

FRIENDS IN DEED

**Formerly known as
ECUMENICAL COUNCIL OF PASADENA AREA
CONGREGATIONS**

***FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2018
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT***

FRIENDS IN DEED

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To the Board of Directors
Friends in Deed
Pasadena, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of **Friends in Deed** which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenditures and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2017 financial statements and in our report dated July 18, 2018 an unqualified opinion was expressed on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 risk of material misstatement of the financial statements 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 statement 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Friends in Deed** as of December 31, 2018, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2019 on our consideration of **Friends in Deed**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **Friends in Deed**'s internal control over financial reporting and compliance.

Hill, Morgan and Associates, LLP

Carson, California
May 1, 2019

FRIENDS IN DEED
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With comparative totals as of December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 271,380	\$ 274,932
Grants receivable	<u>75,597</u>	<u>21,133</u>
Total current assets	<u>346,977</u>	<u>296,065</u>
PROPERTY AND EQUIPMENT:		
Land (Note 3)	6,512	6,512
Buildings (Note 3)	135,220	135,220
Vehicle (Note 3)	60,057	60,057
Furniture and equipment (Note 3)	<u>55,682</u>	<u>55,682</u>
Total property and equipment	257,471	257,471
Less accumulated depreciation	<u>(186,281)</u>	<u>(175,358)</u>
Net property and equipment	<u>71,190</u>	<u>82,113</u>
OTHER ASSETS:		
Security deposit	<u>2,346</u>	<u>-</u>
Total assets	<u>\$ 420,513</u>	<u>\$ 378,178</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued vacation (Note 4)	<u>4,242</u>	<u>3,627</u>
Total current liabilities	<u>4,242</u>	<u>3,627</u>
Total liabilities	<u>4,242</u>	<u>3,627</u>
NET ASSETS:		
Unrestricted	316,991	338,551
Temporarily restricted (Note 5)	<u>99,280</u>	<u>36,000</u>
Total net assets	<u>416,271</u>	<u>374,551</u>
Total liabilities and net assets	<u>\$ 420,513</u>	<u>\$ 378,178</u>

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

FRIENDS IN DEED
STATEMENT OF ACTIVITIES
For the year ended December 31, 2018
(With comparative totals for the year ended December 31, 2017)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS:				
Revenues:				
Donations	\$ 202,180	\$	\$ 202,180	\$ 335,911
Government grants and foundations	328,683	165,556	494,239	251,460
Special events (Net of direct cost of \$74,424)	199,359		199,359	99,996
Investment income	14		14	6
Net assets released from restrictions	<u>102,276</u>	<u>(102,276)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>832,512</u>	<u>63,280</u>	<u>895,792</u>	<u>687,373</u>
Expenses:				
Program expenses	684,992		684,992	460,683
Support services	<u>169,080</u>		<u>169,080</u>	<u>112,165</u>
Total expenses	<u>854,072</u>	<u>-</u>	<u>854,072</u>	<u>572,848</u>
(Decrease) increase in net assets	(21,560)	63,280	41,720	114,525
Net assets, beginning of the year	<u>338,551</u>	<u>36,000</u>	<u>374,551</u>	<u>260,026</u>
Net assets, end of the year	<u>\$ 316,991</u>	<u>\$ 99,280</u>	<u>\$ 416,271</u>	<u>374,551</u>

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

FRIENDS IN DEED
STATEMENT OF FUNCTIONAL EXPENDITURES
For the year ended December 31, 2018
(With comparative totals for the year ended December 31, 2017)

	<u>Program</u>	<u>Support Services</u>	<u>2018 Total Expenditures</u>	<u>2017 Total Expenditures</u>
Expenditures:				
Salaries	\$ 368,033	\$ 86,364	\$ 454,397	\$ 311,941
Payroll taxes	35,769	4,879	40,648	29,265
Employee benefits	19,133	2,608	21,741	8,318
Workers compensation insurance	28,644	3,906	32,550	7,644
Organizational development	-	4,704	4,704	9,194
Fundraising	-	33,054	33,054	7,677
Depreciation	10,923	-	10,923	7,920
Insurance	13,145	-	13,145	15,506
Professional fees	14,057	3,514	17,571	2,401
Rent	9,168	2,292	11,460	-
Office expense	9,809	9,809	19,618	26,486
Program costs	151,484	-	151,484	108,780
Utilities	15,710	2,142	17,852	15,197
Repairs and maintenance	9,117	3,908	13,025	20,274
Web page/software	-	6,678	6,678	-
Taxes and license	-	3,300	3,300	1,230
Other	-	1,922	1,922	1,015
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 684,992	\$ 169,080	\$ 854,072	\$ 572,848

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

FRIENDS IN DEED
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018
(With comparative totals for the year ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 41,720	\$ 114,525
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,923	7,920
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(54,367)	16,218
Other assets	(97)	(97)
Increase (decrease) in liabilities:		
Accounts payable	-	(178)
Credit card payable	-	(260)
Accrued vacation	615	223
Net cash (used in) provided by operating activities	(1,206)	138,351
Cash flows from investing activities:		
Cash paid for security deposit	(2,346)	-
Cash paid for property and equipment	-	(60,057)
Net cash used in investing activities	(2,346)	(60,057)
Net (decrease) increase in cash	(3,552)	78,294
Cash and cash equivalents-beginning of the year	274,932	196,638
Cash and cash equivalents-end of the year	\$ 271,380	\$ 274,932

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

FRIENDS IN DEED
NOTES TO FINANCIAL STATEMENTS

NOTE 1- NATURE OF ACTIVITIES

Friends In Deed was created as an interfaith cooperative enterprise to deliver social services to low income and homeless people in the Pasadena area. The current programs of Friends In Deed include a food pantry, a winter homeless shelter, a day shelter for women who are homeless or at risk of homelessness, a homeless prevention program, and a street outreach program. Friends In Deed also has Memorandums of Understanding with six other Pasadena social service organizations in order to more fully meet the needs of our clients. Major sources of revenue are individual donations, government grants, corporate/organization grants and fundraising events.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide "Nonprofit Organizations."

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Friends in Deed consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

GRANTS RECEIVABLE

There is no provision for doubtful accounts as all receivables were considered collectible.

PROPERTY AND EQUIPMENT

Property and equipment acquired is considered to be owned by Friends in Deed while used in the program for which it was purchased or in other future authorized programs; however, the various Federal and state agencies have a reversionary interest in the property and equipment; its disposition as well as the ownership of any proceeds there from is subject to Federal and state regulations. Property and equipment is carried at cost less the related accumulated depreciation. Donated property and equipment is carried at the fair market value at the date of donation. Friends in Deed capitalizes property and equipment purchased with non-government funds having a unit value of \$5,000 or more and a life expectancy of two or more years. Property and equipment purchased with government funds is expensed in the year of purchase. Depreciation is computed using the straight-line method over the estimated life of the property and equipment.

These notes are an integral part of the preceding financial statements.

FRIENDS IN DEED
NOTES TO FINANCIAL STATEMENTS

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

INCOME TAXES

Friends in Deed is an association of churches that is exempt from filing Federal and State income tax returns under Internal Revenue Code Section 501(c) (3) and California State Revenue and Taxation Code Section 23701(d) except on net income derived from unrelated business activities. Friends in Deed did not have any unrelated business income in 2018.

REVENUE RECOGNITION

Friends in Deed recognizes revenue when contract services are provided, revenue is recorded as restricted or non restricted depending on the existence or nature of a contract agreement.

RECOGNITION OF DONOR RESTRICTIONS

Friends in Deed reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

EXPENSE ALLOCATION

The costs of providing the various programs and supporting services have been summarized on a functional basis. Certain allocations have been estimated between program expense and support services.

COMPARATIVE FINANCIAL 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. Accordingly, such information should be read in conjunction with Friends in Deed's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

These notes are an integral part of the preceding financial statements.

FRIENDS IN DEED
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 comprise the following:

<u>Description</u>	<u>Cost</u>	<u>Accum. depreciation</u>	<u>Net book Value</u>
Land*	\$ 6,512	\$ -0-	\$ 6,512
Building*	135,220	(121,590)	13,630
Vehicle	60,057	(9,009)	51,048
Furniture and equipment	<u>55,682</u>	<u>(55,682)</u>	<u>-0-</u>
Net property and equipment	<u>\$ 257,471</u>	<u>\$ (186,281)</u>	<u>\$ 71,190</u>

*The land and building consists of a two story 4,288 square foot commercial building built in 1978 on a corner lot at 446 E. Washington Boulevard, Pasadena, California which includes parking spaces for eight vehicles.

Depreciation expense for the year ended December 31, 2018 was \$10,923.

NOTE 4 - COMPENSATED ABSENCES

Employees can earn annual vacation leave at a rate of two weeks after one year of service; three weeks after five years of service; and four weeks after ten years of service. At termination or retirement, employees are paid for any accumulated annual vacation time. The liability for accumulated unpaid vacation at December 31, 2018 is \$4,242.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2018, are available for the following purposes:

<u>Purpose restriction</u>	<u>Amount available</u>
Homeless Prevention Program	\$ 3,620
Street Outreach	12,614
Women’s Room Program	12,566
Pantry	27,296
Capital improvements	42,184
Other activities	<u>1,000</u>
Total restricted net assets	<u>\$ 99,280</u>

These notes are an integral part of the preceding financial statements.

FRIENDS IN DEED
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASE COMMITMENTS

Friends in Deed entered into a lease agreement for office space and two copiers. The characteristics of these lease agreements are such that they are recorded on the general ledger as operating type leases.

The lease agreements for the copiers commence on various dates and each has a lease term of 60 months. The total expense for lease of copiers for the year ended December 31, 2018 was \$4,025.

The lease agreements for office space commenced on September 1, 2018 and has a term of two years. The total expense for lease of office space for the year ended December 31, 2018 was \$9,384.

The future minimum obligation under these lease agreements is as follows:

<u>Year ended Dec. 31,</u>	<u>Amount</u>
2019	\$ 33,237
2020	23,598
2021	2,484
2022	2,484
2023	2,484
Thereafter	<u>621</u>
Total	\$ <u>64,908</u>

NOTE 7 - SUBSEQUENT EVENTS

Friends in Deed's management has evaluated subsequent events for the period from December 31, 2018 through May 1, 2019, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

These notes are an integral part of the preceding financial statements.

***SUPPLEMENTARY INFORMATION SECTION REQUIRED BY
GOVERNMENT AUDITING STANDARDS***

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To the Board of Directors
Friends in Deed
Pasadena, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Friends in Deed**, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenditures and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Friends in Deed's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Friends in Deed's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Friends in Deed's** internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Friends in Deed's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill, Morgan and Associates, LLP

Carson, California
May 1, 2019