

FRIENDS OF NIGHT PEOPLE, INC.
Financial Statements
December 31, 2016
(With Independent Auditors' Report Thereon)

FRIENDS OF NIGHT PEOPLE, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

* * * * *

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Friends of Night People, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of Night People, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 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 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 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 Organization'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 Organization'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 Night People, Inc. as of December 31, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Friends of Night People, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 15, 2017

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Financial Position
December 31, 2016
with comparative totals for 2015

	<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:			
Cash and equivalents		\$ 298,385	331,402
Prepaid expenses		14,404	11,689
Investments, at fair value		<u>330,966</u>	<u>314,496</u>
Total current assets		<u>643,755</u>	<u>657,587</u>
Property and equipment, at cost		949,860	856,263
Less accumulated depreciation		<u>(655,459)</u>	<u>(608,189)</u>
Net property and equipment		<u>294,401</u>	<u>248,074</u>
Beneficial interest in assets held by Community Foundation		<u>110,892</u>	<u>109,099</u>
Total assets		<u>\$ 1,049,048</u>	<u>1,014,760</u>
<u>Liabilities and Net Assets</u>			
Current liabilities - accrued expenses		9,715	4,051
Net assets:			
Unrestricted		1,001,833	935,349
Temporarily restricted		<u>37,500</u>	<u>75,360</u>
Total net assets		<u>1,039,333</u>	<u>1,010,709</u>
Total liabilities and net assets		<u>\$ 1,049,048</u>	<u>1,014,760</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.

Statement of Activities

Year ended December 31, 2016

with comparative totals for 2015

			<u>Total</u>	
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2016</u>	<u>2015</u>
Revenue and other support:				
Contributions and grants	\$ 442,199	37,500	479,699	544,461
Donated investments	2,645	-	2,645	-
Special events revenue	32,227	-	32,227	43,469
In-kind contributions	274,927	-	274,927	273,147
Investment income (loss)	18,346	-	18,346	(1,353)
Miscellaneous income	1,160	-	1,160	2,304
	<u>771,504</u>	<u>37,500</u>	<u>809,004</u>	<u>862,028</u>
Net assets released from restrictions	<u>75,360</u>	<u>(75,360)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>846,864</u>	<u>(37,860)</u>	<u>809,004</u>	<u>862,028</u>
Expenses:				
Program services	704,631	-	704,631	676,814
Management and general	53,326	-	53,326	56,393
Fundraising	22,423	-	22,423	19,903
Total expenses	<u>780,380</u>	<u>-</u>	<u>780,380</u>	<u>753,110</u>
Increase (decrease) in net assets	66,484	(37,860)	28,624	108,918
Net assets at beginning of year	<u>935,349</u>	<u>75,360</u>	<u>1,010,709</u>	<u>901,791</u>
Net assets at end of year	<u>\$ 1,001,833</u>	<u>37,500</u>	<u>1,039,333</u>	<u>1,010,709</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Functional Expenses
Year ended December 31, 2016
with comparative totals for 2015

	Program services	Management and general	Fundraising	Total	
				<u>2016</u>	<u>2015</u>
Salaries and wages	\$ 213,795	11,797	-	225,592	202,425
Payroll taxes and employee benefits	<u>51,193</u>	<u>2,825</u>	-	<u>54,018</u>	<u>53,008</u>
Total salaries and related benefits	264,988	14,622	-	279,610	255,433
Meals	308,381	-	-	308,381	315,431
Insurance	16,246	4,062	-	20,308	17,290
Office supplies	4,094	1,024	-	5,118	5,337
Program supplies	19,642	-	-	19,642	14,810
Postage	-	1,450	3,384	4,834	4,919
Printing	-	-	14,049	14,049	11,646
Telephone	3,659	915	-	4,574	3,283
Utilities	12,932	3,233	-	16,165	17,464
Professional services	-	16,858	-	16,858	20,499
Trash removal	5,747	-	-	5,747	5,285
Repairs and maintenance	18,487	-	-	18,487	22,008
Bank service charges	5,805	-	-	5,805	5,795
Special events	-	-	4,990	4,990	4,322
Training	2,142	535	-	2,677	3,602
Depreciation	37,816	9,454	-	47,270	40,981
Miscellaneous	<u>4,692</u>	<u>1,173</u>	-	<u>5,865</u>	<u>5,005</u>
Total expenses	<u>\$ 704,631</u>	<u>53,326</u>	<u>22,423</u>	<u>780,380</u>	<u>753,110</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Cash Flows
Year ended December 31, 2016
with comparative totals for 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 28,624	108,918
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	47,270	40,981
Realized gain on sale of investments	(5,155)	(10,087)
Unrealized (appreciation) depreciation in fair value of investments	(7,869)	16,466
Changes in:		
Prepaid expenses	(2,715)	(1,242)
Accrued expenses	<u>5,664</u>	<u>(963)</u>
Net cash provided by operating activities	<u>65,819</u>	<u>154,073</u>
Cash flows from investing activities:		
Net sales (purchases) of investments	(3,446)	114,443
Changes in beneficial interest in assets held by Community Foundation	(1,793)	(9,099)
Additions to property and equipment	<u>(93,597)</u>	<u>(131,413)</u>
Net cash used in investing activities	<u>(98,836)</u>	<u>(26,069)</u>
Net increase (decrease) in cash and equivalents	(33,017)	128,004
Cash and equivalents at beginning of year	<u>331,402</u>	<u>203,398</u>
Cash and equivalents at end of year	<u>\$ 298,385</u>	<u>331,402</u>
Supplemental schedule of non-cash operating activities:		
Donated investments	<u>\$ 2,645</u>	<u>-</u>
Donated food	<u>\$ 274,927</u>	<u>273,147</u>
Food expense	<u>\$ 274,927</u>	<u>273,147</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.

Notes to Financial Statements

December 31, 2016

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Friends of Night People, Inc. (the Organization) is a not-for-profit corporation whose purpose is to provide food and necessities to address the effects and impacts of poverty. The Organization operates multiple soup kitchens in Buffalo, New York and provides case management, clothing, medical care and a food pantry to the homeless and working poor.

(b) Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had only unrestricted and temporarily restricted net assets in 2016 and 2015. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Organization's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

(d) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash and 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.

(f) Capitalization and Depreciation

Property and equipment are stated at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations

FRIENDS OF NIGHT PEOPLE, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Capitalization and Depreciation, Continued

over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

Equipment was purchased with grant awards where the resource provider retains a right to the assets. In the event that the Organization were to dissolve or no longer need this equipment, the resource provider has the right to recoup the equipment.

(g) Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Organization compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At December 31, 2016, no impairment in value has been recognized.

(h) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statement of financial position as deferred revenue.

(i) Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time in helping those who are experiencing homelessness and poverty. The value of this contributed time is not reflected in these financial statements because the criteria for recognition under accounting principles generally accepted in the United States of America has not been satisfied as no objective basis is available to measure the value of such services.

(j) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between program services, management and general and fundraising activities.

(k) Subsequent Events

The Organization has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

FRIENDS OF NIGHT PEOPLE, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Organization has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Organization are subject to examination by taxing authorities.

(m) Reclassifications

Reclassifications have been made to certain 2015 balances in order to conform them to the 2016 presentation.

(2) Investments

Financial Instruments

The cost and fair value of investments at December 31, 2016 and 2015 were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Certificates of deposit:				
Maturing April 18, 2017	\$ 28,682	28,682	-	-
Maturing March 19, 2017	24,374	24,374	24,374	24,374
Maturing July 18, 2016	-	-	28,682	28,682
Mutual funds:				
Fidelity Investments				
Dividend Growth Fund	104,131	119,423	136,483	147,502
Fidelity Investments				
Intermediate Government				
Income Fund	38,417	39,485	37,612	39,142
Fidelity Investments				
Select Technology Fund	15,399	22,380	15,060	19,992
Fidelity Investments				
Capital and Income Fund	31,270	31,607	30,000	28,544
Fidelity Investments				
Corporate Bond Fund	<u>65,888</u>	<u>65,015</u>	<u>27,349</u>	<u>26,260</u>
Total investments	\$ <u>308,161</u>	<u>330,966</u>	<u>299,560</u>	<u>314,496</u>

FRIENDS OF NIGHT PEOPLE, INC.
Notes to Financial Statements, Continued

(2) Investments, Continued

Financial Instruments, Continued

Investments at December 31, 2016 and 2015 are stated at fair value. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation or depreciation is included in investment income (loss) in the statement of activities. A summary of investment income (loss) for the years ended December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 5,322	5,026
Realized gain on sale of investments	5,155	10,087
Unrealized appreciation (depreciation) in fair value of investments	<u>7,869</u>	<u>(16,466)</u>
Investment income (loss)	\$ <u>18,346</u>	<u>(1,353)</u>

(3) Beneficial Interest in Assets Held by Community Foundation

Financial Instruments

Investments are held in the Community Foundation for Greater Buffalo (the Community Foundation), a nonprofit organization that pools funds of organizations and invests in marketable securities. Each participating organization is allocated investment units based on the amounts invested. The market value of the investment units is based on the value of the individual securities held by each fund. At December 31, 2016 and 2015, the fair value of the Organization's beneficial interest in assets held by Community Foundation amounted to \$110,892 and \$109,099, respectively.

The Organization's policy is to recognize all investment income in operations. A summary of the change in beneficial interest in assets held by Community Foundation for the years ended December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 109,099	100,000
Contributions	-	10,750
Interest and dividends	1,271	1,029
Net gain (loss) on investment	5,933	(1,634)
Approved grants	(4,380)	-
Administrative fees	<u>(1,031)</u>	<u>(1,046)</u>
Balance at end of year	\$ <u>110,892</u>	<u>109,099</u>

FRIENDS OF NIGHT PEOPLE, INC.
Notes to Financial Statements, Continued

(4) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data through correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
- Beneficial interest in assets held by Community Foundation - Net asset values reported by fund managers are used as a practical expedient to estimate the fair values of its investments held through limited partnerships and other similar funds. Classification of these investments within the fair value hierarchy is based on the Community Foundation's ability to timely redeem its interest rather than on inputs used.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FRIENDS OF NIGHT PEOPLE, INC.
Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016 and 2015:

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 330,966	-	-	330,966
Beneficial interest in assets held by Community Foundation	<u>37,703</u>	<u>70,971</u>	<u>2,218</u>	<u>110,892</u>
Total	<u>\$ 368,669</u>	<u>70,971</u>	<u>2,218</u>	<u>441,858</u>
	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 314,496	-	-	314,496
Beneficial interest in assets held by Community Foundation	<u>42,549</u>	<u>56,731</u>	<u>9,819</u>	<u>109,099</u>
Total	<u>\$ 357,045</u>	<u>56,731</u>	<u>9,819</u>	<u>423,595</u>

Investments held at the Community Foundation are pooled with several other funds which have been determined to be level 1, level 2 and level 3 assets as defined above. Additionally, the original designated endowment gift represents more specifically a beneficial interest in Community Foundation.

(5) Property and Equipment

Property and equipment at December 31, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Land, building and improvements	\$ 644,660	629,287
Vehicles	23,185	23,185
Equipment	<u>282,015</u>	<u>203,791</u>
Total property and equipment	949,860	856,263
Less: accumulated depreciation	<u>(655,459)</u>	<u>(608,189)</u>
Net property and equipment	<u>\$ 294,401</u>	<u>248,074</u>

FRIENDS OF NIGHT PEOPLE, INC.
Notes to Financial Statements, Continued

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
East Hill Foundation	\$ 30,000	-
Orchard Park Presbyterian Church	7,500	-
Patrick P. Lee Foundation	-	30,000
Urban Food Bank HPNAPP	-	676
Meal Time Food Bank HPNAPP	-	1,484
FONP Food Bank HPNAPP	-	3,200
The Statler Foundation	-	<u>40,000</u>
	<u>\$ 37,500</u>	<u>75,360</u>

(7) In-Kind Donations

The Organization records in-kind support for meals served. Accounting principles generally accepted in the United States of America require recognition of professional services received if those services (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. Most of the services received by the Organization do not meet these criteria as no objective basis is available to measure the value of such services. During the years ended December 31, 2016 and 2015, \$274,927 and \$273,147, respectively, were recognized for meals, although unpaid volunteers have made significant contributions of their time in helping those who are experiencing homelessness and poverty. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

(8) Retirement Plan

The Organization participates in a simplified employee pension plan for all employees meeting certain employment and compensation requirements. The Organization's contribution is determined annually by the Board of Directors. For the years ended December 31, 2016 and 2015, the Organization contributed a discretionary amount to individual retirement accounts established by respective employees. The Organization's policy is to fund the current retirement benefit costs accrued which amounted to \$7,851 and \$6,162 for the years ended December 31, 2016 and 2015, respectively.