

DETROIT FRIENDSHIP HOUSE, INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

DETROIT FRIENDSHIP HOUSE, INC.

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 10

Rochester

1214 N. Main Street
Rochester, MI 48307
248.601.9500 ~ 248.601.9501 fax
www.mkgpc.com



Certified Public Accountants

Lapeer

951 S. Main Street, Suite 3
Lapeer, MI 48446
810.664.4470 ~ 810.664.3601 fax
www.mkgpc.com

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, 2018 and 2017, 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, 2018 and 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.

Mattina, Kent & Gibbons, P.C.

Mattina, Kent & Gibbons, P.C.
Certified Public Accountants
Lapeer, Michigan

December 27, 2019

FINANCIAL STATEMENTS

DETROIT FRIENDSHIP HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	\$ 101,399	\$ 98,186
Prepaid Expenses	547	547
TOTAL CURRENT ASSETS	101,946	98,733
 FIXED ASSETS		
Leasehold Improvements	19,301	19,301
Furniture and Equipment	2,287	2,287
Computer Equipment	1,824	1,824
	23,412	23,412
Less: Accumulated Depreciation	(6,130)	(5,191)
NET FIXED ASSETS	17,282	18,221
 OTHER ASSETS		
Security Deposits	600	600
TOTAL OTHER ASSETS	600	600
TOTAL ASSETS	\$ 119,828	\$ 117,554

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 2,278	\$ 932
Current Portion of Long Term Debt	1,847	1,847
TOTAL CURRENT LIABILITIES	4,125	2,779
LONG TERM DEBT (net of current portion)	3,152	5,000
 TOTAL LIABILITIES	7,277	7,779
 NET ASSETS		
Without Donor Restrictions	112,551	109,775
TOTAL NET ASSETS	112,551	109,775
 TOTAL LIABILITIES AND NET ASSETS	\$ 119,828	\$ 117,554

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

DETROIT FRIENDSHIP HOUSE, INC.
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Support		
Program Donations - Food	\$ 1,539,131	\$ 1,391,870
Contributions	92,930	73,464
Grants	42,500	66,553
Special Events (Net of Direct Expenses of \$8,336 and \$853)	22,416	11,223
Other Revenue	318	1,874
Net Asset Released from Restrictions	-	-
	1,697,295	1,544,984
TOTAL REVENUE AND SUPPORT		
FUNCTIONAL EXPENSES		
Program Services	1,630,898	1,505,749
Administrative	36,230	37,671
Fund Raising	27,391	27,153
	1,694,519	1,570,573
TOTAL FUNCTIONAL EXPENSES		
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,776	(25,589)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Net Assets Released from Restrictions	-	-
	-	-
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS		
	-	-
INCREASE (DECREASE) IN NET ASSETS	2,776	(25,589)
NET ASSETS - BEGINNING OF YEAR	109,775	135,364
NET ASSETS - END OF YEAR	\$ 112,551	\$ 109,775

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

DETROIT FRIENDSHIP HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR YEARS ENDED DECEMBER 31, 2018 AND 2017

FUNCTIONAL EXPENSES	2018				2017			
	GENERAL AND ADMINI- FUND- STRATIVE RAISING			TOTAL	GENERAL AND ADMINI- FUND- STRATIVE RAISING			TOTAL
	PROGRAM	STRATIVE	RAISING		PROGRAM	STRATIVE	RAISING	
Salaries and Wages	\$ 45,677	\$ 20,513	\$ 23,403	\$ 89,593	\$ 54,988	\$ 20,812	\$ 23,461	\$ 99,261
Payroll Taxes	4,179	1,877	2,141	8,197	5,431	2,056	2,318	9,805
Program Food	1,524	-	-	1,524	4,598	-	-	4,598
Program Donated Food	1,539,131	-	-	1,539,131	1,391,870	-	-	1,391,870
Program Supplies	2,889	-	-	2,889	9,793	-	-	9,793
Conferences and Meetings	110	-	-	110	756	-	-	756
Depreciation	658	282	-	940	596	255	-	851
Dues and Subscriptions	1,225	-	-	1,225	856	-	-	856
Equipment Expense	303	149	-	452	2,445	1,205	-	3,650
Gifts and Appreciation	779	-	-	779	1,687	-	-	1,687
Insurance	1,138	1,284	-	2,422	1,127	1,271	-	2,398
Mileage	1,259	-	-	1,259	1,114	-	-	1,114
Miscellaneous	-	-	-	-	(2,006)	-	-	(2,006)
Office Supplies	2,014	771	1,500	4,285	1,715	656	1,276	3,647
Postage	173	173	347	693	49	49	98	196
Professional Fees	-	4,825	-	4,825	-	4,600	-	4,600
Rent	17,217	3,038	-	20,255	17,217	3,038	-	20,255
Repairs and Maintenance	560	276	-	836	1,524	751	-	2,275
Service Fees	-	638	-	638	-	482	-	482
Telephone	871	429	-	1,300	1,201	592	-	1,793
Utilities	11,191	1,975	-	13,166	10,788	1,904	-	12,692
TOTAL FUNCTIONAL EXPENSES	\$ 1,630,898	\$ 36,230	\$ 27,391	\$ 1,694,519	\$ 1,505,749	\$ 37,671	\$ 27,153	\$ 1,570,573

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

DETROIT FRIENDSHIP HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,776	\$ (25,589)
Adjustment to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	940	851
(Increase) Decrease in:		
Prepaid Expenses	-	1,683
Increase (Decrease) in:		
Accounts Payable	1,346	(6,127)
Deferred Revenue	-	(23,605)
	<u>5,062</u>	<u>(52,787)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-	(1,412)
	<u>-</u>	<u>(1,412)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from (Payments on) Long Term Debt	(1,849)	(1,386)
	<u>(1,849)</u>	<u>(1,386)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,213	(55,585)
CASH - BEGINNING OF YEAR	<u>98,186</u>	<u>153,771</u>
CASH - END OF YEAR	<u>\$ 101,399</u>	<u>\$ 98,186</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 two classes of net assets as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

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

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (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.

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, 2018 and 2017, 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 2016 to 2018.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

The Organization has evaluated subsequent events through December 27, 2019 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, 2018 and 2017, prepaid expenses consisted of insurance.

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 2018 and 2017 was \$20,255 each (see Note 6). At December 31, 2018, the minimum lease payments under the terms of all lease agreements were as follows:

Year ending December 31,

2019	\$ 20,255
2020	<u>11,815</u>
	<u>\$ 32,070</u>

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funds allocated to renovations of the Harvest House building. Net assets with donor restrictions totaled \$0 at December 31, 2018 and \$0 at December 31, 2017.

NOTE 5 – SPECIAL EVENTS

Following is a summary of special events:

Fowling	2018	2017
Receipts – Current Year	\$ 15,735	\$ 12,076
Direct Expenses	(1,893)	(853)
Net Fowling	<u>13,842</u>	<u>11,223</u>
Poker	2018	2017
Receipts – Current Year	\$ 14,276	\$ -
Direct Expenses	(6,443)	-
Net Golf Outing	<u>7,833</u>	<u>-</u>
Taco Night	2018	2017
Receipts – Current Year	\$ 500	\$ -
Direct Expenses	-	-
Net Taco Night	<u>500</u>	<u>-</u>
Other	2018	2017
Receipts – Current Year	\$ 241	\$ -
Direct Expenses	-	-
Net Other	<u>241</u>	<u>-</u>
Net Special Events Income	<u>\$ 22,416</u>	<u>\$ 11,223</u>

DETROIT FRIENDSHIP HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – LONG TERM DEBT

	2018	2017
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.	\$ 4,999	\$ 6,847
Less current maturities	(1,847)	(1,847)
Total Long-term Liabilities, net of Current Portion	\$ 3,152	\$ 5,000

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

2019	1,847
2020	1,847
2021	1,305
Total	\$ 4,999

NOTE 7 – LIQUIDITY AND AVAILABILITY

As of December 31, 2018 and 2017 the Organization, has a working capital surplus of \$97,821 and \$95,954, respectively.

Financial assets available for general expenditures within one year of the balance sheet date, consist of the following:

	2018	2017
Cash	\$ 101,399	\$ 98,186
Financial assets available for general expenditures	\$ 101,399	\$ 98,166

NOTE 8 – FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among program or supporting services benefited. The expenses that are allocated include depreciation and utilities, which are allocated on a square footage basis, as well as salaries and payroll taxes, which are allocated on the basis of estimated time and effort.