

FRIENDS LIFE COMMUNITY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015

**FRIENDS LIFE COMMUNITY
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Table of Contents	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



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, 2015, 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, 2015, 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 blue ink, appearing to read "Kim Resauer", is written over the printed name.

April 12, 2016

**FRIENDS LIFE COMMUNITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

ASSETS

Current Assets

Cash and cash equivalents	\$ 705,872
Accounts receivable	2,326
Contributions receivable	3,600
Prepays	12,873
Total current assets	<u>724,671</u>

Property and Equipment (net of
accumulated depreciation of \$47,500)

26,095

Other Assets

Deposits	6,499
Total assets	<u><u>\$ 757,265</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 4,491
Accrued liabilities	6,594
Deferred revenue	1,850
Total current liabilities	<u>12,935</u>

Net Assets

Board-designated	545,000
Undesignated	184,330
Total Unrestricted	<u>729,330</u>
Temporarily restricted	15,000
Total net assets	<u>744,330</u>

Total liabilities and net assets	<u><u>\$ 757,265</u></u>
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The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 37,734	\$ -	\$ 37,734
Grant Revenue	41,500	-	41,500
Special event revenue:			
Revenue	242,138	-	242,138
Less direct costs	(65,830)	-	(65,830)
Net revenue from special events	176,308	-	176,308
Total public support	255,542	-	255,542
Revenue:			
Tuition	283,279	-	283,279
Less: scholarships	(2,400)	-	(2,400)
Net tuition	280,879	-	280,879
Transportation fees	4,929	-	4,929
Employment sales	1,969	-	1,969
Less: cost of sales	(1,872)	-	(1,872)
Net employment sales	97	-	97
Interest income	1,477	-	1,477
Total revenue	287,382	-	287,382
Net assets released from restrictions	8,947	(8,947)	-
Total public support and revenue	551,871	(8,947)	542,924
Expenses			
Program services	336,982	-	336,982
Management and general	171,768	-	171,768
Fundraising	36,107	-	36,107
Total expenses	544,857	-	544,857
Change in net assets	7,014	(8,947)	(1,933)
Net assets at beginning of year	722,316	23,947	746,263
Net assets at end of year	\$ 729,330	\$ 15,000	\$ 744,330

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Payroll	\$ 219,070	\$ 102,079	\$ 25,520	\$ 346,669
Payroll taxes	17,776	8,003	2,001	27,780
Health insurance	17,021	7,259	1,815	26,095
Employee benefits	3,767	744	186	4,697
Total compensation	257,634	118,085	29,522	405,241
Professional services		23,808	3,138	26,946
Insurance	6,799	9,963	175	16,937
Mind, Body and Spirit	3,375	-	-	3,375
Transportation	11,730	-	-	11,730
Employment program	439	-	-	439
Telephone and internet	3,194	798	-	3,992
Travel and meetings	4,855	1,214	-	6,069
Office supplies	2,342	585	-	2,927
Computer	665	-	-	665
Marketing	4,575	-	1,989	6,564
Facility rent	26,400	6,600	-	33,000
Utilities	7,189	1,797	-	8,986
Facility maintenance and repairs	5,381	1,345	-	6,726
Direct expenses of special events	-	-	65,830	65,830
Bank fees	-	-	1,283	1,283
Depreciation	-	4,709	-	4,709
Other operating expenses	2,404	2,864	-	5,268
Total expenses	\$ 336,982	\$ 171,768	\$ 101,937	\$ 610,687
Less: expenses netted with revenue on statement of activities;				
Direct expenses of special events	-	-	(65,830)	(65,830)
Total expenses by function	\$ 336,982	\$ 171,768	\$ 36,107	\$ 544,857
Current year's percentages	62%	32%	7%	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, 2015**

Cash Flows From Operating Activities:

Change in net assets	\$ (1,933)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	4,709
Changes in operating assets and liabilities:	
Accounts receivable	(2,326)
Contributions receivable	1,400
Prepays	(4,332)
Deposits	401
Accounts payable	2,247
Accrued liabilities	2,789
Deferred revenue	47
Net cash provided by operating activities	<u>3,002</u>

Cash Flows From Investing Activities:

Purchases of property and equipment	<u>(2,400)</u>
Net cash used in investing activities	<u>(2,400)</u>
Net increase in cash and cash equivalents	602
Cash and cash equivalents at beginning of year	705,270
Cash and cash equivalents at end of year	<u><u>\$ 705,872</u></u>

The accompanying notes are an integral part of these financial statements

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 restricted net assets as of December 31, 2015.

**FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

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, 2015, 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, 2015.

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.

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, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continue

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.

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, 2012 through December 31, 2015.

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.

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015:

Vehicles	\$ 27,266
Office furniture	18,524
Building improvements	15,900
Office equipment	4,185
Computers	5,320
Work in progress	<u>2,400</u>
	\$ 73,595

Less accumulated depreciation	(47,500)
	<u>\$ 26,095</u>

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

Temporarily restricted net assets consist of the following at December 31, 2015 for the following purposes:

	<u>2015</u>
Residential Community	\$15,000

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:

	<u>2015</u>
Mind Body Spirit Program	\$ 8,947

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5 – LEASE COMMITMENT

The Organization leased office facilities under an operating lease which expired December 15, 2015. Rent expense for the year ended December 31, 2015 totaled \$33,000.

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, 2015, approximately \$55,000 has been spent with a balance of \$545,000 as of December 31, 2015.

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 \$4,697 for year ended December 31, 2015.

NOTE 8 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through April 12, 2016, the issuance of the Organization's financial statements.