

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

JUNE 30, 2016

**Report
of
Examination**

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INDEPENDENT AUDITOR'S REPORT

January 26, 2017

Board of Directors

My Friend's House Family and Children's Services, Inc.

Franklin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of My Friend's House Family and Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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 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 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 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 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 My Friend's House Family and Children's Services, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Parsons and Associates

Parsons and Associates

MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

<u>Current Assets</u>	
Cash and cash on hand	\$ 4,684
Cash – building fund	34,902
Fees receivable	26,058
Other current assets	<u>380</u>
<u>Total Current Assets</u>	<u>66,024</u>
<u>Property and Equipment</u>	
Real property and furniture (net)	<u>225,438</u>
<u>Total Assets</u>	<u>\$291,462</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts payable	\$ 17,122
Line of credit	53,194
Mortgage payable – current portion	<u>2,889</u>
<u>Total Current Liabilities</u>	<u>73,205</u>
<u>Long-term obligations (due beyond one year)</u>	
Mortgage payable – long term portion	<u>122,756</u>
<u>Total Liabilities</u>	<u>195,961</u>
<u>Net Assets</u>	
Unrestricted	60,599
Temporarily restricted	<u>34,902</u>
<u>Total Net Assets</u>	<u>95,501</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 291,462</u>

See accompanying notes and auditor's report.

MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>
<u>Support and Revenue</u>		
Service fees	\$ 275,173	\$
Government support	15,480	
United Way	54,372	
Contributions	22,268	
Fundraiser – Mardi Gras Ball	88,907	
Other	4,486	
Released from restrictions	<u>7,547</u>	<u>(7,547)</u>
<u>Total Support and Revenue</u>	<u>468,233</u>	<u>(7,547)</u>
 <u>Expenses</u>		
Program	355,055	
Management	149,344	
Fundraising	<u>42,195</u>	
<u>Total Expenses</u>	<u>546,594</u>	
 Change in Net Assets	 (78,361)	 (7,547)
Net Assets – July 1, 2015	138,960	42,449
Net Assets – June 30, 2016	<u>\$ 60,599</u>	<u>\$ 34,902</u>

See accompanying notes and auditor's report.

MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and payroll taxes	\$ 260,776	\$ 101,413	\$	\$ 362,189
Employee benefits	9,656	1,194		10,850
Insurance	9,265	1,145		10,410
Office supplies and expenses		4,922		4,922
Equipment rental		1,657		1,657
Repairs and maintenance	9,735	1,718		11,453
Telephone and utilities	14,481			14,481
Resident expenses	4,981			4,981
Vehicle expenses	6,741			6,741
Depreciation	10,255	1,140		11,395
Professional fees	4,891	17,342		22,233
Fundraising events			42,195	42,195
Interest	9,086	1,994		11,080
Taxes / Licenses		360		360
Travel and mileage	2,323			2,323
Training and conferences	4,711	248		4,959
Workers comp insurance	7,655	2,690		10,345
Bank charges/credit card fees		472		472
Memberships/subscriptions		2,515		2,515
Christmas project	499			499
Other		10,534		10,534
<u>Total</u>	<u>\$ 355,055</u>	<u>\$ 149,344</u>	<u>\$ 42,195</u>	<u>\$ 546,594</u>

See accompanying notes and auditor's report.

MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2016

<u>Cash flows from operating activities</u>	
Increase (decrease) in net assets	\$(85,908)
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	11,395
(Increase) decrease in receivables	18,809
(Increase) decrease in other assets	0
Increase (decrease) in accounts payable	6,780
Increase (decrease) in other current liabilities	<u>0</u>
Net cash provided by operating activities	<u>(48,924)</u>
<u>Cash flows from financing activities</u>	
Draws on line of credit	14,676
Payments on mortgage payable	<u>(3,398)</u>
Net cash (used) by operating activities	<u>11,278</u>
 Increase in cash	 (37,646)
 Cash – June 30, 2015	 77,232
 Cash – June 30, 2016	 <u>\$ 39,586</u>
 Supplemental disclosure	
Cash paid for interest	<u>\$ 10,864</u>

See accompanying notes and auditor's report.

MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

My Friend's House Family and Children's Services, Inc. (formerly Williamson County Youth, Inc.) is a Tennessee Not For Profit Corporation organized in 1982 to assist the youth of Williamson County, Tennessee. The Organization's mission is to serve abused, neglected and at-risk youth, as well as their families by providing for their physical, social, emotional, spiritual and educational needs. The ultimate goal is to reunite families where the youth can live in a stable and supportive environment. The Organization is a Level II Group Home and charges fees for its services normally on a per diem rate, which is its primary source of funding. It also offers an Evening Diversion Program and charges a per diem rate for that service. Other sources of support include United Way allocations and contributions from individuals in the community.

Basis of Accounting

The financial statements of My Friend's House Family and Children's Services, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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.

Permanently Restricted Net Assets

Net assets subject to imposed stipulations that they be maintained permanently by the Organization. Generally, these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2016.

Income Tax Status

My Friend's House Family and Children's Services, Inc. qualifies as a tax exempt organization under Internal Revenue Section 501(c)(3) as a publicly supported organization and, therefore, has no provision for federal income taxes. The organization has been classified as an organization that is not a private foundation.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Donated Property

Donations of property and goods are recorded as contributions at their estimated fair value at the date of donation.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

Expense Allocation

The costs of providing various programs and other activities 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 the programs and supporting services benefited.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which ranges from five to ten years for furniture and equipment and thirty-one to thirty-nine years for real property.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of one year or less to be cash equivalents.

Fees Receivable

Management of the organization considers all receivables to be collectible in full. The receivables are for services that have been rendered by the Organization. Most payments are received within 45-60 days after invoicing.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016:

Buildings and improvements	\$222,367
Construction	12,868
Furniture and equipment	94,604
Website	4,500
Vehicle	18,655
Land	<u>80,000</u>
Total Fixed Assets	432,994
Accumulated depreciation	<u>(207,557)</u>
Net Fixed Assets	<u>\$225,437</u>

MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 3 – DEBT

Line of Credit

The Organization has a \$60,000 line of credit, of which \$53,194 was used at June 30, 2016. The borrowed funds carry an interest rate of 4.5%.

Mortgage Payable

The Organization obtained a mortgage from a local financial institution. The amount outstanding as of June 30, 2016 was \$125,645. Payments are due monthly in the amount of \$958 which includes interest at 6.5%. The original term of the loan was for 30 years and will be paid off December 2035.

Aggregate mortgage payable maturities are as follows:

July 2016 – June 2017	3,293
July 2017 – June 2018	3,517
Remainder	\$118,835

NOTE 4 – INCOME TAX

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2016.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the Tennessee Secretary of State. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2012.

NOTE 5 – SUBSEQUENT EVENTS

We have evaluated events subsequent to the year ending June 30, 2016. As of January 26, 2017, the date the financial statements were available to be issued, the Organization sold property on Eastview Circle, Franklin, Tennessee. Proceeds from the sale were used to pay off the mortgage on the property.