

# **Fellowship Housing Corporation**

## **Financial Statements**

### **Modified Cash Basis**

**For the Year Ended**

**December 31, 2018**

# 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, 2018, and the related statements of revenues, expenses and change in net assets, statement of functional expenses, and statement of cash flows for the year 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.

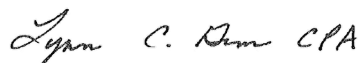
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2018, 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 25, 2019

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**Fellowship Housing Corporation**  
**Statement of Assets, Liabilities and Fund Balance**  
December 31, 2018  
*Modified Cash Basis*

	<b>2018</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents	\$ 215,800
Investments	288,590
Gift Cards Inventory	4,215
<b>Total Current Assets</b>	<b>508,605</b>
<b>Fixed Assets</b>	
Buildings and Equipment	365,510
Accumulated Depreciation	(222,723)
<b>Net Fixed Assets</b>	<b>142,787</b>
	<b>651,392</b>
<b>Total Assets</b>	
<b>Liabilities &amp; Net Assets</b>	
<b>Current Liabilities</b>	
Total Current Liabilities	0
<b>Net Assets</b>	
Unrestricted	637,081
Restricted	14,311
<b>Total Net Assets</b>	<b>651,392</b>
	<b>\$ 651,392</b>
<b>Total Liabilities &amp; Net Assets</b>	

**Fellowship Housing Corporation**  
**Statement of Revenues, Expenses and Change in Net Assets**  
for the Year Ended December 31, 2018  
*Modified Cash Basis*

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenue			
Contributions			
Individual & Foundations	\$ 421,295	\$ 20,000	\$ 441,295
Gift in Kind	43,920		43,920
Special Event	217,428		217,428
Special Event Income	115,348		115,348
Rental Income	137,636		137,636
Government Grants	12,500		12,500
Investment Income	18,175		18,175
Unrealized Gains (Losses)	(35,743)		(35,743)
Other Income	67		67
Total Revenue	<u>930,627</u>	<u>20,000</u>	<u>950,627</u>
Special Event Expense	<u>(134,556)</u>		<u>(134,556)</u>
Net Revenue	<u>796,071</u>	<u>20,000</u>	<u>816,071</u>
Expenses			
Program Services			
Housing Program	537,174	26,913	564,087
Supporting Activities			
Management & General	104,527		104,527
Fundraising	132,611		132,611
Total Expenses	<u>774,312</u>	<u>26,913</u>	<u>801,225</u>
Change in Net Assets	21,759	(6,913)	14,846
Net Assets Beginning of Year	<u>615,322</u>	<u>21,224</u>	<u>636,546</u>
Net Assets End of Year	<u>\$ 637,081</u>	<u>\$ 14,311</u>	<u>\$ 651,392</u>

**Fellowship Housing Corporation**  
**Statement of Functional Expenses**  
for the Year Ended December 31, 2018  
*Modified Cash Basis*

	Unrestricted Funds			Restricted	
	Program	Management & General	Fundraising	Program	Total
Personnel Expenses	\$229,490	\$63,550	\$92,243	\$0	\$385,283
Apartment Rental & Maintenance	202,643	0	0	0	202,643
Client Support	1,537	0	0	0	1,537
Benevolence	10,356	0	0	26,913	37,269
Building Mainenance & Utilities	32,798	0	0	0	32,798
Depreciation	11,314	0	0	0	11,314
Marketing Expense	0	0	35,606		35,606
Office Rent	18,782	6,261	0	0	25,043
Office Expenses	15,623	8,751	1,986	0	26,360
Insurance	8,844	1,600	0	0	10,444
Professional Fees	0	17,590	0	0	17,590
Staff Training	2,314	843	87	0	3,243
Other	3,473	5,931	2,689	0	12,093
Total Functional Expenses	\$537,174	\$104,527	\$132,611	\$26,913	\$801,225

See notes to financial statements.

**Fellowship Housing Corporation**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2018  
*Modified Cash Basis*

Change In:

Unrestricted Net Assets	\$ 21,759	
Restricted Net Assets	<u>(6,913)</u>	
Change in Net Assets		\$ 14,846

Adjustments to Reconcile Change in Net Assets  
to Net Cash Provided by Operating Activities:

Depreciation Expense	11,314	
Decrease / (Increase) in Gift Card Inventory	<u>220</u>	
		<u><u>11,534</u></u>

Net Cash Provided by Operating Activities \$ 26,380

Cash Flows from Investing Activities

(Increase)/Decrease in Investments	<u>(28,253)</u>	
Net Cash from Investing Activities		<u>(28,253)</u>

Net Increase in Cash & Cash Equivalents for Year (1,873)

Cash Beginning of Year 217,673

Cash End of Year \$ 215,800

# Fellowship Housing Corporation

## Notes to Financial Statements

December 31, 2018

### 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 two classes of net assets as applicable: unrestricted and 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.

Restricted Net Assets are those subject to donor imposed stipulations that can be removed either through the passage of time (time restrictions), expenditures by FHC in satisfaction of purpose restrictions, or permanent restriction which require that the principal be invested in perpetuity.

### 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 in 2018.

### 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 restrictions are reported as 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, 2018.

The Organization's federal Exempt Organization Information Returns (Form 990) for 2016, 2017 and 2018 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, 2018, FHC had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

### Subsequent Events

FHC has evaluated subsequent events for potential recognition and/or disclosure through July 25, 2019, the date the financial statements were available to be issued.

<b>3. Buildings and Equipment</b>	<u>2018</u>
Buildings and equipment consist of the following:	
Apartment Buildings	\$ 339,212
Equipment	<u>26,298</u>
	\$ 365,510
Less Accumulated Depreciation	<u>(222,723)</u>
	\$ 142,787

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

As of December 31, 2018 FHC was leasing office space from Stonegate Properties, with a lease payment of \$2,356/month. The term of the lease is through December 31, 2020.

The future minimum rent payments by year are as follows:

<u>Year</u>	<u>Future Rental Expense</u>
2019	\$ 28,270
2020	<u>28,270</u>
	\$ 56,540

As of December 31, 2018 FHC was leasing 13 apartments with varying terms for program use. The total rental expense was \$202,643 for 2018. The monthly payments total \$13,190 and future minimum lease payments by year as follows:

<u>Year</u>	<u>Future Rental Expense</u>
2019	\$136,946
2020	<u>11,575</u>
	\$148,521

**5. Concentration**

For the year ended December 31, 2018, ten donors/grantors contributed \$348,142 or approximately 51% 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 \$39,600 in 2018.