

THE DETROIT FRIENDSHIP HOUSE, INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015**

THE DETROIT FRIENDSHIP HOUSE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Detroit Friendship House, Inc.
Hamtramck, MI 48212

We have audited the accompanying financial statements of The Detroit Friendship House, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows and functional expenses 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 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 audits 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 The Detroit Friendship House, Inc. as of December 31, 2015, 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.

Mattina, Kent & Gibbons, P.C.

MATTINA, KENT & GIBBONS, P.C.
Lapeer, MI

December 21, 2016

FINANCIAL STATEMENTS

THE DETROIT FRIENDSHIP HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

	2015
CURRENT ASSETS	
Cash	\$ 108,982
Prepaid Expenses	1,474
TOTAL CURRENT ASSETS	110,456
FIXED ASSETS	
Leasehold Improvements	9,069
Furniture and Equipment	875
Computer Equipment	1,149
	11,093
Less: Accumulated Depreciation	(3,592)
NET FIXED ASSETS	7,501
OTHER ASSETS	
Security Deposits	600
TOTAL OTHER ASSETS	600
TOTAL ASSETS	\$ 118,557

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 3,562
Payroll Liabilities	-
Accrued Wages	-
TOTAL CURRENT LIABILITIES	3,562
TOTAL LIABILITIES	3,562
NET ASSETS	
Unrestricted	112,666
Temporarily Restricted	2,329
TOTAL NET ASSETS	114,995
TOTAL LIABILITIES AND NET ASSETS	\$ 118,557

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

THE DETROIT FRIENDSHIP HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total 2015
CHANGES IN UNRESTRICTED NET ASSETS			
REVENUE			
Support			
Program donations - food	\$ 1,142,133		\$ 1,142,133
Contributions	114,574	4,079	118,653
Grants	52,970		52,970
Special Events (Net of Direct Expenses of \$4,762)	9,146		9,146
Other Revenue	568		568
Net asset released from restrictions	1,750	(1,750)	-
TOTAL REVENUE AND SUPPORT	1,321,141	2,329	1,323,470
FUNCTIONAL EXPENSES			
Program Services	1,227,688		1,227,688
Administrative	33,837		33,837
Fund Raising	23,446		23,446
TOTAL FUNCTIONAL EXPENSES	1,284,971	-	1,284,971
INCREASE (DECREASE) IN NET ASSETS	36,170	2,329	38,499
NET ASSETS - BEGINNING OF YEAR	76,496	-	76,496
NET ASSETS - END OF YEAR	\$ 112,666	\$ 2,329	\$ 114,995

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

**THE DETROIT FRIENDSHIP HOUSE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2015**

FUNCTIONAL EXPENSES	2015			
	PROGRAM	GENERAL AND ADMINI- STRATIVE	FUND- RAISING	TOTAL
Salaries & Wages	\$ 40,961	\$ 19,491	\$ 20,718	\$ 81,170
Payroll Taxes	3,399	1,617	1,719	6,735
Program Food	4,068	-	-	4,068
Program Donated Food	1,142,133	-	-	1,142,133
Program Supplies	1,429	-	-	1,429
Conferences and meetings	333	-	-	333
Depreciation	265	114	-	379
Dues and Subscriptions	32	-	-	32
Equipment Expense	541	267	-	808
Gifts and Appreciation	1,500	-	-	1,500
Insurance	1,261	1,422	-	2,683
Mileage	2,102	-	-	2,102
Miscellaneous	20	-	-	20
Office Supplies	949	364	707	2,020
Penalties and Fines	-	1,341	-	1,341
Postage	151	151	302	604
Professional Fees	-	2,500	-	2,500
Rent	17,217	3,038	-	20,255
Repairs and Maintenance	1,060	522	-	1,582
Service Fees	-	611	-	611
Telephone	1,858	915	-	2,773
Utilities	8,409	1,484	-	9,893
	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 1,227,688	\$ 33,837	\$ 23,446	\$ 1,284,971

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

THE DETROIT FRIENDSHIP HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2015

	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 38,499
Adjustment to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	379
(Increase) Decrease in:	
Prepaid Expenses	(984)
Increase (Decrease) in:	
Accounts Payable	1,005
Payroll Liabilities	(7,908)
Accrued Wages	(2,268)
	28,723
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(1,750)
	(1,750)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,973
CASH - BEGINNING OF YEAR	82,009
CASH - END OF YEAR	\$ 108,982

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

NOTES TO THE FINANCIAL STATEMENTS

THE DETROIT FRIENDSHIP HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Detroit Friendship House, Inc. (the Organization) was founded in 1929. The Organization is a nonprofit corporation under the laws of the State of Michigan and qualifies as a tax exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code; accordingly, contributions made to the Organization qualify for a charitable deduction for federal income tax purposes. The Organization is a community resource network of “neighbors helping neighbors” in the uniquely diverse cities of Hamtramck and Detroit. The Organization is dedicated to meeting basic human needs and fulfilling our dreams for a healthy and peaceful community, through the power of God at work in the world. The Organization serves the community through numerous programs including the Harvest House food pantry, school supply giveaway, Santa toy shop, multi-cultural community garden and other supply giveaways.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Under accounting standards, The Organization is required to report 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 stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

THE DETROIT FRIENDSHIP HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization's cash is deposited in various financial institutions. Cash accounts at banks are insured by the FDIC for up to \$250,000. As of December 31, 2015 the Organization has no amounts uninsured.

Property, Equipment, and Related Depreciation

Property and equipment are recorded at cost when purchased and at fair market value when donated. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the related assets. When assets are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized currently. Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred.

Income Tax Status

The Organization is a nonprofit organization, as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal and state income taxes.

In preparation of information returns, tax positions are taken based on interpretation of federal and state tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties ultimately due or owed. No amounts have been identified, or recorded as uncertain positions.

The Organization's informational returns are subject to examination, generally for three years after the filing date. Open audit periods are 2013 to 2015.

Subsequent Events

The Organization has evaluated subsequent events through December 21, 2016 the date the financial statements were available to be issued.

NOTE 2 – PREPAID EXPENSES

Certain expenses are routinely paid that cover more than the current fiscal period. As of December 31, 2015 prepaid expenses consisted of insurance and payroll expenses.

**THE DETROIT FRIENDSHIP HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3 – OPERATING LEASE ARRANGEMENTS

The organization has a five-year operating lease agreement for the rental of their office space. The current lease expires July 31, 2020. Rent expense for 2015 was \$20,255. At December 31, 2015, the minimum lease payments under the terms of all lease agreements were as follows:

Year ending December 31,

2016	\$ 23,244
2017	23,244
2018	23,244
2019	23,244
2020	<u>13,559</u>
	<u>\$ 106,535</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds allocated to renovations of the Harvest House building. Temporarily restricted net assets totaled \$2,329 at December 31, 2015.

NOTE 5 – SPECIAL EVENTS

The Organization has two special events each year.

Following is a summary of special events:

<u>Fowling</u>	<u>2015</u>
Receipts – Current Year	\$ 5,186
Direct Expenses	<u>(958)</u>
Net Fowling	4,228
<u>Golf Outing</u>	
Receipts – Current Year	9,407
Direct Expenses	<u>(3,676)</u>
Net Golf Outing	<u>5,731</u>
Net Special Events Income	<u>\$ 9,959</u>