

# **Fellowship Housing Corporation**

## **Financial Statements**

### **Modified Cash Basis**

**For the Years Ended**

**December 31, 2017 and 2016**

# Fellowship Housing Corporation

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## **INDEPENDENT AUDITOR'S REPORT**

Fellowship Housing Corporation  
Board of Directors  
Hoffman Estates, Illinois

We have audited the accompanying financial statements of Fellowship Housing Corp. (a nonprofit organization), which comprise the statements of assets, liabilities and fund balance as of December 31, 2017 and 2016, and the related statements of revenues, expenses and change in net assets, and statement of cash flows for the years then ended, and the related notes to the financial statements, in accordance with the modified cash basis of accounting.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; 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 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 from material misstatement.

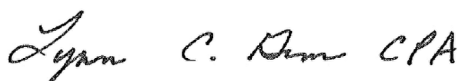
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

As described in the notes to the financial statements, these financial statements were prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fellowship Housing Corp. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting.



Lynn C. Genn, CPA

July 16, 2018

**Fellowship Housing Corporation**  
**Statement of Assets, Liabilities and Fund Balance**  
Modified Cash Basis

	<b>as of December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	\$ 217,673	\$ 171,032
Investments	260,337	184,988
Gift Cards Inventory	4,435	5,691
<b>Total Current Assets</b>	<b>482,445</b>	<b>361,711</b>
<b>Fixed Assets</b>		
Buildings and Equipment	365,510	365,510
Accumulated Depreciation	(211,409)	(200,095)
<b>Net Fixed Assets</b>	<b>154,101</b>	<b>165,415</b>
<b>Total Assets</b>	<b>636,546</b>	<b>527,126</b>
<b>Liabilities &amp; Net Assets</b>		
<b>Current Liabilities</b>		
Total Current Liabilities	<b>0</b>	<b>4,580</b>
<b>Net Assets</b>		
Unrestricted	461,221	333,429
Temporarily Purpose Restricted (note #2)	21,224	23,702
Equity in Buildings & Equipment	154,101	165,415
<b>Total Net Assets</b>	<b>636,546</b>	<b>522,546</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 636,546</b>	<b>\$ 527,126</b>

**Fellowship Housing Corporation**  
**Statement of Revenues, Expenses and Change in Net Assets**  
Modified Cash Basis

	<b>Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Changes in Unrestricted Net Assets		
Revenue		
Contributions		
Individual & Foundations	\$ 424,389	\$ 287,062
Gift in Kind	44,110	42,486
Special Event	143,237	137,893
Net Assets Released from Restriction		
(by satisfaction of purpose restriction)	19,978	8,759
Special Event Income	114,540	108,101
Rental Income	119,420	97,635
Government Grants	10,000	8,000
Investment Income	8,933	9,292
Unrealized Gains (Losses)	14,534	1,275
Total Revenue	899,141	700,502
Special Event Expense	(108,891)	(116,726)
Total Revenue Net of Event Expense	790,250	583,777
Expenses		
Program Services		
Housing Program	495,202	448,014
Supporting Activities		
Management & General	81,076	96,311
Fund Raising	97,494	84,580
Total Expenses	673,771	628,905
Increase (Decrease) in Unrestricted Net Assets	116,479	(45,128)
Changes in Temporarily Restricted Net Assets		
Contributions	17,500	20,625
Net Assets Released from Restrictions	(19,978)	(8,759)
Change in Temporarily Restricted Net Assets	(2,478)	11,866
Change in Net Assets	114,000	(33,263)
Net Assets Beginning of Year	522,546	555,808
Net Assets End of Year	\$ 636,546	\$ 522,546

**Fellowship Housing Corporation**  
**Statement of Cash Flows**  
Modified Cash Basis

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Change In:		
Unrestricted Net Assets	\$ 116,478	\$ (45,128)
Temporarily Purpose Restricted Net Assets	<u>(2,478)</u>	<u>11,866</u>
Change in Net Assets	<u>114,000</u>	<u>(33,262)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	11,314	11,968
Decrease / (Increase) in Gift Card Inventory	1,256	1,054
(Decrease) / Increase in Payables	<u>(4,580)</u>	<u>4,380</u>
	<u>7,990</u>	<u>17,402</u>
Net Cash Provided by Operating Activities	<u>121,990</u>	<u>(15,860)</u>
Cash Flows from Investing Activities		
(Increase)/Decrease in Investments	<u>(75,349)</u>	<u>26,474</u>
Net Cash from Investing Activities	<u>(75,349)</u>	<u>26,474</u>
Net Increase in Cash & Cash Equivalents for Year	46,641	10,614
Cash Beginning of Year	<u>171,032</u>	<u>160,418</u>
Cash End of Year	<u><u>\$ 217,673</u></u>	<u><u>\$ 171,032</u></u>

# Fellowship Housing Corporation

## Notes to Financial Statements

December 31, 2017 and 2016

### 1. Nature of the Organization

Fellowship Housing Corporation (FHC) is a nonprofit organization that was founded in 1991 for the purpose of providing safe, affordable housing to single-parent families in need. The FHC program fosters growth and long-term independence by supporting, encouraging and holding each family accountable in the development of their personal, family and financial skills. FHC's primary revenue sources are contributions from the public, special events and rent from program participants.

FHC is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law, and has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. Contributions to FHC are tax deductible within the limitations prescribed by the Code.

### 2. Summary of Significant Accounting Policies

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant accounting policies following are described to enhance the usefulness of the financial statements to the reader.

#### Basis of Accounting

The financial statements of FHC have been prepared on the modified cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when cash is disbursed rather than when the obligations are incurred. Building and equipment are capitalized and depreciated, rather than expensed (see "Buildings and Equipment" policy below). Investments are stated at Fair Market Value as of year end.

#### Classes of Net Assets

Information regarding the financial position and activities of FHC are reported in three classes of net assets as applicable: unrestricted, temporarily restricted and permanently restricted. These classes of net assets are based on the existence or absence of donor imposed restrictions. Accordingly net assets of FHC and changes therein are classified and reported as follows:

Unrestricted Net Assets are not subject to donor imposed stipulations and are currently available at the discretion of the board for use in the ministries of FHC.

Temporarily Purpose Restricted Assets are those subject to donor imposed stipulations that can be removed either through the passage of time (time restrictions) or expenditures by FHC in satisfaction of

purpose restrictions. The balance of temporarily restricted funds were \$21,224 and \$23,702 in 2017 and 2016 respectively.

Equity in Buildings & Equipment are net assets that have been invested in fixed assets.

Permanently Restricted Net Assets are subject to restrictions imposed by donors who require that the principal be invested in perpetuity and only the investment income be expended. There were no permanently restricted funds held by FHC as of yearend 2017 and 2016.

#### Cash and Cash Equivalents

Cash and cash equivalents include checking, savings and money market accounts with maturities of three months or less. From time to time, FHC has cash deposits in excess of federally insured limits for a short period of time. However, the ministry has not experienced any losses on these accounts and does not believe that it is exposed to any significant credit risk.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of assets, liabilities and fund balance. Unrealized gains and losses are included in the statement of revenues, expenses and change in net assets.

Donated securities, if received, are recorded at market value on the date of the donation. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

#### Inventory

Inventory includes gift cards held for program use. Donated gift cards are booked at face value when received. Purchased gift cards are recorded as inventory until they are disbursed to program participants and expensed.

#### Buildings and Equipment

Buildings and equipment in excess of \$1,000 with a useful life of five years or more are recorded at cost if purchased, or if donated, fair market value on the date of donation. Maintenance and repairs are expensed when paid. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets ranging from 5 to 31 years. Depreciation expense was \$11,314 and \$11,968 in 2017 and 2016 respectively.

#### Revenue

Contributions, government grants, rental income, special event income and investment income are recorded when received. All contributions are considered available for unrestricted use unless restricted by the donor. Contributions that have temporary purpose restrictions are reported as temporarily restricted, if the restrictions are not met in the same reporting period. Rental agreements with program participants are on a month to month basis.

#### Expenses

Expenses are recorded when paid in accordance with the modified cash basis of accounting.

### Allocation of Expenses

The cost of providing various program and supporting services are summarized on a functional basis in the statement of activities – modified cash basis. Accordingly some operating costs have been allocated among the programs and supporting services that benefited from those expenses.

### Use of Estimates

The preparation of financial statements on a modified cash basis requires management to make estimates and assumptions that affect the reported amount and disclosures. Accordingly, actual results could differ from the estimates.

### Income Taxes

FHC is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code for all business income related to its exempt purpose. FHC is subject to income taxes on unrelated business income after related expenses. There was no unrelated business activity during the years ended December 31, 2017 and 2016.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

### Evaluation of Tax Positions

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of December 31, 2017 and 2016, FHC had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

### Reclassification

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

### Subsequent Events

FHC has evaluated subsequent events for potential recognition and/or disclosure through July 16, 2018, the date the financial statements were available to be issued.

<b>3. Buildings and Equipment</b>	<u>2017</u>	<u>2016</u>
Buildings and equipment consist of the following:		
Apartment Buildings	\$ 339,212	\$ 339,212
Equipment	<u>26,298</u>	<u>26,298</u>
	\$ 365,510	\$ 365,510
Less Accumulated Depreciation	<u>(211,409)</u>	<u>(200,095)</u>
	\$ 154,101	\$ 165,415

### **4. Commitments and Contingencies**

As of December 31, 2017 FHC was leasing office space from Stonegate Properties, with a lease payment of \$2,289/month. The term of the renewed lease is through December 31, 2018, with monthly lease payments of \$2,277/month.

The future minimum rent payments by year are as follows:

<u>Year</u>	<u>Future Rental Expense</u>
2018	\$ 27,320

As of December 31, 2017 FHC was leasing 12 apartments with varying terms for program use. The total rental expense was \$174,663 and \$161,593 for 2017 and 2016 respectively. The monthly payments total \$13,179 and future minimum lease payments by year as follows:

<u>Year</u>	<u>Future Rental Expense</u>
2018	\$ 85,238

**5. Concentration**

For the year ended December 31, 2017, ten donors/grantors contributed \$294,996 or approximately 49% of total contributions. For the prior year ended December 31, 2016, nine donors/grantors contributed \$206,011 or approximately 45% of total contributions.

**6. Employee Pension Plan**

FHC has a 403(b) employee pension plan covering all eligible employees; however FHC does not contribute to the plan.

**7. Donation of Facilities**

Five program apartment units have been rented to FHC at a significantly reduced rental rate by donors. The difference between the reduced rental charged and the cost of similar FHC rentals, is recorded as gift in kind income and expensed as program expense. The gift in kind income / expense was \$38,400 and \$37,200 in 2017 and 2016 respectively.