



Friendship House, Incorporated

Financial Statements
Year Ended December 31, 2017



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FRIENDSHIP HOUSE, INCORPORATED

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**Board of Trustees
Friendship House, Incorporated
Wilmington, Delaware**

We have reviewed the accompanying financial statements of Friendship House, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We previously reviewed the Organization's 2016 financial statements and in our conclusion dated February 16, 2017, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

BBD, LLP

**Philadelphia, Pennsylvania
February 5, 2018**

FRIENDSHIP HOUSE, INCORPORATED

STATEMENT OF FINANCIAL POSITION

December 31, 2017 with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 380,787	\$ 427,534
Restricted cash	61,740	62,627
Contributions receivable	<u>16,755</u>	<u>24,436</u>
Total current assets	<u>459,282</u>	<u>514,597</u>
PROPERTY AND EQUIPMENT		
Buildings and improvement	1,633,934	1,617,569
Furniture and equipment	160,397	151,547
Leasehold improvements	<u>58,331</u>	<u>57,531</u>
	1,852,662	1,826,647
Less accumulated depreciation	<u>904,276</u>	<u>829,014</u>
Net property and equipment	<u>948,386</u>	<u>997,633</u>
Total assets	<u>\$ 1,407,668</u>	<u>\$ 1,512,230</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Cash held for clients	\$ 61,740	\$ 62,627
NET ASSETS		
Unrestricted	1,329,173	1,425,167
Temporarily restricted	<u>16,755</u>	<u>24,436</u>
Total net assets	<u>1,345,928</u>	<u>1,449,603</u>
Total liabilities and net assets	<u>\$ 1,407,668</u>	<u>\$ 1,512,230</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP HOUSE, INCORPORATED

STATEMENT OF ACTIVITIES

Year ended December 31, 2017 with comparative totals for 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT				
Contributions				
Corporations	\$ 113,779	\$ -	\$ 113,779	\$ 116,534
Churches/community organizations	315,907	-	315,907	271,094
Individuals	411,850	16,755	428,605	436,299
Grants	181,315	-	181,315	257,695
In-kind	133,000	-	133,000	111,000
Program fees	74,581	-	74,581	80,286
Fundraising events	86,918	-	86,918	57,988
Other	8,011	-	8,011	6,991
Net assets released from restrictions	24,436	(24,436)	-	-
Total revenue and support	<u>1,349,797</u>	<u>(7,681)</u>	<u>1,342,116</u>	<u>1,337,887</u>
EXPENSES				
Program services				
Day ministries	419,878	-	419,878	397,096
Transitional housing	591,102	-	591,102	607,185
Clothing bank	143,628	-	143,628	142,676
Financial assistance	134,503	-	134,503	157,096
Total program services	<u>1,289,111</u>	<u>-</u>	<u>1,289,111</u>	<u>1,304,053</u>
Supporting services				
Management and general	133,917	-	133,917	132,438
Fundraising	22,763	-	22,763	14,270
Total supporting services	<u>156,680</u>	<u>-</u>	<u>156,680</u>	<u>146,708</u>
Total expenses	<u>1,445,791</u>	<u>-</u>	<u>1,445,791</u>	<u>1,450,761</u>
CHANGE IN NET ASSETS	(95,994)	(7,681)	(103,675)	(112,874)
NET ASSETS				
Beginning of year	<u>1,425,167</u>	<u>24,436</u>	<u>1,449,603</u>	<u>1,562,477</u>
End of year	<u>\$ 1,329,173</u>	<u>\$ 16,755</u>	<u>\$ 1,345,928</u>	<u>\$ 1,449,603</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2017 with comparative totals for 2016

	<u>Day</u>	<u>Transitional</u>	<u>Clothing</u>	<u>Financial</u>	<u>Management</u>	<u>Fund</u>	<u>Totals</u>	
	<u>Ministries</u>	<u>Housing</u>	<u>Bank</u>	<u>Assistance</u>	<u>and General</u>	<u>Raising</u>	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 252,397	\$ 268,476	\$ 94,789	\$ 5,420	\$ 60,890	\$ 6,773	\$ 688,745	\$ 674,456
Payroll taxes	19,897	21,234	7,276	432	4,648	570	54,057	53,157
Employee benefits	<u>30,349</u>	<u>59,457</u>	<u>6,022</u>	<u>221</u>	<u>19,505</u>	<u>681</u>	<u>116,235</u>	<u>119,325</u>
Total personnel expenses	<u>302,643</u>	<u>349,167</u>	<u>108,087</u>	<u>6,073</u>	<u>85,043</u>	<u>8,024</u>	<u>859,037</u>	<u>846,938</u>
Advertising	-	-	-	-	1,214	3	1,217	809
Depreciation	524	61,541	9,229	-	3,968	-	75,262	79,723
Financial assistance	12,428	7,393	48	128,351	3,476	-	151,696	184,232
Insurance	2,292	11,000	3,864	-	4,372	-	21,528	19,681
Maintenance	1,772	12,081	5,385	-	115	-	19,353	24,216
Miscellaneous	90	-	-	-	3,015	-	3,105	5,849
Postage	698	141	49	-	1,952	646	3,486	4,373
Printing	1,180	-	272	-	2,383	987	4,822	8,720
Professional services	1,500	2,800	1,129	-	1,707	-	7,136	10,915
Rent	61,437	79,000	1,426	-	14,400	-	156,263	131,754
Security	1,400	6,401	1,528	-	1,200	-	10,529	5,181
Supplies	24,810	21,056	4,783	56	7,958	13,103	71,766	61,862
Telephone	9,104	12,380	2,090	-	3,114	-	26,688	28,765
Travel	-	-	410	23	-	-	433	563
Utilities	<u>-</u>	<u>28,142</u>	<u>5,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,470</u>	<u>37,180</u>
Total non-personnel expenses	<u>117,235</u>	<u>241,935</u>	<u>35,541</u>	<u>128,430</u>	<u>48,874</u>	<u>14,739</u>	<u>586,754</u>	<u>603,823</u>
Total expenses	<u>\$ 419,878</u>	<u>\$ 591,102</u>	<u>\$ 143,628</u>	<u>\$ 134,503</u>	<u>\$ 133,917</u>	<u>\$ 22,763</u>	<u>\$ 1,445,791</u>	<u>\$ 1,450,761</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP HOUSE, INCORPORATED

STATEMENT OF CASH FLOWS

Year ended December 31, 2017 with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$(103,675)	\$(112,874)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	75,262	79,723
(Increase) decrease in Contributions receivable	<u>7,681</u>	<u>(3,171)</u>
Net cash provided by (used for) operating activities	<u>(20,732)</u>	<u>(36,322)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(26,015)</u>	<u>(30,747)</u>
Net increase (decrease) in cash	(46,747)	(67,069)
CASH		
Beginning of year	<u>427,534</u>	<u>494,603</u>
End of year	<u>\$ 380,787</u>	<u>\$ 427,534</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(1) NATURE OF OPERATIONS

Friendship House, Incorporated (the "**Organization**") is a non-profit corporation committed to making a difference in the lives of the homeless people of Delaware through the traditional spiritual ministries of hospitality, education, empowerment and community. The Organization is a coalition of over one hundred churches and faith-based communities that serve as a sanctuary and a stepping-stone for those in need by means of the following programs:

Day Ministries

Provides food and beverage including a weekly Sunday breakfast, restrooms, phones, mail and message services, consultations, referrals and on-site empowerment programs.

Transitional Housing

Twelve halfway houses (six for men, six for women and children) providing a supportive, secure environment for motivated individuals committed to addressing their unresolved spiritual, social and economic issues.

Clothing Bank

Collects and distributes clothing to needy individuals.

Financial Assistance

Provides limited financial assistance to disenfranchised clients primarily for identification cards, certifications, transportation, housing, medical expenses and debt reduction.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "**net assets released from restrictions.**"

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely.

There were no permanently restricted net assets at December 31, 2017 or 2016.

FRIENDSHIP HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Summarized Prior-Year 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 ("**GAAP**"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Accounting Estimates

In preparing financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash and contributions receivable. The Organization maintains its cash at high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Contributions receivable were collected in 2018. The fair value of the contributions receivable was estimated based upon Level 2 inputs.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are carried at cost if purchased or at the approximate fair value at the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations as incurred.

FRIENDSHIP HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as unrestricted.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Contributed Facilities and Services

Contributed facilities are recorded at their estimated fair value and are recognized and included as in-kind contributions and rent expense in the statements of activities and functional expenses.

The Organization receives significant amounts of time from volunteers who perform various functions without compensation. The financial statements do not reflect the value of these contributed services since the services do not meet the criteria for recognition.

Functional Allocation of Expenses

The costs of Organization's program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted based on estimates made by management.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not required to file any tax returns. As a result, no provision or liability for income taxes is included in the accompanying financial statements.

The Organization has adopted an accounting standard regarding uncertain tax positions. The standard prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined in the standard.

Advertising Costs

The Organization expenses advertising costs as incurred.

(3) RESTRICTED CASH

Restricted cash includes funds held for clients, all of which is maintained by the Organization in separate bank accounts.

(4) LINE OF CREDIT

The Organization has a \$100,000 revolving line of credit with a bank. Advances under the credit line bear interest at the bank's prime rate plus 0.75% and are secured by substantially all of the Organization's assets. There were no advances outstanding at December 31, 2017 and 2016 and the Organization did not utilize the line of credit during 2017 and 2016.

FRIENDSHIP HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(5) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 consisted of time-restricted contributions receivable.

(6) LEASES

The Organization receives donated office space as well as facilities and space in several other locations for use in its programs under various lease arrangements which have been recorded in the following programs as follows:

	<u>2017</u>	<u>2016</u>
Day ministries	\$ 48,000	\$ 38,000
Transitional housing	79,000	68,000
Management and general	<u>6,000</u>	<u>5,000</u>
	<u>\$133,000</u>	<u>\$111,000</u>

In December 2013, the Organization executed a lease for a new office location in Wilmington, Delaware pursuant to a lease that expired December 31, 2017. Rent expense for this location, including the Organization's share of operating expenses, was \$23,263 for 2017 and \$20,754 for 2016. The Organization is continuing to lease the office space for \$3,600 per quarter in 2018 until the terms of a new lease are finalized.

(7) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 5, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2017 that required recognition or disclosure in the financial statements.