroll taxes	6,365	2,212	-	8,577
Events	1,066	-	-	1,066
Food and meals	1,561	92	-	1,653
Miscellaneous	1,146	420	-	1,566
Program supplies	6,767	-	-	6,767
Travel	707	262	-	969
Advertising	-	444	-	444
Auto expenses	-	152	-	152
Bank fees	-	29	-	29
Computer expenses	-	1,562	-	1,562
Depreciation expense	3,181	-	-	3,181
Dues and subscriptions	-	642	-	642
Fundraising	-	-	6,541	6,541
Insurance	1,054	4,466	-	5,520
Interest expense	-	182	-	182
Laundry and uniforms	-	512	-	512
Materials and supplies	-	1,491	-	1,491
Office expenses	-	170	-	170
Other taxes and licenses	-	171	-	171
Postage	-	480	-	480
Program development	114	189	-	303
Rent	-	2,400	-	2,400
Repairs and maintenance	-	608	-	608
Strategic planning	6,682	-	-	6,682
Telephone	-	1,649	-	1,649
Training expense	-	199	-	199
	<u>\$ 100,684</u>	<u>\$ 47,090</u>	<u>\$ 6,541</u>	<u>\$ 154,315</u>

See accompanying notes.

FRIENDS LIFE  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 649,721
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	3,181
(Increase) decrease in:	
Accounts receivable	(11,240)
Prepaid expenses and other current assets	(2,336)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>1,450</u>
Net cash provided by operating activities	640,776

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(27,266)</u>
Net cash used by investing activities	(27,266)

Net increase in cash	613,510
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

59,912

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 673,422

SUPPLEMENTAL DISCLOSURES

Interest paid	<u><u>\$ 182</u></u>
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See accompanying notes.

FRIENDS LIFE  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Friends Life (the Organization) is a Tennessee nonprofit corporation. The Organization provides a program offering educational, recreational, work and enrichment opportunities to adults with disabilities in the Nashville, Tennessee area. The Organization is primarily supported from program fees and contributions.

The financial statements are prepared on the accrual basis of accounting. This method of accounting recognizes revenue when earned and expenses when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions receivable are recorded at the time a promise is made.

Cash and Cash Equivalents

For the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of fees, dues from program services, and unconditional promises to give. Management believes that the accounts are fully collectable and that no allowance for doubtful accounts is necessary.

Property and Equipment

The Organization capitalizes all expenditures for equipment and leasehold improvements in excess of \$500. Purchased equipment and leasehold improvements are carried at cost. Donated equipment and leasehold improvements are carried at their approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Management's Estimates

Preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



FRIENDS LIFE  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

Advertising

Advertising is expensed when incurred.

Donated Services

Volunteers have donated significant amounts of time to the Organization without compensation. The fair value of these services is not reflected in the accompanying financial statements, in as much as there is no objective basis on which to measure the value of such services.

Donated Equipment and Marketable Securities

Donated equipment, marketable securities and other noncash donations are recorded as contributions at their estimated market value at the date of receipt.

Income Tax Status

The Organization qualifies as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. In addition, they qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(2).

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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and certain reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Evaluation of Events Occurring After the Financial Statement Date

Management has evaluated subsequent events through November 2, 2010, the date the financial statements were available to be issued.

NOTE 2 – LEASES

The Organization leases its operating space under a month-to-month operating lease. Total rent expense under operating leases was \$2,400 for the year ended December 31, 2009.

NOTE 3 – RETIREMENT PLAN

The Organization has a SIMPLE-IRA retirement plan covering all employees who meet the eligibility requirements. Contributions to the plan were \$679 for the year ended December 31, 2009.

FRIENDS LIFE  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

NOTE 4 – CONCENTRATIONS

During 2009, one donor and a related foundation contributed approximately 88% of total contributions.

The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled \$424,943 at December 31, 2009. The Organization maintains its cash with a high quality financial institution which the Organization believes limits these risks.

NOTE 5 – TEMPORARILY RESTRICTED 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.

Purpose restrictions accomplished:

Purchase of vehicles	<u>\$ 27,266</u>
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Temporarily restricted net assets consist of the following:

Purchase or rental of new facility	<u>\$ 600,000</u>
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