

FRIENDSHIP HOME OF LINCOLN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

FRIENDSHIP HOME OF LINCOLN, INC.
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Friendship Home of Lincoln, Inc.
Lincoln, Nebraska

We have audited the accompanying financial statements of the Friendship Home of Lincoln, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, 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.

Auditors' 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 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 the Friendship Home of Lincoln, Inc., as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, pages 19 - 21, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dana F Cole + Company, LLP

Lincoln, Nebraska
April 17, 2018

FRIENDSHIP HOME OF LINCOLN, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	ASSETS	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	629,658	365,948
Accounts receivable		25,293
Grants receivable	442,521	461,608
Prepaid expenses	22,154	14,528
Pledges receivable (Note 5)	312,776	290,500
Total current assets	<u>1,407,109</u>	<u>1,157,877</u>
 PROPERTY AND EQUIPMENT, at cost		
Land	86,905	86,905
Building and improvements	1,948,066	1,936,251
Equipment	149,386	137,284
	<u>2,184,357</u>	<u>2,160,440</u>
Less accumulated depreciation	<u>(1,207,014)</u>	<u>(1,144,259)</u>
Total property and equipment, at cost	<u>977,343</u>	<u>1,016,181</u>
 OTHER ASSETS		
Restricted cash	63,562	48,500
Investments (Note 3)	1,695,572	1,681,406
Total other assets	<u>1,759,134</u>	<u>1,729,906</u>
 TOTAL ASSETS	 <u><u>4,143,586</u></u>	 <u><u>3,903,964</u></u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2017 AND 2016

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	29,538	29,710
Vacation leave payable	84,370	77,501
Other accrued liabilities	15,733	15,711
Unearned income	255,985	249,831
Total current liabilities	<u>385,626</u>	<u>372,753</u>
NET ASSETS		
Unrestricted		
Undesignated	334,196	178,336
Designated	1,185,157	1,146,551
Temporarily restricted	1,944,050	1,911,767
Permanently restricted	294,557	294,557
Total net assets	<u>3,757,960</u>	<u>3,531,211</u>
TOTAL LIABILITIES AND NET ASSETS	<u>4,143,586</u>	<u>3,903,964</u>

FRIENDSHIP HOME OF LINCOLN, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT								
Contributions	1,167,344	44,881		1,212,225	1,052,289	217,213		1,269,502
Federal financial assistance	718,082	1,403		719,485	463,647			463,647
Other governmental grants	358,585	5,492		364,077	377,290			377,290
Allocations	127,530			127,530	136,551			136,551
Other grants	259,465	847		260,312	166,666			166,666
Program fees	2,050			2,050	2,163			2,163
Investment return	27,480	153,151		180,631	16,567	172,042		188,609
Other income	8,488			8,488	442			442
	<u>2,669,024</u>	<u>205,774</u>		<u>2,874,798</u>	<u>2,215,615</u>	<u>389,255</u>		<u>2,604,870</u>
Net assets released from restrictions								
Satisfaction of program restrictions	<u>173,491</u>	<u>(173,491)</u>			<u>267,388</u>	<u>(267,388)</u>		
Total revenue, gains, and other support	<u>2,842,515</u>	<u>32,283</u>		<u>2,874,798</u>	<u>2,483,003</u>	<u>121,867</u>		<u>2,604,870</u>
EXPENSES								
Program services								
Emergency shelter	1,908,647			1,908,647	1,348,364			1,348,364
Transitional shelter	200,965			200,965	400,877			400,877
Supporting services								
Management and general	334,823			334,823	333,825			333,825
Fundraising	203,614			203,614	215,415			215,415
Total expenses	<u>2,648,049</u>			<u>2,648,049</u>	<u>2,298,481</u>			<u>2,298,481</u>
CHANGE IN NET ASSETS	194,466	32,283		226,749	184,522	121,867		306,389
NET ASSETS, beginning of year	<u>1,324,887</u>	<u>1,911,767</u>	<u>294,557</u>	<u>3,531,211</u>	<u>1,140,365</u>	<u>1,789,900</u>	<u>294,557</u>	<u>3,224,822</u>
NET ASSETS, end of year	<u>1,519,353</u>	<u>1,944,050</u>	<u>294,557</u>	<u>3,757,960</u>	<u>1,324,887</u>	<u>1,911,767</u>	<u>294,557</u>	<u>3,531,211</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017					2016				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total
EXPENSES										
Salaries	1,007,736	88,866	188,702	77,367	1,362,671	644,537	251,427	203,521	54,383	1,153,868
Employee benefits and payroll taxes	238,421	15,644	44,816	11,913	310,794	143,918	46,569	40,155	11,293	241,935
Supplies	146,657	3,267	5,300	10,543	165,767	90,437	10,134	8,360	15,496	124,427
Food	30,294	2,973		72	33,339	23,561	4,889			28,450
Occupancy	170,554	58,157	2,975	894	232,580	155,102	60,827	3,820	201	219,950
Printing and publications	1,175		131	25,781	27,087	5,124		569	40,215	45,908
Telephone	35,711	3,757	11,308	601	51,377	32,965	6,566	4,688	1,563	45,782
Travel	9,195	8,301	772	754	19,022	8,055	2,179	357	777	11,368
Postage	3,613		400	13,219	17,232	3,595		400	17,036	21,031
Direct aid	91,525	8,311		225	100,061	81,741	2,741			84,482
Conferences	26,533	5,278	6,633	15,310	53,754	19,616	6,849	6,029	15,710	48,204
Professional fees	36,146	60	60,552	44,379	141,137	29,517	87	54,480	56,521	140,605
Rental and equipment maintenance	5,057		575	115	5,747	5,252		597	119	5,968
Dues and subscriptions	2,931				2,931	2,876				2,876
Insurance	44,526	5,006	5,365	1,072	55,969	31,643	7,270	3,812	762	43,487
Awards	678		569	24	1,271	474		275		749
Miscellaneous	59				59	10,971		66		11,037
Loss on disposal of assets						1,391				1,391
	<u>1,850,811</u>	<u>199,620</u>	<u>328,098</u>	<u>202,269</u>	<u>2,580,798</u>	<u>1,290,775</u>	<u>399,538</u>	<u>327,129</u>	<u>214,076</u>	<u>2,231,518</u>
Depreciation	57,836	1,345	6,725	1,345	67,251	57,589	1,339	6,696	1,339	66,963
TOTAL EXPENSES	<u>1,908,647</u>	<u>200,965</u>	<u>334,823</u>	<u>203,614</u>	<u>2,648,049</u>	<u>1,348,364</u>	<u>400,877</u>	<u>333,825</u>	<u>215,415</u>	<u>2,298,481</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>226,749</u>	<u>306,389</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	67,251	66,963
In-kind property and equipment additions	(4,855)	
Loss on disposal of assets		1,391
Unrealized gain on investments	(49,257)	(77,732)
Realized gain on investments	(89,197)	(67,127)
(Increase) decrease in operating assets:		
Accounts receivable	25,293	(9,396)
Grants receivable	19,087	(284,158)
Prepaid expenses	(7,626)	(3,109)
Beneficial interest in charitable remainder trust		46,539
Pledges receivable	(22,276)	(66,084)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	6,719	30,841
Unearned income	6,154	(69,072)
Total adjustments	<u>(48,707)</u>	<u>(430,944)</u>
Net cash provided by (used in) operating activities	<u>178,042</u>	<u>(124,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	310,840	743,728
Purchases of investments	(186,552)	(726,777)
Payments for property and equipment	<u>(23,558)</u>	<u>(212,871)</u>
Net cash provided by (used in) investing activities	<u>100,730</u>	<u>(195,920)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	278,772	(320,475)
CASH AND CASH EQUIVALENTS, beginning of year	<u>414,448</u>	<u>734,923</u>
CASH AND CASH EQUIVALENTS, end of year	<u>693,220</u>	<u>414,448</u>
COMPONENTS OF CASH		
Cash and cash equivalents	629,658	365,948
Restricted cash	<u>63,562</u>	<u>48,500</u>
	<u>693,220</u>	<u>414,448</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Friendship Home of Lincoln, Inc. (Friendship Home) is a nonprofit corporation organized to provide emergency shelter for abused women and children. Friendship Home is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Nebraska law. Friendship Home is classified by the Internal Revenue Service as other than a private foundation.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Organization utilizes FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205 sets standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories utilized by the Organization follows:

Unrestricted net assets, which includes the revenues and expenses associated with the operations of the Friendship Home.

Temporarily restricted net assets, which include amounts received that are designated for future periods or are restricted by the donor for specific purposes. When a donor restriction expires through the expiration of time or satisfaction of the donors' restrictions, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets, which include amounts that are subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for unrestricted purposes.

Contributions

The Organization utilizes FASB ASC 958-605, *Accounting for Contributions Received and Made*. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

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.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year-end.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. It is the policy of the Organization to capitalize equipment with a value of \$750 or greater.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 3 to 39 years.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization utilizes FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. FASB ASC 958-320 sets standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs of the Organization are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the combined statement of functional expenses.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. PROPERTY AND EQUIPMENT

The major classes of property and equipment in service at December 31, 2017 and 2016, are as follows:

	2017	2016
Land	86,905	86,905
Building and improvements	1,948,066	1,936,251
Equipment	<u>149,386</u>	<u>137,284</u>
	2,184,357	2,160,440
Less accumulated depreciation	<u>(1,207,014)</u>	<u>(1,144,259)</u>
Net fixed assets	<u>977,343</u>	<u>1,016,181</u>

NOTE 3. INVESTMENTS

The Organization utilizes FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the years ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2017, at fair value on a recurring basis.

	2017			
	Total	Level 1	Level 2	Level 3
Exchange Traded Funds				
Domestic Equity	352,702	352,702		
Foreign Equity	131,581	131,581		
Fixed Income Funds	339,132	339,132		
Equity Securities				
U.S. Companies	<u>872,157</u>	<u>872,157</u>		
Total	<u>1,695,572</u>	<u>1,695,572</u>		

The table below presents the balances of assets measured at December 31, 2016, at fair value on a recurring basis.

	2016			
	Total	Level 1	Level 2	Level 3
Exchange Traded Funds				
Domestic Equity	332,825	332,825		
Foreign Equity	106,338	106,338		
Fixed Income Funds	270,293	270,293		
Equity Securities				
U.S. Companies	<u>971,950</u>	<u>971,950</u>		
Total	<u>1,681,406</u>	<u>1,681,406</u>		

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 marketable securities at December 31, 2017 and 2016, are as follows:

	2017		
	Cost	Unrealized Gain (Loss)	Market Value
Exchange Traded Funds	368,277	116,006	484,283
Fixed Income Funds	341,369	(2,237)	339,132
Equity Securities	573,764	298,393	872,157
Total	1,283,410	412,162	1,695,572
	2016		
	Cost	Unrealized Gain (Loss)	Market Value
Exchange Traded Funds	397,631	41,532	439,163
Fixed Income Funds	271,840	(1,547)	270,293
Equity Securities	649,030	322,920	971,950
Total	1,318,501	362,905	1,681,406

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

A summary of return on investments consists of the following for the years ended December 31, 2017 and 2016, respectively:

	Unre- stricted	Temporarily Restricted	Permanently Restricted	Total
<u>Year Ended December 31, 2017</u>				
Investment income	2,679	39,498		42,177
Realized gains	2,317	86,880		89,197
Unrealized gains	22,484	26,773		49,257
	27,480	153,151	_____	180,631

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

	Unre- stricted	Temporarily Restricted	Permanently Restricted	Total
<u>Year Ended December 31, 2016</u>				
Investment income	3,103	40,645		43,748
Realized gains	19,351	47,777		67,128
Unrealized gains (losses)	<u>(5,887)</u>	<u>83,620</u>	<u> </u>	<u>77,733</u>
	<u>16,567</u>	<u>172,042</u>	<u> </u>	<u>188,609</u>

NOTE 4. LEASES AND COMMITMENTS

As part of its Transitional Shelter and Single Family Emergency Shelter programs, the Organization obtains short-term residential leases for some of its clients. The Organization pays for units rented from Lincoln Housing Authority on an annual renewal agreement at various rates ranging from \$435 to \$690 per month. All of these leases are on a month-to-month basis for the clients.

The Organization leases a copier under an operating lease that calls for minimum monthly payments of \$159 per month. This lease expires in December 2018.

Beginning in March 2013, the Organization leases telephone equipment under an operating lease that calls for minimum monthly payments of \$774 per month. This lease expires September 2018.

Future minimum lease payments under the above agreements are as follows:

	Copier	Telephone
2018	1,908	6,966

NOTE 5. PLEDGES RECEIVABLE

Annually, the Organization initiates fundraising campaigns to fund their program services. The Organization has determined that discounting pledges receivable to their present value would have an immaterial effect on the financial statements as a whole and no such adjustment has been made to the financial records. The collection schedule of the pledges receivable at December 31, 2017, is as follows:

Receivable in less than one (1) year	125,012
Receivable in one to four years	186,464
Receivable in five to eight years	<u>1,300</u>
	312,776
Less discounts to net present value at estimated representative rates	<u>- 0 -</u>
Net pledges receivable at December 31, 2017	<u>312,776</u>

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. IN-KIND CONTRIBUTIONS

Friendship Home of Lincoln, Inc., has been operating various facilities in addition to the two main facilities. These additional facilities were made available by the Lincoln Housing Authority. Two of the seven facilities are made available rent-free and five of the facilities are rented by Friendship Home. In addition to these facilities, Friendship Home of Lincoln, Inc., also belongs to a program that makes available hotel and motel rooms rent-free on a night-by-night basis. The approximate fair market value of rent and maintenance for these facilities was \$16,220 and \$16,215 for the years ending December 31, 2017 and 2016, respectively.

In addition, in-kind contributions were received as follows:

	2017	2016
Goods	208,106	133,296
Services	82,283	75,637

NOTE 7. DESIGNATED NET ASSETS

The Board of Directors has appropriated unrestricted net assets for the establishment of an operating reserve, building fund, and endowments as follows:

	2017	2016
Operating Reserve	151,652	116,580
Permanent endowment for operations	92,600	65,289
Nonpermanent endowment for operations	63,562	48,500
Building Fund	<u>877,343</u>	<u>916,182</u>
	<u>1,185,157</u>	<u>1,146,551</u>

NOTE 8. DONOR-DESIGNATED ENDOWMENTS

The Organization's endowments include a Special Donor Fund and other individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DONOR-DESIGNATED ENDOWMENTS (Continued)

donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has a formal investment policy that was approved by the Board of Directors effective November 2010. The overall investment objective of the policy is to provide long term appreciation of capital and limit risk through diversification. At December 31, 2017, the endowments were held in exchange traded funds and fixed income funds and the investments of the Special Donor Fund are invested in equity securities.

Spending Policy

The Organization implemented a formal spending policy in 2017.

Friendship Home established the following spending policy with regard to the use of available investment accounts, subject to donor restriction:

Up to 4% of the total market value of the available funds may be distributed annually based upon a three-year rolling average of market values of the investment accounts as of December 31, the fiscal year of the Friendship Home.

The spending policy is based on a percentage of portfolio assets using the smoothing term model, which provides a consistent withdrawal percentage in perpetuity.

Endowment net asset composition by type of fund as of December 31, 2017, is as follows:

	Unre- stricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Board-restricted endowment	156,162			156,162
Donor-restricted endowment funds		<u>872,423</u>	<u>194,557</u>	<u>1,066,980</u>
Total	<u>156,162</u>	<u>872,423</u>	<u>194,557</u>	<u>1,223,142</u>

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DONOR-DESIGNATED ENDOWMENTS (Continued)

Changes in endowment net assets as of December 31, 2017, are as follows:

	Unre- stricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	113,789	971,994	194,557	1,280,340
Investment income (net)	42,373	88,729		131,102
Amounts appropriated for expenditure		<u>(188,300)</u>		<u>(188,300)</u>
Endowment net assets, end of year	<u>156,162</u>	<u>872,423</u>	<u>194,557</u>	<u>1,223,142</u>

NOTE 9. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets for December 31, 2017 and 2016, were:

	2017	2016
Building Fund	138,497	103,505
Contributions for future operations	359,201	326,423
Managed Fund for operations	573,929	509,845
Special Donor Fund for operations	872,423	971,994
	<u>1,944,050</u>	<u>1,911,767</u>

During 2006, the Special Donor Fund was increased by a donation which allows the Organization to use the income from the investments for operations but restricting the use of the principal until June of 2026. The principal is invested in equity securities (See Note 3) in the amount of \$872,423 and \$971,994 at December 31, 2017 and 2016, respectively.

Permanently restricted net assets for December 31, 2017 and 2016, were:

	2017	2016
Permanent endowments for operations	194,557	194,557
Building Fund	<u>100,000</u>	<u>100,000</u>
	<u>294,557</u>	<u>294,557</u>

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

When the Organization constructed their shelter building the City loaned funds and accordingly noted that should the Organization no longer use the property for emergency shelter services or should the property be sold, \$100,000 would be due back to the City. The Organization has recorded the \$100,000 as permanently restricted net assets on the statement of financial position.

NOTE 10. RETIREMENT PLAN

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers regular scheduled employees of the Organization. The Organization contributes up to 6% of employee contributions for qualified employees to the plan based on years of service. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code. Plan expenses were \$46,421 and \$20,220 for the years ended December 31, 2017 and 2016, respectively. In the current year, the Organization discovered that it had undercontributed retirement dating back to 2006. The cumulative amount of the missed contributions was \$24,055, which is included in 2017 plan expense.

NOTE 11. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of receivables with a variety of grantors and others. Such credit risk is considered by management to be limited due to the Organization's broad grantor's financial resources.

NOTE 12. LINCOLN COMMUNITY FOUNDATION ENDOWMENTS

The Organization has been named the beneficiary in two endowment funds held and managed by the Lincoln Community Foundation of which the Organization is entitled to receive annual distributions in November of each year. The total distributions received from these endowment funds during the year ended December 31, 2017 and 2016, was \$13,220 and \$13,403, respectively.

NOTE 13. GRANTS RECEIVABLE

Approximately 73% of grants receivable at December 31, 2017, and 59% of grants receivable at December 31, 2016, was from one of the Organization's grantors.

NOTE 14. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 17, 2018, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FRIENDSHIP HOME OF LINCOLN, INC.
OPERATING FUND
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017					2016				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total
EXPENSES										
Salaries	1,007,736	88,866	188,702	77,367	1,362,671	644,537	251,427	203,521	54,383	1,153,868
Employee benefits and payroll taxes	238,421	15,644	44,816	11,913	310,794	143,918	46,569	40,155	11,293	241,935
Supplies	146,657	3,267	5,300	10,543	165,767	90,437	10,134	8,360	15,496	124,427
Food	30,294	2,973		72	33,339	23,561	4,889			28,450
Occupancy	164,154	58,157	2,975	894	226,180	134,034	60,827	3,820	201	198,882
Printing and publications	1,175		131	25,781	27,087	5,124		569	40,215	45,908
Telephone	35,711	3,757	11,308	601	51,377	32,965	6,566	4,688	1,563	45,782
Travel	9,195	8,301	772	754	19,022	8,055	2,179	357	777	11,368
Postage	3,613		400	13,219	17,232	3,595		400	17,036	21,031
Direct aid	91,525	8,311		225	100,061	81,741	2,741			84,482
Conferences	26,533	5,278	6,633	15,310	53,754	19,616	6,849	6,029	15,710	48,204
Professional fees	36,146	60	60,512	44,379	141,097	29,517	87	54,480	56,521	140,605
Rental and equipment maintenance	5,057		575	115	5,747	5,252		597	119	5,968
Dues and subscriptions	2,931				2,931	2,876				2,876
Insurance	44,526	5,006	5,365	1,072	55,969	31,643	7,270	3,812	762	43,487
Awards	678		569	24	1,271	474		275		749
Miscellaneous	59				59					
TOTAL EXPENSES	1,844,411	199,620	328,058	202,269	2,574,358	1,257,345	399,538	327,063	214,076	2,198,022

FRIENDSHIP HOME OF LINCOLN, INC.
 SCHEDULES OF FUNCTIONAL EXPENSES
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017					2016				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total
BUILDING FUND										
EXPENSES										
Occupancy	6,400				6,400	21,068				21,068
Professional fees			40		40					
Miscellaneous						10,971		66		11,037
Loss on disposal of assets						1,391				1,391
Depreciation	<u>57,836</u>	<u>1,345</u>	<u>6,725</u>	<u>1,345</u>	<u>67,251</u>	<u>57,589</u>	<u>1,339</u>	<u>6,696</u>	<u>1,339</u>	<u>66,963</u>
TOTAL EXPENSES	<u>64,236</u>	<u>1,345</u>	<u>6,765</u>	<u>1,345</u>	<u>73,691</u>	<u>91,019</u>	<u>1,339</u>	<u>6,762</u>	<u>1,339</u>	<u>100,459</u>
SPECIAL DONOR FUND										
EXPENSES										
Professional fees	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
ENDOWMENT FUND - RESTRICTED										
EXPENSES										
Professional fees	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF ACTIVITIES - UNITED WAY AND JBC FUNDED PROGRAMS
YEAR ENDED DECEMBER 31, 2017

REVENUES	
United Way allocations	<u>127,530</u>
EXPENSES	
Salaries	78,568
Employee benefits and payroll taxes	18,588
Supplies	1,158
Food	1,456
Occupancy	12,562
Printing and publications	92
Telephone	2,784
Travel	716
Postage	282
Direct aid	2,592
Conferences	1,808
Professional fees	2,771
Rental and equipment maintenance	394
Dues and subscriptions	229
Insurance	3,471
Awards	53
Miscellaneous	6
Total expenses	<u>127,530</u>
REVENUES OVER (UNDER) EXPENSES	<u><u>- 0 -</u></u>