

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

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

(With Independent Auditor's Report Thereon)

FARMER & ASSOCIATES, PLLC

A. Jack Farmer, CPA
1044 Lewisburg Pike
Franklin, TN 37064

ajfarmer.cpa@farmercpapllc.com

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, 2011 and 2010 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, 2011 and 2010, 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.

February 15, 2012
Franklin, Tennessee

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,981	\$ 30,160
Unconditional promises to give	89,902	67,250
Contracts receivables	73,978	43,483
	<hr/>	<hr/>
Total Current Assets	169,861	140,893
	<hr/>	<hr/>
Restricted cash, including board designated cash of \$4,913 and \$81,850 in 2011 and 2010 respectively	20,215	96,960
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Land	80,000	80,000
Building and improvements	222,366	222,366
Furniture and equipment	90,762	90,762
Vehicles	34,156	34,156
Construction in progress	9,130	-
	<hr/>	<hr/>
	436,414	427,284
Less accumulated depreciation	175,726	158,252
	<hr/>	<hr/>
Total Property and Equipment	260,688	269,032
	<hr/>	<hr/>
Total Assets	<u>\$ 450,763</u>	<u>\$ 506,885</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Mortgage payable - current portion	\$ 2,378	\$ 2,378
Line of credit	26,563	-
Accounts payable	17,575	7,911
Accrued expenses	1,005	95
	<hr/>	<hr/>
Total Current Liabilities	47,521	10,384
	<hr/>	<hr/>
Mortgage payable - long term portion	136,823	139,056
	<hr/>	<hr/>
Total liabilities	184,344	149,440
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	191,118	282,496
Temporarily restricted	75,302	74,949
Total Net Assets	<hr/>	<hr/>
	266,420	357,445
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 450,763</u>	<u>\$ 506,885</u>

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Changes in Unrestricted Net Assets		
Support and Revenue		
Reimbursement	\$303,780	\$297,411
Contributions	84,523	189,094
Interest and other	693	4,935
Net assets released from restriction	74,949	155,619
Total Support and Revenue	463,945	647,059
Expense		
My Friends House	366,826	406,586
Evening Diversion	68,757	81,086
Administrative	197,922	112,868
Fundraising	32,788	39,797
	666,293	640,337
Increase (Decrease) in Unrestricted Net Assets	(202,348)	6,722
Change in Temporarily Restricted Net Assets		
Contributions	186,272	74,949
Net assets released from temporary restrictions	74,949	155,619
Total increase (decrease) in temporarily restricted assets	111,323	(80,670)
Total Increase (Decrease) in Net Assets	(91,025)	(73,948)
Net assets, beginning of year	357,445	431,393
Net assets, end of year	266,420	357,445

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, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (91,025)	(73,948)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
In-Kind (non-cash) contributions of fixed assets	-	-
Depreciation	17,474	19,954
(Increase) decrease in receivables	(30,494)	(9,098)
(Increase) decrease in unconditional promises to give	(22,653)	(3,999)
Increase (decrease) in accounts payable	9,664	2,791
Increase (decrease) in other accrued liabilities	910	25
Total adjustments	(25,099)	9,673
Net Cash Provided (Used) by Operating Activities	(116,125)	(64,275)
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	(9,129)	(4,423)
Net Cash Used by Investing Activities	(9,129)	(4,423)
Cash Flows From Financing Activities		
Net borrowing (payments) of line of credit	26,563	0
Net borrowing (payments) of mortgage payable	(2,233)	(2,022)
Net Cash Provided (Used) by Financing Activities	24,329	(2,022)
Increase (decrease) in cash	(100,924)	(70,720)
Cash, beginning of year	127,120	197,840
Cash, end of year	\$ 26,196	127,120
Supplemental disclosures:		
Cash paid for interest	\$ 9,281	\$ 9,480

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 for improvement of property at 630 Eastview Dr. of \$4,913 and \$81,850 as of June 30, 2011 and 2010 respectively, are reported as part of unrestricted net assets. The Organization had no permanently restricted net assets at June 30, 2011 and 2010.

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 for the year ended June 30, 2011 and aggregate deposits up to \$250,000 per bank per depositor for the year ended June 30, 2010. At June 30, 2010 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 unconditional promises to give of approximately \$94,000 and \$67,000 in 2011 and 2010 respectively. 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	\$ 52,830
Receivable from the State of Tennessee	17,150
Other	<u>3,998</u>
	\$ 73,978

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, 2011 and 2010, 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>2011</u>	<u>2010</u>
For subsequent periods	\$ 60,000	\$ 67,250
For specific purpose	<u>15,302</u>	<u>7,699</u>
	<u>\$ 75,302</u>	<u>\$ 74,949</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 \$139,201 and \$141,434 as of June 30, 2011 and 2010 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:

2012	2,538
2013	2,708
2014	2,889
2015	3,082
2016 and thereafter	127,984

5. SUBSEQUENT EVENT

For the originally issued financial statements, the Organization evaluated subsequent events through February 15, 2012, the date which the financial statements were issued.