



Friendship House, Incorporated

Financial Statements
Year Ended December 31, 2018



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

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, 2018, 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 2017 financial statements and in our conclusion dated February 5, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 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, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

BBD, LLP

**Philadelphia, Pennsylvania
March 13, 2019**

FRIENDSHIP HOUSE, INCORPORATED

STATEMENT OF FINANCIAL POSITION

December 31, 2018 with comparative totals for 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
ASSETS		
Cash	\$ 479,645	\$ 380,787
Restricted cash	69,722	61,740
Contributions receivable	18,759	16,755
Property and equipment, net	<u>892,205</u>	<u>948,386</u>
Total assets	<u>\$ 1,460,331</u>	<u>\$ 1,407,668</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Cash held for clients	<u>\$ 69,722</u>	<u>\$ 61,740</u>
NET ASSETS		
Without donor restrictions	1,371,850	1,329,173
With donor restrictions	<u>18,759</u>	<u>16,755</u>
Total net assets	<u>1,390,609</u>	<u>1,345,928</u>
Total liabilities and net assets	<u>\$ 1,460,331</u>	<u>\$ 1,407,668</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP HOUSE, INCORPORATED

STATEMENT OF ACTIVITIES

Year ended December 31, 2018 with comparative totals for 2017

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
REVENUE AND SUPPORT				
Contributions				
Corporations	\$ 63,277	\$ -	\$ 63,277	\$ 113,779
Churches/community organizations	325,589	-	325,589	315,907
Individuals	391,561	18,759	410,320	428,605
Grants	192,556	-	192,556	181,315
In-kind	133,000	-	133,000	133,000
Program fees	78,470	-	78,470	74,581
Fundraising events	151,760	-	151,760	86,918
Other	9,333	-	9,333	8,011
Net assets released from restrictions	16,755	(16,755)	-	-
Total revenue and support	<u>1,362,301</u>	<u>2,004</u>	<u>1,364,305</u>	<u>1,342,116</u>
EXPENSES				
Program services				
Day ministries	381,509	-	381,509	419,878
Transitional housing	539,086	-	539,086	591,102
Clothing bank	138,001	-	138,001	143,628
Financial assistance	116,021	-	116,021	134,503
Total program services	<u>1,174,617</u>	<u>-</u>	<u>1,174,617</u>	<u>1,289,111</u>
Supporting services				
Management and general	133,458	-	133,458	133,917
Fundraising	11,549	-	11,549	22,763
Total supporting services	<u>145,007</u>	<u>-</u>	<u>145,007</u>	<u>156,680</u>
Total expenses	<u>1,319,624</u>	<u>-</u>	<u>1,319,624</u>	<u>1,445,791</u>
CHANGE IN NET ASSETS	42,677	2,004	44,681	(103,675)
NET ASSETS				
Beginning of year	<u>1,329,173</u>	<u>16,755</u>	<u>1,345,928</u>	<u>1,449,603</u>
End of year	<u>\$ 1,371,850</u>	<u>\$ 18,759</u>	<u>\$ 1,390,609</u>	<u>\$ 1,345,928</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018 with comparative totals for 2017

	Day <u>Ministries</u>	Transitional <u>Housing</u>	Clothing <u>Bank</u>	Financial <u>Assistance</u>	Management <u>and General</u>	Fund <u>Raising</u>	<u>Totals</u>	
							<u>2018</u>	<u>2017</u>
Salaries and wages	\$ 231,982	\$ 236,274	\$ 91,198	\$ 5,221	\$ 62,261	\$ 8,291	\$ 635,227	\$ 688,745
Payroll taxes	18,248	18,595	7,009	407	4,785	693	49,737	54,057
Employee benefits	<u>21,897</u>	<u>47,093</u>	<u>5,680</u>	<u>101</u>	<u>14,479</u>	<u>772</u>	<u>90,022</u>	<u>116,235</u>
Total personnel expenses	<u>272,127</u>	<u>301,962</u>	<u>103,887</u>	<u>5,729</u>	<u>81,525</u>	<u>9,756</u>	<u>774,986</u>	<u>859,037</u>
Advertising	100	-	-	-	1,188	29	1,317	1,217
Depreciation	319	59,567	10,420	-	4,563	-	74,869	75,262
Financial assistance	13,748	3,649	-	109,044	-	-	126,441	151,696
Insurance	3,097	11,000	4,145	-	4,672	-	22,914	21,528
Maintenance	1,061	16,712	2,329	-	649	-	20,751	19,353
Miscellaneous	-	2	1	-	1,691	-	1,694	3,105
Postage	1,113	125	-	-	2,932	620	4,790	3,486
Printing	88	97	273	-	3,962	778	5,198	4,822
Professional services	-	-	-	-	7,391	-	7,391	7,136
Rent	61,547	78,200	1,426	-	14,400	-	155,573	156,263
Security	-	4,848	288	72	288	-	5,496	10,529
Supplies	18,211	21,501	7,083	1,124	7,407	366	55,692	71,766
Telephone	10,098	11,867	1,789	52	2,790	-	26,596	26,688
Travel	-	10	441	-	-	-	451	433
Utilities	<u>-</u>	<u>29,546</u>	<u>5,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,465</u>	<u>33,470</u>
Total non-personnel expenses	<u>109,382</u>	<u>237,124</u>	<u>34,114</u>	<u>110,292</u>	<u>51,933</u>	<u>1,793</u>	<u>544,638</u>	<u>586,754</u>
Total expenses	<u>\$ 381,509</u>	<u>\$ 539,086</u>	<u>\$ 138,001</u>	<u>\$ 116,021</u>	<u>\$ 133,458</u>	<u>\$ 11,549</u>	<u>\$ 1,319,624</u>	<u>\$ 1,445,791</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP HOUSE, INCORPORATED

STATEMENT OF CASH FLOWS

Year ended December 31, 2018 with comparative totals for 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 44,681	\$(103,675)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	74,869	75,262
(Increase) decrease in Contributions receivable	<u>(2,004)</u>	<u>7,681</u>
Net cash provided by (used for) operating activities	<u>117,546</u>	<u>(20,732)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(18,688)</u>	<u>(26,015)</u>
Net increase (decrease) in cash	98,858	(46,747)
CASH		
Beginning of year	<u>380,787</u>	<u>427,534</u>
End of year	<u>\$ 479,645</u>	<u>\$ 380,787</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(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 the following classes of net assets:

Without donor restrictions

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

With donor restrictions

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Organization to expend the income generated in accordance with the provisions of the contribution.

FRIENDSHIP HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2017, 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 2019. 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, 2018

Contributions

Contributions received are recorded as net assets without donor restrictions or with donor restrictions 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 without donor restrictions.

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 the Organization's program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Salaries and benefits are allocated to functional areas based on estimates of time and effort. Certain general and administrative costs that benefit multiple functional areas have been allocated base on management's best estimates.

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.

Accounting Pronouncements Adopted

On August 18, 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities, which amended the current reporting model for nonprofit organizations and enhances their required disclosures. The new standards change the following aspects of AAP's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (**Note 3**).

FRIENDSHIP HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(3) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date. All amounts are available within one year of the statement of financial position date.

Cash	\$479,645
Contributions receivable	<u>18,759</u>
Total financial assets available within one year	<u>\$498,404</u>

Liquidity Management

None of the financial assets are subject to donor or other contractual restrictions that makes them unavailable for general expenditures within one year of the statement of financial position. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(4) RESTRICTED CASH

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

(5) 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, 2018 and 2017 and the Organization did not utilize the line of credit during 2018 and 2017.

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 consisted of time-restricted contributions receivable.

(7) 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>2018</u>	<u>2017</u>
Day ministries	\$ 48,000	\$ 48,000
Transitional housing	79,000	79,000
Management and general	<u>6,000</u>	<u>6,000</u>
	<u>\$133,000</u>	<u>\$133,000</u>

In April 2018, the Organization renewed its lease for an office location in Wilmington, Delaware that expires March 31, 2021. Rent expense for this location, including the Organization's share of operating expenses, was \$22,573 for 2018 and \$23,263 for 2017. The annual minimum lease commitments under this lease is \$14,400 for 2019 and 2020 and \$3,600 for 2021.

FRIENDSHIP HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in the financial statements.