

DETROIT FRIENDSHIP HOUSE, INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

DETROIT FRIENDSHIP HOUSE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Detroit Friendship House, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years 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 Detroit Friendship House, Inc. as of December 31, 2017 and 2016, 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.
Certified Public Accountants
Lapeer, Michigan

August 14, 2018, except for Note 7, as to which
the date is November 12, 2019

FINANCIAL STATEMENTS

DETROIT FRIENDSHIP HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 98,186	\$ 153,771
Prepaid Expenses	547	2,230
TOTAL CURRENT ASSETS	98,733	156,001
 FIXED ASSETS		
Leasehold Improvements	19,301	19,301
Furniture and Equipment	2,287	875
Computer Equipment	1,824	1,824
	23,412	22,000
Less: Accumulated Depreciation	(5,191)	(4,340)
NET FIXED ASSETS	18,221	17,660
 OTHER ASSETS		
Security Deposits	600	600
TOTAL OTHER ASSETS	600	600
TOTAL ASSETS	\$ 117,554	\$ 174,261

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 932	\$ 7,059
Deferred Revenue	-	23,605
Current Portion of Long Term Debt	1,847	1,847
TOTAL CURRENT LIABILITIES	2,779	32,511
 LONG TERM DEBT (net of current portion)	5,000	6,386
TOTAL LIABILITIES	7,779	38,897
 NET ASSETS		
Unrestricted	109,775	135,364
Temporarily Restricted	-	-
Permanently Restricted	-	-
TOTAL NET ASSETS	109,775	135,364
 TOTAL LIABILITIES AND NET ASSETS	\$ 117,554	\$ 174,261

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

DETROIT FRIENDSHIP HOUSE, INC.
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE		
Support		
Program Donations - Food	\$ 1,391,870	\$ 1,341,699
Contributions	73,464	109,789
Grants	66,553	60,895
Special Events (Net of Direct		
Expenses of \$853 and \$5,643)	11,223	14,012
Other Revenue	1,874	162
Net Asset Released from Restrictions	-	2,329
	1,544,984	1,528,886
TOTAL REVENUE AND SUPPORT		
FUNCTIONAL EXPENSES		
Program Services	1,505,749	1,443,346
Administrative	37,671	36,753
Fund Raising	27,153	26,089
	1,570,573	1,506,188
TOTAL FUNCTIONAL EXPENSES		
INCREASE (DECREASE) IN UNRESTRICTED		
NET ASSETS	(25,589)	22,698
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Net Assets Released from Restrictions	-	(2,329)
	-	(2,329)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED		
NET ASSETS		
	-	(2,329)
INCREASE (DECREASE) IN NET ASSETS)	(25,589)	20,369
NET ASSETS - BEGINNING OF YEAR	135,364	114,995
NET ASSETS - END OF YEAR	\$ 109,775	\$ 135,364

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

DETROIT FRIENDSHIP HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016

FUNCTIONAL EXPENSES	2017				2016			
	GENERAL AND ADMINI- FUND- PROGRAM STRATIVE RAISING			TOTAL	GENERAL AND ADMINI- FUND- PROGRAM STRATIVE RAISING			TOTAL
	PROGRAM	STRATIVE	RAISING	TOTAL	PROGRAM	STRATIVE	RAISING	TOTAL
Salaries and Wages	\$ 54,988	\$ 20,812	\$ 23,461	\$ 99,261	\$ 48,557	\$ 20,225	\$ 22,178	\$ 90,960
Payroll Taxes	5,431	2,056	2,318	9,805	4,804	2,001	2,194	8,999
Program Food	4,598	-	-	4,598	4,436	-	-	4,436
Program Donated Food	1,391,870	-	-	1,391,870	1,341,699	-	-	1,341,699
Program Supplies	9,793	-	-	9,793	4,328	-	-	4,328
Conferences and Meetings	756	-	-	756	343	-	-	343
Depreciation	596	255	-	851	524	224	-	748
Dues and Subscriptions	856	-	-	856	175	-	-	175
Equipment Expense	2,445	1,205	-	3,650	2,190	1,079	-	3,269
Gifts and Appreciation	1,687	-	-	1,687	1,125	-	-	1,125
Insurance	1,127	1,271	-	2,398	1,122	1,266	-	2,388
Mileage	1,114	-	-	1,114	991	-	-	991
Miscellaneous	(2,006)	-	-	(2,006)	-	-	-	-
Office Supplies	1,715	656	1,276	3,647	1,743	668	1,299	3,710
Postage	49	49	98	196	208	209	418	835
Professional Fees	-	4,600	-	4,600	-	4,000	-	4,000
Rent	17,217	3,038	-	20,255	17,217	3,038	-	20,255
Repairs and Maintenance	1,524	751	-	2,275	939	462	-	1,401
Service Fees	-	482	-	482	-	245	-	245
Telephone	1,201	592	-	1,793	3,328	1,639	-	4,967
Utilities	10,788	1,904	-	12,692	9,617	1,697	-	11,314
TOTAL FUNCTIONAL EXPENSES	\$ 1,505,749	\$ 37,671	\$ 27,153	\$ 1,570,573	\$ 1,443,346	\$ 36,753	\$ 26,089	\$ 1,506,188

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

DETROIT FRIENDSHIP HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (25,589)	\$ 20,369
Adjustment to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	851	748
(Increase) Decrease in:		
Prepaid Expenses	1,683	(756)
Increase (Decrease) in:		
Accounts Payable	(6,127)	3,497
Deferred Revenue	<u>(23,605)</u>	<u>23,605</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(52,787)</u>	<u>47,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	<u>(1,412)</u>	<u>(10,907)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,412)</u>	<u>(10,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from (Payments on) Long Term Debt	<u>(1,386)</u>	<u>8,233</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,386)</u>	<u>8,233</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(55,585)	44,789
CASH - BEGINNING OF YEAR	<u>153,771</u>	<u>108,982</u>
CASH - END OF YEAR	<u><u>\$ 98,186</u></u>	<u><u>\$ 153,771</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

DETROIT FRIENDSHIP HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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.

DETROIT FRIENDSHIP HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017 and 2016, 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 2015 to 2017.

Subsequent Events

The Organization has evaluated subsequent events through August 14, 2018 the date the financial statements were available to be issued.

DETROIT FRIENDSHIP HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – PREPAID EXPENSES

Certain expenses are routinely paid that cover more than the current fiscal period. As of December 31, 2017 and 2016, prepaid expenses consisted of insurance and rent.

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 2017 and 2016 was \$20,255 each (see Note 6). At December 31, 2017, the minimum lease payments under the terms of all lease agreements were as follows:

Year ending December 31,

2018	\$ 20,244
2019	20,244
2020	<u>11,809</u>
	<u>\$ 52,297</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 \$0 at December 31, 2017 and \$2,329 at December 31, 2016.

NOTE 5 – SPECIAL EVENTS

The Organization has two special events each year.

Following is a summary of special events:

Fowling	2017	2016
Receipts – Current Year	\$ 12,076	\$ 14,256
Direct Expenses	(853)	(2,247)
Net Fowling	<u>11,223</u>	<u>12,009</u>
Golf Outing		
Receipts – Current Year	-	5,399
Direct Expenses	-	(3,396)
Net Golf Outing	<u>-</u>	<u>2,003</u>
Net Special Events Income	<u>\$ 11,223</u>	<u>\$ 14,012</u>

DETROIT FRIENDSHIP HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – LONG TERM DEBT

	2017	2016
The Organization has a five-year loan with Mario Lulgjuraj, their landlord, for one half of the remodel expenses. The terms of the loan call for monthly payments of \$154, for sixty months. The Organization’s half of the remodel expenses totaled \$9,233.	\$ 6,847	\$ 8,233
Less current maturities	(1,847)	(1,847)
Total Long-term Liabilities, net of Current Portion	\$ 5,000	\$ 6,386

Principal payments projected on long-term debt are as follows:

2018	1,847
2019	1,847
2020	1,847
2021	1,306
Total	\$ 6,847

NOTE 7 – REISSUED FINANCIAL STATEMENTS

These financial statements were originally issued on August 14, 2018. These reissued financial statements include changes to the 2017 balances. The original statements showed deferred revenue on the statement of financial position of \$8,094 and grant revenue on the statement of activities of \$58,459. After the adjustment, the statements show deferred revenue of \$0 and grant revenue of \$66,553. The effect on net income is an increase of \$8,094.