

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 and 2019

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>	Without donor restrictions	With donor restrictions	2020 Total	2019 Comparative Total
Support and Revenue				
Contributions	\$ 119,167	\$ 2,400	\$ 121,567	\$ 81,610
Grants		20,000	20,000	20,695
In-kind contributions		16,000	16,000	16,000
Special event revenue	61,575	100	61,675	-
Less: Cost of direct benefits to donors	(15,269)	-	(15,269)	-
Net special event revenue	46,306	100	46,406	-
Net investment income	6,381		6,381	13,535
Released from restrictions	36,000	(36,000)	-	-
Total support and revenue	207,854	2,500	210,354	131,840
Expenses:				
Program services	107,731		107,731	112,353
Supporting Services	13,858		13,858	11,630
Fund raising expenses	12,389		12,389	2,036
Total expenses	133,978	-	133,978	126,019
Increase (decrease) in net assets	73,876	2,500	76,376	5,821
Net assets, beginning	269,262	-	269,262	263,441
Net assets, ending	\$ 343,138	\$ 2,500	\$ 345,638	\$ 269,262

See accompanying notes and independent auditors' report.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

STATEMENTS OF FINANCIAL POSITION

<i>Year ended June 30,</i>	2020	2019
Assets		
Current assets:		
Cash in bank - Checking accounts	\$ 64,037	\$ 34,373
Contributions receivable	1,803	1,226
Prepaid expenses	386	386
Total current assets	66,226	35,985
 Investments	 283,792	 236,297
 Total Assets	 \$ 350,018	 \$ 272,282
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 4,380	\$ 3,020
Total current liabilities	4,380	3,020
 Net Assets:		
With donor restrictions - purpose	2,500	-
Without donor restrictions:		
Board designated - relocation fund	160,000	160,000
Undesignated	183,138	109,262
Total net assets	345,638	269,262
 Total Liabilities and Net Assets	 \$ 350,018	 \$ 272,282

See accompanying notes and independent auditors' report.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

STATEMENTS OF CASH FLOWS

<i>Year ended June 30,</i>	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 76,376	\$ 5,821
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Donated investments	(1,114)	(3,051)
Realized (gain) loss on sale of investments	258	(103)
Unrealized (gain) loss on investments	(1,084)	(9,058)
(Increase) decrease contributions receivable	(577)	(391)
(Decrease) increase accounts payable	1,360	(394)
Net cash provided (used) by operating activities	75,219	(7,176)
Cash flows from investing activities:		
Sale of investments	171,124	45,626
Transfer from operating account	40,000	-
Purchase of investments	(256,679)	(50,000)
Net cash provided (used) by investing activities	(45,555)	(4,374)
Net increase (decrease) in cash	29,664	(11,550)
Cash, beginning of year	34,373	45,923
Cash, end of year	\$ 64,037	\$ 34,373

See accompanying notes and independent auditors' report.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30,

2020

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total</u>
Audit	\$	\$ 7,000	\$	\$	\$ 7,000
Paypal fees		569			569
Database		771			771
Emergency housing stabilization	6,339				6,339
Gala event expenses				15,269	15,269
Facilities	16,000				16,000
Insurance		3,748			3,748
Licenses & permits		235			235
Maintenance	68				68
New Hope case management	72,635				72,635
Other expenses		748	969		1,717
Other fees		704	2,380		3,084
Postage			8		8
Printing			2,466		2,466
Shelter management	11,895		6,405		18,300
Supplies	774		161		935
Telephone & internet	20				20
Website		83			83
Total Expenses by Function	\$ 107,731	\$ 13,858	\$ 12,389	\$ 15,269	\$ 149,247
Less expenses included in revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	(15,269)	(15,269)
Total expenses included in the expense section on the statement of activities	\$ 107,731	\$ 13,858	\$ 12,389	\$ -	\$ 133,978

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>Cost of Direct Benefits to Donors</u>	<u>Total</u>
Audit	\$	\$ 6,000	\$	\$	6,000
Paypal fees		439			439
Database		681			681
Emergency housing stabilization	5,205				5,205
Gala event expenses					-
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
Other fees					-
Postage			761		761
Printing			1,275		1,275
Shelter management	11,877				11,877
Supplies					-
Telephone & internet	40				40
Website		12			12
Total expenses by Function	\$ 112,353	\$ 11,630	\$ 2,036	-	\$ 126,019
Less expenses included in revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 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

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606) and Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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, supporting services, and fundraising.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

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 2016 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 rental value of the building has been recorded as an in-kind contribution with the offsetting expense for rent.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note D

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, 2020 and 2019 on a recurring basis, using Level 1 inputs. Any certificates of deposit are measured at fair value using Level 2 inputs.

Note E

Investments

The Organization's investments at June 30, 2020 and 2019 are recorded at market value as summarized below:

	<u>2020</u>	<u>2019</u>
Cash	\$ 77,081	\$ 669
Taxable Fixed Income Funds	67,037	65,431
Certificates of Deposits	-	30,001
Equities	139,674	140,196
	<hr/> \$ 283,792	<hr/> \$ 236,297

Note F

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total assets at end of year	\$ 350,018	\$ 272,282
<u>Less nonfinancial assets – Prepaid expenses</u>	<u>386</u>	<u>386</u>
Total financial assets at end of year	\$ 349,632	\$ 271,896
Less amounts unavailable for general expenditures within one year:		
Donor restricted net assets	2,500	-
<u>Board designated net assets</u>	<u>160,000</u>	<u>160,000</u>
Total financial assets available for general expenditures within one year	<hr/> \$ 187,132	<hr/> \$ 111,896

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.

FRIENDS OF FALLS CHURCH HOMELESS SHELTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note G

Risks and Uncertainties

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

During the current fiscal year, the Shelter shut down their winter season two weeks early when the outbreak of COVID-19 spread to the United States. The Shelter building has 12 beds and would have needed to significantly reduce the number of beds available in order to comply with health mandates.

Note H

Date of Management’s Review

Management has evaluated subsequent events through September 28, 2020, the date the financial statements were available to be issued.



GEORGEN SCARBOROUGH

ASSOCIATES, PC

Certified Public Accountants

243 Church Street, NW • Suite 100E • Vienna, VA 22180

phone: (703) 319-3990 • fax: (703) 319-3995

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

INDEPENDENT AUDITORS' REPORT

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, 2020 and 2019 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, 2020 and 2019 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.

Emphasis of a Matter

As discussed in Note G to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our conclusion is not modified with respect to this matter.


September 28, 2020