

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

FINANCIAL STATEMENTS

JUNE 30, 2018

(With Independent Auditor's Report Thereon)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
My Friends House Family and Children Services, Inc.
Nashville, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of My Friends House Family and Children Services, Inc. which comprise the statement of financial position as of June 30, 2018, and the related statements of changes in net assets, functional expense and cash flows 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 consolidated 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of My Friends House Family and Children Services, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A J Farmer, CPA

Franklin, Tennessee
November 26, 2018

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS	<u>2018</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 50,892
Contracts receivables	<u>21,668</u>
Total Current Assets	<u>72,560</u>
Restricted cash, including board designated cash	<u>26,552</u>
PROPERTY AND EQUIPMENT	
Land	20,000
Building and improvements	160,500
Furniture and equipment	58,177
Vehicles	64,156
Construction in progress	<u>52,319</u>
	355,151
Less accumulated depreciation	<u>192,064</u>
Total Property and Equipment	<u>163,087</u>
Other assets	<u>380</u>
Total Assets	<u><u>\$ 262,579</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 6,021
Accrued expenses	<u>8,210</u>
Total Current Liabilities	<u>14,231</u>
Total liabilities	<u>14,231</u>
NET ASSETS	
Unrestricted	196,409
Temporarily restricted	<u>51,939</u>
Total Net Assets	<u>248,348</u>
Total Liabilities and Net Assets	<u><u>\$ 262,579</u></u>

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Changes in Unrestricted Net Assets	
Support and Revenue	
Reimbursement	\$267,420
Contributions	295,190
Interest and other	36
Net assets released from restriction	17,000
Total Support and Revenue	579,646
Expense	
My Friends House	317,361
Administrative	149,172
Fundraising	37,405
	503,938
Increase (Decrease) in Unrestricted Net Assets	75,708
Change in Temporarily Restricted Net Assets	
Contributions	-
Net assets released from temporary restrictions	17,000
Total increase (decrease) in temporarily restricted assets	17,000
Gain on sale	600
Total Increase (Decrease) in Net Assets	59,308
Net assets, beginning of year	207,957
Prior period adjustment, (additional accrual made subsequent to audit for bonus).	18,916
Net assets, beginning of year restated	189,041
Net assets, end of year	248,348

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED JUNE 30, 2018

2018

	Program Services	Management and General	Fund Raising	Total
Payroll and payroll taxes	244,999	88,450	-	333,449
Employee benefits	13,342	7,836	-	21,178
Insurance	11,427	1,496	680	13,603
Office supplies and expense	-	7,151	-	7,151
Rental, repairs and maintenance	1,598	7,492	-	9,090
Telephone and utilities	6,161	3,034	-	9,195
Food and supplies	17,969	-	-	17,969
Title I expense	0	-	-	0
Depreciation	10,823	4,639	-	15,462
Professional fees	0	21,125	-	21,125
Fundraising	-	-	36,725	36,725
Interest	-	274	-	274
Travel and milage	9,331	-	-	9,331
Training and conferences	1,711	-	-	1,711
Communications	-	5,648	-	5,648
Pre employment	-	2,027	-	2,027
Miscellaneous	-	0	-	0
	\$ 317,361	149,172	37,405	503,938

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2018

	2018
Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ 59,308
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:	
Prior period adjustment	(18,916)
Depreciation	15,462
(Increase) decrease in receivables	1,100
(Increase) decrease in other assets	-
Increase (decrease) in accounts payable	715
Increase (decrease) in other accrued liabilities	(3,215)
	(4,854)
Total adjustments	(4,854)
Net Cash Provided (Used) by Operating Activities	54,453
Cash Flows From Investing Activities	
Acquisition of plant, property, and equipment	(79,951)
Net Cash Used by Investing Activities	(79,951)
Cash Flows From Financing Activities	
Net borrowing (payments) of line of credit	
Net borrowing (payments) of mortgage payable	
Net Cash Provided (Used) by Financing Activities	
Increase (decrease) in cash	(25,498)
Cash, beginning of year	102,942
Cash, end of year	\$ 77,444
Supplemental disclosures:	
Cash paid for interest	\$ 274

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. 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, are reported as part of unrestricted net assets. The Organization had no permanently restricted net assets at June 30, 2018.

Concentration of Credit Risk

All of the Organization's cash is held in two financial institutions. The Federal Deposit Insurance Corporation (FDIC) covers 100% of non interest bearing demand deposit accounts and aggregate deposits up to \$250,000 per bank per depositor for interest bearing accounts. At June 30, 2018 deposits did not exceed this limit. Typically, approximately forty to fifty percent of the Organization's revenue, (85% 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 no unconditional promises to give in 2018. 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. Due to the timing of the audit and nature of receivables it was deemed more effective to test them by verifying subsequent receipts than requesting balance confirmations.

Accounts receivable at June 30 consist of:

Contracts receivable	<u>2018</u> \$ 21,668
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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 year ended June 30, 2018, 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 contributions received for building construction, repairs and maintenance. Temporarily restricted net assets are available for the following purposes as of June 30:

For specific purpose	<u>2018</u> <u>\$ 51,939</u>
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MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

4. UNCERTAIN TAX POSITIONS

The Corporation follows the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The adoption of FAB ASC 740 did not have a material impact on the Corporation's financial statements. Corporation management has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. The Corporation's evaluation was performed for tax years that remain subject to examination by major tax jurisdictions as of June 30, 2018.

5. TAX STATUS

The Corporation, obtained its determination letter in which the Internal Revenue Service stated that the Corporation was in compliance with the applicable requirements of Internal Revenue Code Section 501 (c) 3. The Corporation has had no significant modifications of its programs since receiving the determination letter. Management believes that the Corporation is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and is exempt from federal income tax under IRC Section 501 (a).

6. SUBSEQUENT EVENT

For the originally issued financial statements, the Organization evaluated subsequent events through the date which the financial statements were issued.