

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

JUNE 30, 2013

Report  
of  
Examination

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**PARSONS AND ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
234 4<sup>th</sup> Avenue North  
P. O. BOX 604  
FRANKLIN, TENNESSEE 37065  
TELEPHONE # 615-794-4313  
FAX # 615-595-2297

DAN H. PARSONS, CPA  
PATRICIA L. PARSONS, CPA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

January 21, 2014

Board of Directors  
My Friend's House Family and Children's Services, Inc.  
Franklin, Tennessee

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, 2013, 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, 2013, 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.

*Parsons and Associates*

Parsons and Associates

**MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**

ASSETS

Current Assets

Cash and cash on hand	\$ 71,371
Fees receivable	45,204
Other current assets	445
<u>Total Current Assets</u>	<u>117,020</u>

Property and Equipment

Real property and furniture (net)	<u>254,634</u>
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<u>Total Assets</u>	<u>371,654</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	1,699
Payroll payables	1,232
Line of credit	17,000
Mortgage payable – current portion	<u>2,664</u>
<u>Total Current Liabilities</u>	<u>22,595</u>

Long-term obligations (due beyond one year)

Mortgage payable – long term portion	<u>131,983</u>
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<u>Total Liabilities</u>	<u>154,578</u>
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Net Assets

Unrestricted	<u>217,076</u>
<u>Total Net Assets</u>	<u>217,076</u>

<u>Total Liabilities and Net Assets</u>	<u>\$ 371,654</u>
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See notes to financial statements.

**MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>Support and Revenue</u>		
Service fees	\$ 277,922	\$
Government support	12,250	
Contributions	44,431	
Fundraiser – Mardi Gras Ball	80,498	
Other	5,443	
Released from restrictions – United Way	63,199	( 63,199)
Released from restrictions – other	<u>64,713</u>	<u>( 64,713)</u>
<u>Total Support and Revenue</u>	<u>548,456</u>	<u>(127,912)</u>
 <u>Expenses</u>		
Program	336,781	
Management	109,860	
Fundraising	<u>28,061</u>	
<u>Total Expenses</u>	<u>474,702</u>	
 Change in Net Assets	 73,754	 (127,912)
Net Assets – July 1, 2012	153,916	127,912
Prior period adjustment	( 10,594)	
Net Assets – June 30, 2013	\$ <u>217,076</u>	\$ <u>0</u>

See notes to financial statements.

**MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and payroll taxes	\$ 226,740	\$ 80,770	\$	\$ 307,510
Employee benefits	17,431	6,124		23,555
Insurance	6,679	559		7,238
Office supplies and expenses		2,997		2,997
Equipment rental		2,235		2,235
Repairs and maintenance	6,285	869		7,154
Telephone and utilities	17,032	1,420		18,452
Resident expenses	18,644			18,644
Vehicle expenses	3,895			3,895
Depreciation	15,801			15,801
Professional fees	1,183	5,960		7,143
Fundraising events			28,061	28,061
Interest	8,975	745		9,720
Travel and mileage	1,106			1,106
Training and conferences	2,235	479		2,714
Employee expenses	9,775	3,434		13,209
Bank charges/credit card fees		1,291		1,291
Web hosting		1,666		1,666
Christmas project	1,000			1,000
Other		1,311		1,311
<u>Total</u>	<u>\$ 336,781</u>	<u>\$ 109,860</u>	<u>\$ 28,061</u>	<u>\$ 474,702</u>

See notes to financial statements.

**MY FRIEND'S HOUSE FAMILY AND CHILDREN'S SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIODS ENDED JUNE 30, 2013**

<u>Cash flows from operating activities</u>	
Increase (decrease) in net assets	\$ (64,752)
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	15,801
Prior year adjustment to accumulated depreciation	(18,791)
(Increase) decrease in receivables	(17,058)
(Increase) decrease in pledges receivable	94,400
(Increase) decrease in other assets	( 445)
Increase (decrease) in accounts payable	( 9,416)
Increase (decrease) in other current liabilities	<u>1,005</u>
Net cash provided by operating activities	<u>744</u>
<u>Cash flows from financing activities</u>	
Net borrowing from line of credit	17,000
Payments on mortgage payable	<u>( 2,576)</u>
Net cash provided by operating activities	<u>14,424</u>
 Increase in cash	 15,168
Cash – June 30, 2012	56,203
Cash – June 30, 2013	\$ <u><u>71,371</u></u>
   Supplemental disclosure	
Cash paid for interest	\$ <u><u>9,720</u></u>

See notes to financial statements.

**MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

My Friend's House Family and Children 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 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. At June 30, 2013, the Organization had no temporarily restricted assets.

**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, 2013.

**Income Tax Status**

My Friend's House Family and Children 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 SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**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:

	<u>2013</u>
Buildings and improvements	\$ 222,365
Construction	12,869
Furniture and equipment	93,247
Vehicle	17,656
Land	<u>80,000</u>
	426,137
Accumulated depreciation	<u>( 171,503)</u>
Net Fixed Assets	\$ <u>254,634</u>

**MY FRIEND'S HOUSE FAMILY AND CHILDREN SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 3 – DEBT**

Line of Credit

The Organization has a \$50,000 line of credit, of which \$33,000 was unused at June 30, 2013. The borrowed funds carry an interest rate of 7.625%.

Mortgage Payable

The Organization obtained a mortgage from a local financial institution. The amount outstanding as of June 30, 2013 was \$ 134,647. 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 2013 – June 2014	\$ 2,705
July 2014 – June 2015	2,889
July 2015 – June 2016	3,062
July 2016 – June 2017	3,293
Remainder	\$ 122,698

**NOTE 6 – PRIOR PERIOD ADJUSTMENT**

The Organization had started a capital campaign in 2010 and had individuals make pledges to be paid over a period of 5 years. The capital campaign has been put on hold and any further payments on the pledges will not be made. The pledges in the amount of \$34,200 should have been written off in the prior year.

Certain errors resulting in the overstatement of accumulated depreciation on furniture and equipment were discovered during the current year. Accordingly, an adjustment of \$ 18,566 was made to correct the amount at the beginning of the year.

These corrections, along with a minor adjustment to account payables, were made to reduce previously reported net assets.

**NOTE 7 – 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 (UBIT). 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, 2013.

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 2010.