

**FRIENDS OF FALLS CHURCH
HOMELESS SHELTER, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 and 2018

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

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FRIENDS OF FALLS CHURCH HOMELESS SHELTER INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

<i>Year ended June 30,</i>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	2019 Total	2018 Comparative Total
Support and Revenue				
Contributions	\$ 81,610	\$ -	\$ 81,610	\$ 66,851
Grants		20,695	20,695	36,420
In-kind contributions		16,000	16,000	16,000
Fund raising events			-	4,942
Interest income			-	3
Net investment income	13,535		13,535	18,091
Released from restrictions	36,695	(36,695)	-	-
Total support and revenue	131,840	-	131,840	142,307
Expenses:				
Program services	112,353		112,353	108,670
Administrative services	11,630		11,630	8,314
Fund raising expenses	2,036		2,036	575
Total expenses	126,019	-	126,019	117,559
Increase (decrease) in net assets	5,821	-	5,821	24,748
Net assets, beginning	263,441	-	263,441	238,693
Net assets, ending	\$ 269,262	\$ -	\$ 269,262	\$ 263,441

See accompanying notes and independent auditors' report.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

STATEMENTS OF FINANCIAL POSITION

<i>Year ended June 30,</i>	2019	2018
Assets		
Current assets:		
Cash in bank - Checking accounts	\$ 34,373	\$ 45,923
Contributions receivable	1,226	835
Prepaid expenses	386	386
Total current assets	35,985	47,144
Investments	236,297	219,711
Total Assets	\$ 272,282	\$ 266,855
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,020	\$ 3,414
Total current liabilities	3,020	3,414
Net Assets:		
Without donor restrictions:		
Board designated - relocation fund	160,000	160,000
Undesignated	109,262	103,441
Total net assets	269,262	263,441
Total Liabilities and Net Assets	\$ 272,282	\$ 266,855

See accompanying notes and independent auditors' report.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

STATEMENTS OF CASH FLOWS

<i>Year ended June 30,</i>	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 5,821	\$ 24,748
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Donated investments	(3,051)	(3,053)
Realized (gain) loss on sale of investments	(103)	(2,486)
Unrealized (gain) loss on investments	(9,058)	(12,469)
(Increase) decrease contributions receivable	(391)	(73)
(Decrease) increase accounts payable	(394)	(11,713)
Net cash provided (used) by operating activities	(7,176)	(5,046)
Cash flows from investing activities:		
Sale of investments	45,626	16,938
Purchase of investments	(50,000)	(30,070)
Net cash provided (used) by investing activities	(4,374)	(13,132)
Net increase (decrease) in cash	(11,550)	(18,178)
Cash, beginning of year	45,923	64,101
Cash, end of year	\$ 34,373	\$ 45,923

See accompanying notes and independent auditors' report.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30,

2019

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Audit	\$	\$ 6,000	\$	\$ 6,000
Paypal fees		439		439
Database		681		681
Emergency housing stabilization	5,205			5,205
Facilities	16,000			16,000
Insurance		3,850		3,850
Licenses & permits		589		589
Maintenance	347			347
New Hope case management	78,884			78,884
Other expenses		59		59
Postage			761	761
Printing			1,275	1,275
Shelter management	11,877			11,877
Telephone & internet	40			40
Website		12		12
Total	\$ 112,353	\$ 11,630	\$ 2,036	\$ 126,019

See accompanying notes and independent auditors' report.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note A Summary of Significant Accounting Policies

Nature of Activities

Friends of Falls Church Homeless Shelter, Inc. (FFCHS) was organized in 2007 to provide a winter shelter and other services to needy persons in the Greater Falls Church, VA area. FFCHS also provides counseling and assists single adults to access permanent affordable housing or services needed to maintain a stable housing environment.

New Accounting Pronouncements

In 2016, Accounting Standards Update (ASU) 2016-14 was issued by the Financial Accounting Standards Board. ASU 2016-14 changes the net asset classification scheme and requires additional information regarding board designated net assets and underwater endowments, now requires expenses to be listed by function and nature, requires netting of investment expenses with investment income and disclosure of the details, the addition of qualitative and quantitative disclosures about liquidity, and eliminates the reconciliation of the indirect cash flow presentation. ASU 2016-14 becomes effective for fiscal years beginning after December 15, 2017.

Basis of Accounting

The financial statements of the Friends of Falls Church Homeless Shelter, Inc. have been prepared on the accrual basis of accounting in conformity with standards promulgated by the American Institute of Certified Public Accountants.

Financial Statement Presentation

Established standards for external financial reporting by not-for-profit organizations require that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. A description of the net asset categories follows:

Net assets without donor restrictions: To be used for continuing operations of FFCHS.

Net assets with donor restrictions: Represent resources currently available for use, but expendable only for those operating purposes specified by the donor.

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions received are recorded as support with or without donor restrictions depending on the existence and nature of any donor restrictions. When a donor restriction expires, 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.

Investments

FFCHS records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note A Summary of Significant Accounting Policies

(continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses

The costs of conducting the programs and supporting services activities of FFCHS have been summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

Note B

Income Taxes

The Organization is exempt from income taxes under Code Section 501(c)(3) of the Internal Revenue Code. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Management is not aware of any circumstances or transactions that would jeopardize its tax-exempt status. Required tax filings are up-to-date. Tax years before 2015 are no longer subject to federal tax examinations.

Note C

Contributions In-Kind

Many people have contributed significant amounts of time to the activities of the Organization without compensation. The Organization has also been provided in-kind donations and prepared meals by families and various members of the community. These items are not reflected in the financial statements. If the items were recorded as additional support received, there would be offsetting expenses recorded.

The shelter space used for four and a half months each year for housing belongs to the City of Falls Church. The space is donated to Friends of Falls Church Homeless Shelter, Inc. The fair market value of the building has been recorded as an in-kind contribution with the offsetting expense for rent.

Note D

Date of Management's Review

Management has evaluated subsequent events through November 6, 2019, the date the financial statements were available to be issued.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note E

Fair Value Measurements

The Organization's investments are valued using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy defines three levels of inputs, giving the highest priority to unadjusted quoted prices in active markets for identical assets and the lowest priority to unobservable inputs.

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based on observable market-based inputs other than quoted prices for identical assets in active markets. Investments valued using Level 3 inputs are based on management's assumptions and unobservable inputs.

The Organization's investments in equities, money market funds, government agency funds and equity mutual funds are all measured at fair value as of June 30, 2019 on a recurring basis, using Level 1 inputs. Any certificates of deposit are measured at fair value using Level 2 inputs.

Note F

Investments

The Organization's investments at June 30, 2019 and 2018 are recorded at market value as summarized below:

	<u>2019</u>	<u>2018</u>
Cash	\$ 669	\$ 23,140
Taxable Fixed Income Funds	65,431	63,339
Certificates of Deposits	30,001	-
Equities	140,196	133,232
	\$ 236,297	\$ 219,711

Note G

Liquidity and Availability of Resources

The following table represents FFCHS's financial assets available to meet cash needs for general expenditures within one year of June 30, 2019:

Total assets at end of year	\$ 272,282
<u>Less nonfinancial assets – Prepaid expenses</u>	<u>386</u>
Total financial assets at end of year	\$ 271,896
Less amounts unavailable for general expenditures within one year:	
<u>Board restricted net assets</u>	<u>160,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 111,896</u>

As part of FFCHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. In addition, FFCHS invests cash in excess of its current requirements in a portfolio of highly liquid cash equivalents.



GEORGEN SCARBOROUGH

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INDEPENDENT AUDITORS' REPORT

KATHY J. GEORGEN, CPA
D.H. SCARBOROUGH, RETIRED

Board of Directors
Friends of Falls Church Homeless Shelter, Inc.

We have audited the accompanying financial statements of Friends of Falls Church Homeless Shelter, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, functional expenses, changes in net assets, and cash flows 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Friends of Falls Church Homeless Shelter, Inc. as of June 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Georgen Scarborough Associates, PC
November 6, 2019