

FRIENDS IN GENERAL, INC.

FINANCIAL STATEMENTS

June 30, 2012 and 2011

FRIENDS IN GENERAL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends in General, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Friends in General, Inc. (a non-profit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends in General, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

September 14, 2012

FRIENDS IN GENERAL, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 129,039	\$ 244,264
Contributions receivable	43,300	63,000
Accounts receivable - other	5,046	-
	<u>177,385</u>	<u>-</u>
Total assets	<u>\$ 177,385</u>	<u>\$ 307,264</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 3,841	\$ 43,672
Grants payable	-	4,301
	<u>3,841</u>	<u>47,973</u>
Total liabilities	<u>3,841</u>	<u>47,973</u>
Net assets:		
Unrestricted	130,244	196,291
Temporarily restricted	43,300	63,000
	<u>173,544</u>	<u>259,291</u>
Total net assets	<u>173,544</u>	<u>259,291</u>
Total liabilities and net assets	<u>\$ 177,385</u>	<u>\$ 307,264</u>

See accompanying notes.

FRIENDS IN GENERAL, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributions and other	\$ 24,671	\$ 86,600	\$ 111,271
Less refunds of prior year grants	(41,703)	-	(41,703)
In-kind donations	54,049	-	54,049
Interest income	172	-	172
Net assets released from timing restrictions	106,300	(106,300)	-
Total revenue	143,489	(19,700)	123,789
Expenses:			
Program services	184,098	-	184,098
Management and general	24,374	-	24,374
Fundraising costs	1,064	-	1,064
Total expenses	209,536	-	209,536
Change in net assets	(66,047)	(19,700)	(85,747)
Net assets, beginning of year	196,291	63,000	259,291
Net assets, end of year	\$ 130,244	\$ 43,300	\$ 173,544

See accompanying notes.

FRIENDS IN GENERAL, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Contributions and other	\$ 126,962	\$ 63,000	\$ 189,962
In-kind donations	61,972	-	61,972
Interest income	187	-	187
Net assets released from timing restrictions	<u>65,000</u>	<u>(65,000)</u>	<u>-</u>
Total revenue	<u>254,121</u>	<u>(2,000)</u>	<u>252,121</u>
Expenses:			
Program services	225,342	-	225,342
Management and general	23,443	-	23,443
Fundraising costs	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>248,785</u>	<u>-</u>	<u>248,785</u>
Change in net assets	5,336	(2,000)	3,336
Net assets, beginning of year	<u>190,955</u>	<u>65,000</u>	<u>255,955</u>
Net assets, end of year	<u><u>\$ 196,291</u></u>	<u><u>\$ 63,000</u></u>	<u><u>\$ 259,291</u></u>

See accompanying notes.

FRIENDS IN GENERAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 67,986	\$ -	\$ -	\$ 67,986
Mammograms in May grants	48,559	-	-	48,559
Salaries (in-kind)	33,486	9,591	-	43,077
Nurse Navigator	15,660	-	-	15,660
In-Kind donations	10,972	-	-	10,972
Workshops	8,014	-	-	8,014
Professional fees	-	4,575	-	4,575
Computer	-	2,074	-	2,074
Radical Loving Care	1,797	-	-	1,797
Insurance	-	1,744	-	1,744
Dues and subscriptions	-	1,594	-	1,594
Office expense	-	1,558	-	1,558
Marketing	-	1,146	-	1,146
Fundraising	-	-	1,064	1,064
Staff development and meetings	-	1,063	-	1,063
Other	-	829	-	829
Licenses and dues	-	200	-	200
Other grant expenses	(2,376)	-	-	(2,376)
	<u>\$ 184,098</u>	<u>\$ 24,374</u>	<u>\$ 1,064</u>	<u>\$ 209,536</u>

See accompanying notes.

FRIENDS IN GENERAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services	Management and General	Fundraising	Total
Salaries (in-kind)	\$ 50,712	\$ 8,810	\$ -	\$ 59,522
Mammograms in May grants	55,612	-	-	55,612
Salaries and benefits	45,214	-	-	45,214
Nurse Navigator	40,818	-	-	40,818
Radical Loving Care	13,957	-	-	13,957
Workshop expense	6,979	-	-	6,979
Catering expenses	5,046	-	-	5,046
Other grant expenses	4,554	-	-	4,554
Staff development and meetings	-	4,335	-	4,335
Professional fees	-	4,020	-	4,020
Licenses and dues	-	2,477	-	2,477
In-kind donations	2,450	-	-	2,450
Office expense	-	1,824	-	1,824
Insurance	-	1,420	-	1,420
Other	-	557	-	557
	<u>\$ 225,342</u>	<u>\$ 23,443</u>	<u>\$ -</u>	<u>\$ 248,785</u>

See accompanying notes.

FRIENDS IN GENERAL, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (85,747)	\$ 3,336
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in operating assets and liabilities:		
Contributions receivable	19,700	2,000
Accounts receivable - other	(5,046)	-
Accounts payable	(39,831)	25,992
Grants payable	<u>(4,301)</u>	<u>(11,443)</u>
Net cash (used in) provided by operating activities	<u>(115,225)</u>	<u>19,885</u>
Net (decrease) increase in cash and cash equivalents	(115,225)	19,885
Cash and cash equivalents, beginning of year	<u>244,264</u>	<u>224,379</u>
Cash and cash equivalents, end of year	<u><u>\$ 129,039</u></u>	<u><u>\$ 244,264</u></u>

See accompanying notes.

FRIENDS IN GENERAL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

General

Friends in General, Inc. (“Friends”) was established in 1977 as a Tennessee nonprofit corporation to provide resources to support various programs of Nashville General Hospital at Meharry (“NGHM”).

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 stipulations that may or will be met, either by actions of Friends and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor imposed stipulations that they be maintained permanently. Friends has no permanently restricted net assets at June 30, 2012 and 2011.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Friends considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions

Contributions are recognized when the donor makes a promise to give to Friends that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions 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. Friends uses the allowance method to determine uncollectible contributions receivable.

FRIENDS IN GENERAL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Donated Goods and Services

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Friends receives executive director and other program and administrative services from employees of NGHМ. The value of such services (\$43,077 and \$59,522 for 2012 and 2011, respectively) is recorded as an in-kind donation. The value of donated goods (\$10,972 and \$2,450 for 2012 and 2011, respectively) is also recorded as an in-kind donation.

Additionally, Friends receives a significant amount of contributed time from unpaid members and volunteers who assist in fundraising and special projects that does not meet the recognition criteria described above. Accordingly, the value of the contributed time has not been determined and is not reflected in the accompanying financial statements.

Income Taxes

No provision for federal income taxes is made in the accompanying financial statements, as Friends is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

Friends follows the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Friends has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended June 30, 2009 through June 30, 2012.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 IN GENERAL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Functional Allocation of Expenses

Expenses have been allocated between program, management and general and fundraising based on estimates made by management.

Subsequent Events

Friends evaluated subsequent events through September 14, 2012, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

NOTE 2 – GRANTS PAYABLE

Friends' primary function is to provide funds to NGHМ. NGHМ is a publicly supported, academically affiliated, community based hospital committed to providing excellent healthcare regardless of age, race, creed, gender, sexual preference or ability to pay. Contributions are primarily made to support NGHМ's programs which have included free mammograms to low-income women as well as other healthcare related services such as special machines from which patients can get certain prescriptions filled. Unconditional promises to give have been recorded as a liability in Friends' statements of financial position for amounts promised to give to NGHМ at June 30, 2011. Friends did not have any promises to give at June 30, 2012.

During 2012, Friends determined that they had not spent previous grant monies awarded and received in prior years from the Radical Loving Care grant and the Nurse Navigator grant in the stated time period per the related grant agreements. As such, these monies were returned to the grantor agencies during 2012. The amount refunded in 2012 was \$41,703 and has been included in the June 30, 2012 Statement of Activities as a decrease in revenue.

NOTE 3 – CONCENTRATIONS

Friends received approximately 45% of its contributions from one major donor for the year ended June 30, 2012. Friends received approximately 48% of its contributions from two major donors for the year ended June 30, 2011. A decrease in the level of support from those donors, if this were to occur, would have a significant impact on Friends' ability to fund its programs. Friends intends to increase fundraising efforts and its variety of contributors by applying for additional grants and soliciting donor support.

FRIENDS IN GENERAL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following promises to give to Friends in the future at June 30:

	<u>2012</u>	<u>2011</u>
Nurse Navigator	\$ -	\$ 18,000
Susan Komen Foundation	37,500	37,500
Tennessee Breast Coalition	<u>5,800</u>	<u>7,500</u>
	<u>\$ 43,300</u>	<u>\$ 63,000</u>

NOTE 5 – RELATED PARTIES

Bordeaux Long-Term Care and Knowles Home Assisted Living & Adult Day Care (“Bordeaux”) and NGHМ are related to Friends under the Hospital Authority. Both parties provide program services to Friends. For the years ended June 30, 2012 and 2011, Bordeaux and NGHМ had provided program services to Friends in the amount of \$15,660 and \$40,818, respectively.

Friends shares a portion of the salary expense for their development director with NGHМ for the first two years of employment. The development director was hired during fiscal year 2010. The portion of salary expense paid by NGHМ amounted to \$33,486 and \$50,712 for the years ended June 30, 2012 and 2011, respectively, and is recorded as an in-kind donation.

Friends pays for a portion of the Mammograms in May program at NGHМ. The amounts paid to NGHМ for the Mammograms in May program amounted to \$39,071 and \$55,612 for the years ended June 30, 2012 and 2011, respectively.



September 14, 2012

To the Board of Directors of
Friends in General, Inc.

We have audited the financial statements of Friends of General, Inc. for the year ended June 30, 2012, and have issued our report thereon dated September 14, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Friends in General, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allocation of functional expenses is based on expenses of each function, including costs directly associated with the function and any allocated depreciation and other indirect costs determined to benefit the function. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not note any material misstatements through our audit procedures performed.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 14, 2012.

Management Consultations with Other Independent Accountants

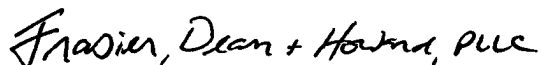
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of Friends in General, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Frasier, Dean & Howard, PLLC".

Frasier, Dean & Howard, PLLC