

FRIENDS IN DEED

**Formerly known as
ECUMENICAL COUNCIL OF PASADENA AREA
CONGREGATIONS**

***FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2017
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT***

DRAFT 4/19/18

FRIENDS IN DEED

Table of contents

	<u>Page</u>
Independent auditor's report	3
Statement of financial position	5
Statement of activities	6
Statement of functional expenditures	7
Statement of cash flows	8
Notes to financial statements	9
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards	14

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Jeffrey Hill, CPA
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To the Board of Directors
Friends in Deed
Pasadena, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of **Friends in Deed** which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenditures and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2016 financial statements and in our report dated May 31, 2017 an unqualified opinion was expressed on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 risk of material misstatement of the financial statements 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 statement 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Friends in Deed** as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2018 on our consideration of **Friends in Deed's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **Friends in Deed's** internal control over financial reporting and compliance.

Hill, Morgan and Associates, LLP

Carson, California
April 9, 2018

FRIENDS IN DEED
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With comparative totals as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 274,392	\$ 196,638
Grants receivable	<u>23,573</u>	<u>37,254</u>
Total current assets	<u>297,965</u>	<u>233,892</u>
PROPERTY AND EQUIPMENT:		
Land (Note 3)	6,512	6,512
Buildings (Note 3)	135,220	135,220
Vehicle (Note 3)	60,057	-
Furniture and equipment (Note 3)	<u>55,682</u>	<u>55,682</u>
Total property and equipment	257,471	197,414
Less accumulated depreciation	<u>(175,358)</u>	<u>(167,438)</u>
Net property and equipment	<u>82,113</u>	<u>29,976</u>
Total assets	<u><u>\$ 380,078</u></u>	<u><u>\$ 263,868</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued salaries	\$ -	\$ 178
Credit card payable	-	260
Accrued vacation (Note 4)	<u>3,627</u>	<u>3,404</u>
Total current liabilities	<u>3,627</u>	<u>3,842</u>
Total liabilities	<u>3,627</u>	<u>3,842</u>
NET ASSETS:		
Unrestricted	340,451	260,026
Temporarily restricted (Note 5)	<u>36,000</u>	<u>-</u>
Total net assets	<u>376,451</u>	<u>260,026</u>
Total liabilities and net assets	<u><u>\$ 380,078</u></u>	<u><u>\$ 263,868</u></u>

The accompanying notes are an integral part of these financial statements.

FRIENDS IN DEED
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017
(With comparative totals for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS:				
Revenues:				
Donations	\$ 337,391	\$	\$ 337,391	\$ 229,179
Government grants and foundations	215,460	36,000	251,460	99,008
Special events (Net of direct cost of \$48,000)	99,996		99,996	94,110
Investment income	<u>6</u>		<u>6</u>	<u>-</u>
Total revenues	<u>652,853</u>	<u>36,000</u>	<u>688,853</u>	<u>422,297</u>
Expenses:				
Program expenses	460,263		460,263	278,259
Support services	<u>112,165</u>		<u>112,165</u>	<u>72,250</u>
Total expenses	<u>572,428</u>	<u>-</u>	<u>572,428</u>	<u>350,509</u>
Increase in net assets	80,425	36,000	116,425	71,788
Net assets, beginning of the year	<u>260,026</u>	<u>-</u>	<u>260,026</u>	<u>188,238</u>
Net assets, end of the year	<u>\$ 340,451</u>	<u>\$ 36,000</u>	<u>\$ 376,451</u>	<u>260,026</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS IN DEED
STATEMENT OF FUNCTIONAL EXPENDITURES
For the year ended December 31, 2017
(With comparative totals for the year ended December 31, 2016)

	<u>Program</u>	<u>Support Services</u>	<u>2017 Total Expenditures</u>	<u>2016 Total Expenditures</u>
Expenditures:				
Salaries	\$ 250,210	\$ 67,053	\$ 317,263	\$ 207,650
Payroll taxes	21,070	2,873	23,943	29,909
Employee benefits	7,320	998	8,318	-
Workers compensation insurance	6,727	917	7,644	7,002
Organizational development	-	9,194	9,194	-
Fundraising	-	7,677	7,677	-
Depreciation	7,920	-	7,920	4,917
Insurance	15,506	-	15,506	10,005
Professional fees	1,921	480	2,401	9,263
Office expense	13,243	13,243	26,486	20,906
Program costs	108,780	-	108,780	37,569
Utilities	13,374	1,823	15,197	16,087
Repairs and maintenance	14,192	6,082	20,274	3,810
Taxes and license	-	1,230	1,230	1,650
Other	-	595	595	1,741
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 460,263	\$ 112,165	\$ 572,428	\$ 350,509

The accompanying notes are an integral part of these financial statements.

FRIENDS IN DEED
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017
(With comparative totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 116,425	\$ 71,788
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,920	4,917
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	13,778	(5,140)
Other assets	(97)	(97)
Increase (decrease) in liabilities:		
Accounts payable	(178)	(4,525)
Deferred revenue	-	(545)
Credit card payable	(260)	260
Accrued vacation	<u>223</u>	<u>(3,038)</u>
Net cash provided by operating activities	<u>137,811</u>	<u>63,620</u>
Cash flows from investing activities:		
Cash paid for property and equipment	<u>(60,057)</u>	<u>-</u>
Net cash used in investing activities	<u>(60,057)</u>	<u>-</u>
Net increase in cash	77,754	63,620
Cash and cash equivalents-beginning of the year	<u>196,638</u>	<u>133,018</u>
Cash and cash equivalents-end of the year	<u><u>\$ 274,392</u></u>	<u><u>\$ 196,638</u></u>

The accompanying notes are an integral part of these financial statements.

FRIENDS IN DEED
NOTES TO FINANCIAL STATEMENTS

NOTE 1- NATURE OF ACTIVITIES

Friends In Deed is an organization that was originally created to express the cooperative relationship among interfaith congregations in the Pasadena area through social service programs to low income and homeless people. The current programs of Friends In Deed include a food pantry, a winter homeless shelter, a day shelter for women who are homeless or at risk of homelessness, a homeless prevention program, and a free thrift store for folks in need of interview and work clothing. Friends In Deed also has Memorandums of Understanding with six other Pasadena social service organizations in order to more fully meet the needs of our clients. Major sources of revenue are individual donations, government grants, corporate/organization grants and fundraising events.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide "Nonprofit Organizations."

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Friends in Deed consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

GRANTS RECEIVABLE

There is no provision for doubtful accounts as all receivables were considered collectible.

PROPERTY AND EQUIPMENT

Property and equipment acquired is considered to be owned by Friends in Deed while used in the program for which it was purchased or in other future authorized programs; however, the various Federal and state agencies have a reversionary interest in the property and equipment; its disposition as well as the ownership of any proceeds there from is subject to Federal and state regulations. Property and equipment is carried at cost less the related accumulated depreciation. Donated property and equipment is carried at the fair market value at the date of donation. Friends in Deed capitalizes property and equipment purchased with non-government funds having a unit value of \$5,000 or more and a life expectancy of two or more years. Property and equipment purchased with government funds is expensed in the year of purchase. Depreciation is computed using the straight-line method over the estimated life of the property and equipment.

These notes are an integral part of the preceding financial statements.

FRIENDS IN DEED
NOTES TO FINANCIAL STATEMENTS

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

INCOME TAXES

Friends in Deed is an association of churches that is exempt from filing Federal and State income tax returns under Internal Revenue Code Section 501(c) (3) and California State Revenue and Taxation Code Section 23701(d) except on net income derived from unrelated business activities. Friends in Deed did not have any unrelated business income in 2017.

REVENUE RECOGNITION

Friends in Deed recognizes revenue when contract services are provided, revenue is recorded as restricted or non restricted depending on the existence or nature of a contract agreement.

RECOGNITION OF DONOR RESTRICTIONS

Friends in Deed reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

EXPENSE ALLOCATION

The costs of providing the various programs and supporting services have been summarized on a functional basis. Certain allocations have been estimated between program expense and support services.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Friends in Deed's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

These notes are an integral part of the preceding financial statements.

FRIENDS IN DEED
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 comprise the following:

Description	Cost	Accum. depreciation	Net book Value
Land*	\$ 6,512	\$ -0-	\$ 6,512
Building*	135,220	(116,673)	18,547
Vehicle	60,057	(3,003)	57,054
Furniture and equipment	<u>55,682</u>	<u>(55,682)</u>	<u>-0-</u>
Net property and equipment	\$ <u>257,471</u>	\$ <u>(175,358)</u>	\$ <u>82,113</u>

*The land and building consists of a two story 4,288 square foot commercial building built in 1978 on a corner lot at 446 E. Washington Boulevard, Pasadena, California which includes parking spaces for eight vehicles.

Depreciation expense for the year ended December 31, 2017 was \$7,920.

NOTE 4 - COMPENSATED ABSENCES

Employees can earn annual vacation leave at a rate of two weeks after one year of service; three weeks after five years of service; and four weeks after ten years of service. At termination or retirement, employees are paid for any accumulated annual vacation time. The liability for accumulated unpaid vacation at December 31, 2017 is \$3,627.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017, are available for the following purposes:

Purpose restriction	Amount available
Homeless Prevention Program	\$ 21,400
Women's Room Program	10,000
Purchase of computer equipment	<u>4,600</u>
Total restricted net assets	\$ <u>36,000</u>

These notes are an integral part of the preceding financial statements.

FRIENDS IN DEED
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASE COMMITMENTS

Friends in Deed entered into a lease agreement for office equipment. The characteristics of this lease agreement is such that it is recorded on the general ledger as operating type leases. The sixty-three month lease commenced in July 2014 and it requires a monthly payment of \$289. The total expenses for lease of office equipment for the year ended December 31, 2017 was \$3,167.

<u>Year ended Dec. 31,</u>	<u>Amount</u>
2018	\$ 4,025
2019	4,025
2020	-0-
2020	-0-
2021	-0-
Thereafter	<u>-0-</u>
Total	\$ <u>8,050</u>

NOTE 7 - SUBSEQUENT EVENTS

Friends in Deed's management has evaluated subsequent events for the period from December 31, 2017 through April 9, 2018, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

These notes are an integral part of the preceding financial statements.

***SUPPLEMENTARY INFORMATION SECTION REQUIRED BY
GOVERNMENT AUDITING STANDARDS***

HILL, MORGAN AND ASSOCIATES, LLP

Certified Public Accountants

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To the Board of Directors
Friends in Deed
Pasadena, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of **Friends in Deed**, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenditures and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Friends in Deed's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Friends in Deed's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Friends in Deed's** internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Friends in Deed's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill, Morgan and Associates, LLP

Carson, California
April 9, 2018