

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

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(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.

I have audited the accompanying comparative statement of financial position of My Friend's House Family and Children Services, Inc. as of June 30, 2012 and 2011 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. 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 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. I believe that my audits provide a reasonable basis for our opinion.

In my 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, 2012 and 2011, 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.

December 19, 2012
Franklin, Tennessee

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,359	\$ 5,981
Unconditional promises to give	94,400	89,902
Contracts receivables	28,146	73,978
	147,905	169,861
Restricted cash, including board designated cash of \$1,982 and \$4,913 in 2012 and 2011 respectively	30,844	20,215
	178,749	190,076
PROPERTY AND EQUIPMENT		
Land	80,000	80,000
Building and improvements	222,366	222,366
Furniture and equipment	97,747	90,762
Vehicles	34,156	34,156
Construction in progress	12,869	9,130
	447,138	436,414
Less accumulated depreciation	190,994	175,726
	256,144	260,688
Total Assets	\$ 434,892	\$ 450,763
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Mortgage payable - current portion	\$ 2,708	\$ 2,378
Line of credit	-	26,563
Accounts payable	15,615	17,575
Accrued expenses	227	1,005
	18,550	47,521
Mortgage payable - long term portion	134,515	136,823
	153,065	184,344
NET ASSETS		
Unrestricted	153,916	157,419
Temporarily restricted	127,912	109,001
	281,828	266,420
Total Liabilities and Net Assets	\$ 434,892	\$ 450,763

See notes to financial statements.

MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Changes in Unrestricted Net Assets		
Support and Revenue		
Reimbursement	\$359,854	\$303,780
Contributions	198,217	84,523
Interest and other	352	693
Net assets released from restriction	93,739	74,949
Total Support and Revenue	652,162	463,945
Expense		
My Friends House	290,196	366,826
Evening Diversion	68,343	68,757
Administrative	228,937	197,922
Fundraising	63,664	32,788
	651,139	666,293
Increase (Decrease) in Unrestricted Net Assets	1,023	(202,348)
Change in Temporarily Restricted Net Assets		
Contributions	108,124	186,272
Net assets released from temporary restrictions	93,739	74,949
Total increase (decrease) in temporarily restricted assets	14,385	111,323
Total Increase (Decrease) in Net Assets	15,408	(91,025)
Net assets, beginning of year	266,420	357,445
Net assets, end of year	281,828	266,420

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, 2012 AND 2011

	2012					2011				
	Program Services MFH	Program Services Evening Division	Total Program	Management and General	Fund Raising	Program Services MFH	Program Services Evening Division	Total Program	Management and General	Fund Raising
Payroll and payroll taxes	192,081	41,404	233,484	169,178	-	243,585	40,530	284,095	118,329	-
Employee benefits	22,077	6,598	28,685	12,866	-	19,689	4,723	24,391	14,200	-
Insurance	9,775	9,775	19,552	2,860	1,164	5,866	5,866	11,730	1,536	688
Office supplies and expense	-	-	-	11,413	-	-	-	9,894	9,273	-
Rental, repairs and maintenance	-	-	-	100	-	6,241	3,653	9,894	2,676	-
Telephone and utilities	3,921	2,070	5,992	4,954	-	9,477	3,597	13,074	6,382	-
Food and supplies	10,038	3,626	13,683	-	-	15,984	4,986	20,951	-	-
Child support	17,460	2,512	19,973	-	-	11,517	603	12,120	-	-
Child expense	12,381	2,214	14,595	-	-	-	4,630	4,630	-	-
TCOY Grant expense	-	105	105	-	-	-	-	-	-	-
HLD Grant expense	-	-	-	-	-	-	-	-	-	-
Title I expense	-	-	-	-	-	-	-	-	-	-
Vehicle expense	1,199	-	1,199	-	-	20,404	-	20,404	-	-
Depreciation	-	-	-	3,708	-	-	-	2,197	-	-
Professional fees	15,288	-	15,288	-	-	17,474	-	17,474	-	-
Fundraising	0	-	-	4,800	62,500	5,240	-	5,240	6,980	32,080
Interest	-	-	-	8,653	-	-	-	-	9,281	5,281
Travel and mileage	4,732	-	4,732	-	-	6,684	-	6,684	-	8,984
Training and conferences	1,273	-	1,273	-	-	4,695	189	4,884	-	-
Bad debt	-	-	-	-	-	-	-	-	7,570	-
Building period expense	-	-	-	-	-	-	-	-	11,507	-
Miscellaneous	-	48	48	1,835	-	-	-	7,981	-	-
										7,981
	\$ 290,196	\$ 68,343	\$ 358,539	\$ 228,937	\$ 63,664	\$ 399,825	\$ 89,765	\$ 435,680	\$ 197,922	\$ 32,788
										\$ 686,293

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, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 15,408	(91,025)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
In-Kind (non-cash) contributions of fixed assets	-	-
Depreciation	15,268	17,474
(Increase) decrease in receivables	45,832	(30,494)
(Increase) decrease in unconditional promises to give	(4,498)	(22,653)
Increase (decrease) in accounts payable	(1,960)	9,664
Increase (decrease) in other accrued liabilities	(1,232)	910
Total adjustments	53,410	(25,099)
Net Cash Provided (Used) by Operating Activities	68,818	(116,124)
Cash Flows From Investing Activities		
Acquisition of plant, property, and equipment	(10,270)	(9,129)
Net Cash Used by Investing Activities	(10,270)	(9,129)
Cash Flows From Financing Activities		
Net borrowing (payments) of line of credit	(26,563)	26,563
Net borrowing (payments) of mortgage payable	(1,978)	(2,233)
Net Cash Provided (Used) by Financing Activities	(28,541)	24,330
Increase (decrease) in cash	30,007	(100,923)
Cash, beginning of year	26,196	127,119
Cash, end of year	\$ 56,203	26,196
Supplemental disclosures:		
Cash paid for interest	\$ 9,653	\$ 9,281

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 \$1,982 and \$4,913 as of June 30, 2012 and 2011 respectively, are reported as part of unrestricted net assets. The Organization had no permanently restricted net assets at June 30, 2012 and 2011.

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, 2012 and 2011 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 \$94,400 and \$89,902 in 2012 and 2011 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:

	<u>2012</u>	<u>2011</u>
Contracts receivable	\$ 28,146	\$ 52,830
Receivable from the State of Tennessee	-	17,150
Other	-	3,998
	<u>\$ 28,146</u>	<u>\$ 73,978</u>

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, 2012 and 2011, 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 construction, repairs and maintenance. Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2012</u>	<u>2011</u>
For subsequent periods	\$ 60,000	\$ 59,500
For specific purpose	<u>67,712</u>	<u>49,501</u>
	<u>\$ 127,850</u>	<u>\$ 109,001</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 \$137,223 and \$139,201 as of June 30, 2012 and 2011 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:

2013	2,708
2014	2,889
2015	3,082
2016	3,289
2017 and thereafter	125,255

5. SUBSEQUENT EVENT

For the originally issued financial statements, the Organization evaluated subsequent events through December 19, 2012, the date which the financial statements were issued.

12/18/2012 5:03PM

Entry #	Status	Account/C	Description	Workpaper	Debit	Credit
AJE 1	Posted	3900	Total net assets			
		2000	Accounts Payable			
			To adjust for entry directly to na			
AJE 2	DELETED	*****				
AJE 3	Posted	1599	Construction in progress		3,738.83	
		6281	Construction - building			36,222.32
		6251	Bank service charges		250.00	
		6569	Fundraising		31,563.49	
		7800	Internet related		670.00	
			To capitalize construction in progress			
AJE 4	Posted	2430	N/F 630 Eastview			394.28
		6570	Evening Diversion Int - Mort.		394.28	
			To adjust note payable to actual			
AJE 5	Posted	1599	Construction in progress		9,130.00	
		3900	Total net assets			9,130.00
			To adjust construction in process to actual			
AJE 6	Posted	2335	403b payable			343.08
		2350	FIT Withheld			2,457.30
		2000	Accounts Payable		2,800.38	
			To adjust accounts payable			
AJE 7	Posted	1700	A/D - Furniture and Equipment		9,062.00	
		1740	A/D - Building			2,068.00
		1741	A/D 630			1,968.00
		3900	Total net assets			5,026.00
			To adjust prior period acc dep to actual and reconcile change to dep expense			
AJE 8	Posted	1740	A/D - Building		9,820.32	
		1741	A/D 630			1,968.00
		1742	A/D Leasehold Imp			3,216.00
		1700	A/D - Furniture and Equipment		2,627.84	
		6270	Depreciation			7,264.16
		1700	A/D - Furniture and Equipment			32.16
		6270	Depreciation		32.16	
			To adjust acc dep to dep report			
AJE 9	Posted	1020	Cash - Checking			
		3900	Total net assets		12,220.00	
		6590	Miscellaneous			
		6590	Miscellaneous			
		1100	Accounts Receivable			7,570.00
		1159	Bldng Campaign pledges			4,650.00
			To adjust to actual and adjust receivables beginning balances			
TOTALS					82,309.30	82,309.30