

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

(With Independent Auditor's Report Thereon)

FARMER & ASSOCIATES, PLLC

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Independent Auditor's Report

To the Board of Directors
My Friend's House Family and Children Services, Inc.

We have audited the accompanying comparative statement of financial position of My Friend's House Family and Children Services, Inc. as of June 30, 2009 and 2008 and the related comparative statements of activities, changes in net assets, 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 presents fairly, in all material respects, the financial position of My Friend's House Family and Children Services, Inc. as of June 30, 2009 and 2008, 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.

Farmer & Associates, PLLC

July 15, 2009
Franklin, Tennessee

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 145,160	\$ 126,545
Unconditional promises to give	63,251	60,250
Contracts receivables	34,385	76,961
	242,796	263,756
Total Current Assets		
Restricted cash	52,680	52,680
PROPERTY AND EQUIPMENT		
Land	80,000	80,000
Building and improvements	220,169	220,169
Furniture and equipment	88,536	80,461
Vehicles	34,156	34,156
	422,861	414,786
Less accumulated depreciation	138,298	120,141
Total Property and Equipment	284,563	294,645
Total Assets	\$ 580,039	\$ 611,081
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Mortgage payable - current portion	\$ 2,243	\$ 1,969
Accounts payable	5,120	5,898
Accrued expenses	70	9,686
	7,433	17,553
Total Current Liabilities		
Mortgage payable - long term portion	141,213	143,447
Total liabilities	148,646	161,000
NET ASSETS		
Unrestricted	275,774	390,081
Temporarily restricted	155,619	60,000
Total Net Assets	431,393	450,081
Total Liabilities and Net Assets	\$ 580,039	\$ 611,081

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Changes in Unrestricted Net Assets		
Support and Revenue		
Reimbursement	\$291,133	\$331,601
Contributions	117,041	171,880
Interest and other	9,809	7,230
Net assets released from restriction	60,000	177,174
Total Support and Revenue	477,983	687,884
Expense		
My Friends House	373,448	315,141
Evening Diversion	74,681	73,897
Administrative	109,382	90,073
Fundraising	34,779	56,894
	592,290	536,006
Increase (Decrease) in Unrestricted Net Assets	(114,307)	151,878
Change in Temporarily Restricted Net Assets		
Contributions	155,619	143,849
Net assets released from temporary restrictions	60,000	177,174
Total increase (decrease) in temporarily restricted assets	95,619	(33,325)
Total Increase (Decrease) in Net Assets	(18,688)	118,553
Net assets, beginning of year	450,081	331,528
Net assets, end of year	431,393	450,081

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED JUNE 30, 2009 and 2008

	2009					2008				
	Program Services	Program Services	Management and General	Fund Raising	Total	Program Services	Program Services	Management and General	Fund Raising	Total
	MFH	Evening Diversion				MFH	Evening Diversion			
Payroll and payroll taxes	278,000	44,529	34,351	-	356,880	236,377	38,612	25,935	15,838	316,763
Employee benefits	19,054	11,569	3,403	-	34,025	19,839	9,599	2,560	1,681	33,679
Insurance	4,276	4,276	1,120	509	10,181	5,801	5,801	1,520	691	13,813
Office supplies and expense	-	-	8,492	-	8,492	-	-	10,014	-	10,014
Rental, repairs and maintenance	10,739	1,163	2,700	-	14,602	6,274	758	5,130	-	12,162
Telephone and utilities	9,265	3,612	4,518	-	17,395	7,691	2,778	4,063	-	14,533
Food and supplies	20,565	2,830	-	-	23,395	16,488	7,660	-	-	24,147
Child expense	10,129	5,272	-	-	15,401	11,757	2,249	-	-	14,007
Vehicle expense	-	-	3,596	-	3,596	-	-	6,941	-	6,941
Depreciation	-	-	22,493	-	22,493	-	-	16,896	-	16,896
Professional fees	8,929	1,235	7,759	-	17,923	5,232	6,215	6,577	-	18,024
Fundraising	-	-	-	34,270	34,270	-	-	-	38,684	38,684
Interest	-	-	9,542	-	9,542	-	-	9,690	-	9,690
Travel and milage	5,964	7	-	-	5,971	4,286	104	-	-	4,390
Training and conferences	6,527	189	-	-	6,716	1,396	120	-	-	1,516
Bad debt	-	-	9,550	-	9,550	-	-	-	-	0
Miscellaneous	-	-	1,858	-	1,858	-	-	747	-	747
	<u>\$ 373,448</u>	<u>74,681</u>	<u>109,382</u>	<u>34,779</u>	<u>592,290</u>	<u>\$ 315,141</u>	<u>\$ 73,897</u>	<u>90,073</u>	<u>56,894</u>	<u>536,006</u>

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
COMPARATIVE STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (18,688)	\$ 118,553
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
In-Kind (non-cash) contributions of fixed assets	-	(23,880)
Depreciation	22,493	16,896
(Increase) decrease in receivables	42,576	(52,817)
(Increase) decrease in unconditional promises to give	(3,001)	1,750
Increase (decrease) in accounts payable	(778)	(188)
Increase (decrease) in other accrued liabilities	(9,756)	5,115
Total adjustments	53,090	(53,125)
Net Cash Provided (Used) by Operating Activities	34,402	65,429
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	(13,828)	(11,551)
Net Cash Used by Investing Activities	(13,828)	(11,551)
Cash Flows From Financing Activities		
Borrowings	-	-
Payments of mortgage payable	(1,960)	(1,811)
Net Cash Provided (Used) by Financing Activities	(1,960)	(1,811)
Increase (decrease) in cash	18,614	52,067
Cash, beginning of year	179,225	127,158
Cash, end of year	\$ 197,840	\$ 179,225
Supplemental disclosures:		
Cash paid for interest	\$ 9,542	\$ 9,690

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

Williamson County Youth, Inc., a Tennessee not-for-profit corporation (the "Organization"), was organized in 1982 to assist the youth of Williamson County, Tennessee by providing emergency shelter, food, clothing, counseling and other necessities. The Organization changed its name in November 2008 to My Friend's House Family and Children Services, Inc. The Organization's primary source of revenue is a level two residential services contract; there are three child care provider agencies referring children. Under the terms of the contract, the amount of funding received by the Organization is determined based on a daily cost rate per client served. Other sources of revenue include United Way allocations and donor contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of My Friend's House Family and Children Services, Inc. have been prepared on the accrual basis of accounting. The financial statements reflect unrestricted, temporarily restricted, and permanently restricted net assets and activities. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated amounts for improvement of property at 630 Eastview Dr. of \$87,000 as of June 30, 2008 and 2007, are reported as part of the unrestricted class. The Organization had no permanently restricted net assets at June 30, 2008 and 2007.

Concentration of Credit Risk

All of the Organization's cash is held in two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures aggregate deposits up to \$250,000 per bank per depositor for the year ended June 30, 2009 and \$100,000 for the year ended June 30, 2008. At June 30, 2008 deposits exceeded this limit by approximately \$79,000. Typically, approximately forty to fifty percent of the Organization's revenue, (100% of its service fee revenue), is attributable to one source.

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.

Promises to Give

Unconditional promises to give are recognized as revenues in the period in which the promises are made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization recognized unconditional promises to give of approximately \$63,000 in 2009 and \$60,000 in 2008. Promises to give are recorded at their net realizable value and are expected to be collected in less than one year.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts Receivable

The Organization's management considers the accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary. The Organization's policy regarding delinquent receivables is based on the age of the receivable and is charged off when management determines it to be uncollectible. Accounts receivable at June 30 consist of:

Contracts receivable	\$ 16,695
Receivable from the Department of Children's Services	8,610
Receivable from private placement	<u>9,080</u>
	\$ 34,385

Property and Equipment

Property and equipment are reported at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated principally using the straight-line method over their estimated useful lives ranging from five years for furniture and equipment and thirty-one to thirty-nine years for building property and additions.

Long-lived Assets

The Organization periodically reviews the values assigned to long-lived assets to determine if any impairments are other than temporary. Management believes that the long-lived assets in the accompanying statements of financial position are appropriately valued.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor stipulations that limit the use of the donated assets either on a temporary or permanent basis. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Functional Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Reclassifications

Certain amounts for the prior year presentation have been reclassified to conform to the current year's presentation.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments and certificates of deposits with original maturities of three months or less, to be cash equivalents.

Contributed Services

During the years ended June 30, 2009 and 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the program facilities, but these services do not meet the criteria for recognition as contributed services. The Organization receives more than 3,000 volunteer hours per year.

3. TEMPORARY RESTRICTIONS ON NET ASSETS

Net assets temporarily restricted relate to United Way allocations receivable during the next fiscal year, and contributions received for building repairs and maintenance. Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2009</u>	<u>2008</u>
For subsequent periods	\$ 122,705	\$ 60,000
For specific purpose	<u>32,914</u>	<u>-</u>
	<u>\$ 155,619</u>	<u>\$ 60,000</u>

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

4. MORTGAGE PAYABLE

The Organization has a mortgage payable to Green Bank of \$143,456 and \$145,416 as of June 30, 2009 and 2008 respectively payable in monthly installments of \$958 including interest at 6.5%. The final payment is due December 2035. The house at 626 Eastview Dr., Franklin, TN collateralizes the mortgage.

Aggregate mortgage payable maturities are as follows for the next five years:

2010	2,243
2011	2,393
2012	2,553
2013	2,725
2014 and thereafter	133,542