

FRIENDS OF NIGHT PEOPLE, INC.

Financial Statements and  
Independent Auditors' Report

December 31, 2018

FRIENDS OF NIGHT PEOPLE, INC.

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## 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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Friends of Night People, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 14, 2019

FRIENDS OF NIGHT PEOPLE, INC.  
Statement of Financial Position  
December 31, 2018  
with comparative totals for 2017

	<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash and equivalents		\$ 265,470	244,663
Prepaid expenses		6,854	7,973
Investments, at fair value		<u>334,396</u>	<u>375,807</u>
Total current assets		<u>606,720</u>	<u>628,443</u>
Property and equipment, at cost		991,887	988,605
Less accumulated depreciation		<u>(767,509)</u>	<u>(711,067)</u>
Net property and equipment		<u>224,378</u>	<u>277,538</u>
Beneficial interest in assets held by Community Foundation		<u>147,620</u>	<u>128,548</u>
Total assets		<u>\$ 978,718</u>	<u>1,034,529</u>
<u>Liabilities and Net Assets</u>			
Current liabilities - accrued expenses		5,157	4,757
Net assets:			
Without donor restrictions		918,561	1,021,236
With donor restrictions		<u>55,000</u>	<u>8,536</u>
Total net assets		<u>973,561</u>	<u>1,029,772</u>
Total liabilities and net assets		<u>\$ 978,718</u>	<u>1,034,529</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.

Statement of Activities

Year ended December 31, 2018

with comparative totals for 2017

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
Revenue and other support:				
Contributions and grants	\$ 457,577	55,000	512,577	395,970
Donated investments	4,678	-	4,678	5,601
Special events revenue	18,116	-	18,116	40,057
In-kind contributions	279,465	-	279,465	271,369
Investment income (loss)	(25,502)	-	(25,502)	61,915
Miscellaneous income	146	-	146	628
	<u>734,480</u>	<u>55,000</u>	<u>789,480</u>	<u>775,540</u>
Net assets released from restrictions	<u>8,536</u>	<u>(8,536)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>743,016</u>	<u>46,464</u>	<u>789,480</u>	<u>775,540</u>
Expenses:				
Program services	765,915	-	765,915	707,728
Management and general	55,399	-	55,399	52,670
Fundraising	24,377	-	24,377	24,703
Total expenses	<u>845,691</u>	<u>-</u>	<u>845,691</u>	<u>785,101</u>
Change in net assets	(102,675)	46,464	(56,211)	(9,561)
Net assets at beginning of year	<u>1,021,236</u>	<u>8,536</u>	<u>1,029,772</u>	<u>1,039,333</u>
Net assets at end of year	<u>\$ 918,561</u>	<u>55,000</u>	<u>973,561</u>	<u>1,029,772</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.  
Statement of Functional Expenses  
Year ended December 31, 2018  
with comparative totals for 2017

	Program services	Management and general	Fundraising	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
Salaries and wages	\$ 263,023	11,608	-	274,631	218,464
Payroll taxes and employee benefits	<u>58,370</u>	<u>2,576</u>	-	<u>60,946</u>	<u>51,433</u>
Total salaries and related benefits	321,393	14,184	-	335,577	269,897
Meals	308,284	-	-	308,284	307,745
Depreciation	45,154	11,288	-	56,442	55,608
Insurance	16,613	4,153	-	20,766	21,325
Professional services	-	17,822	-	17,822	18,268
Repairs and maintenance	17,625	-	-	17,625	29,554
Program supplies	17,458	-	-	17,458	12,605
Utilities	13,818	3,454	-	17,272	15,822
Printing	-	-	15,379	15,379	17,266
Special events	-	-	6,472	6,472	4,309
Miscellaneous	4,942	1,236	-	6,178	4,025
Trash removal	6,065	-	-	6,065	5,869
Bank service charges	5,844	-	-	5,844	5,829
Office supplies	4,304	1,076	-	5,380	5,278
Telephone	2,973	743	-	3,716	3,205
Postage	-	1,083	2,526	3,609	4,469
Training	<u>1,442</u>	<u>360</u>	-	<u>1,802</u>	<u>4,027</u>
Total expenses	<u>\$ 765,915</u>	<u>55,399</u>	<u>24,377</u>	<u>845,691</u>	<u>785,101</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.  
Statement of Cash Flows  
Year ended December 31, 2018  
with comparative totals for 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (56,211)	(9,561)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	56,442	55,608
Realized gain on sale of investments	(20,609)	(40,470)
Unrealized depreciation (appreciation) in fair value of investments	53,940	(14,879)
Changes in:		
Prepaid expenses	1,119	6,431
Accrued expenses	400	(4,958)
	35,081	(7,829)
Cash flows from investing activities:		
Net sales (purchases) of investments	8,080	10,508
Changes in beneficial interest in assets held by Community Foundation	(19,072)	(17,656)
Additions to property and equipment	(3,282)	(38,745)
	(14,274)	(45,893)
Net change in cash and equivalents	20,807	(53,722)
Cash and equivalents at beginning of year	244,663	298,385
Cash and equivalents at end of year	\$ 265,470	244,663
Supplemental schedule of non-cash operating activities:		
Donated investments	\$ 4,678	5,601
Donated food	\$ 279,465	271,369
Food expense	\$ 279,465	271,369

See accompanying notes to financial statements.



FRIENDS OF NIGHT PEOPLE, INC.

Notes to Financial Statements

December 31, 2018

(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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Organization's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Organization.

(d) 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 reporting 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 recorded 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 support with donor restrictions. In the absence of such stipulations, contributions of equipment are recorded as support without donor restrictions. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations 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.

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

(1) Summary of Significant Accounting Policies, Continued

(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, 2018, 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 among the programs and supporting services benefited based on direct usage and applicability.

(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.

(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.

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

(1) Summary of Significant Accounting Policies, Continued

(m) Recent Accounting Standards Issued

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.” ASU 2016-14 contains several provisions that change the presentation of, and disclosures within, the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity, a requirement to report expenses by function and nature, and an analysis showing the relationship between function and nature and the removal of the requirement for a reconciliation for statements of cash flows presented using the direct method. This guidance is effective for fiscal years beginning after December 15, 2017. These financial statements and notes reflect adoption of this new standard.

(2) Liquidity

The Organization has approximately \$599,866 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash and equivalents and investments. Of this amount, \$544,866 is not subject to any donor or contractual restrictions that make these assets unavailable for general expenditures; however, \$55,000 is subject to such restrictions. \$30,000 is restricted for capital repairs and improvements, and \$25,000 is restricted for labor, food and program supplies, all of which are expected to be incurred and expended within one year of the 2018 statement of financial position.

Additionally, the Organization manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows are generally predicted utilizing historic benchmarks since they are comprised mostly of contributions and grants. Cash outflows are planned accordingly so as not to exceed those expected inflows.

(3) Investments

Financial Instruments

The cost and fair value of investments at December 31, 2018 and 2017 were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Certificates of deposit:				
Maturing March 19, 2019	\$ 24,374	24,374	24,374	24,374
Maturing January 18, 2018	-	-	28,749	28,749

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

(3) Investments, Continued

Financial Instruments, Continued

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Mutual funds:				
Fidelity Investments				
Dividend Growth Fund	\$ 151,770	133,102	125,862	143,469
Fidelity Investments				
Intermediate Government				
Income Fund	39,727	40,340	38,996	39,870
Fidelity Investments				
Select Technology Fund	24,272	30,592	18,013	33,539
Fidelity Investments				
Capital and Income Fund	35,363	33,248	33,002	35,288
Fidelity Investments				
Corporate Bond Fund	70,468	67,657	68,050	69,449
iShares S&P Growth ETF	-	-	1,077	1,069
Equity securities - Caterpillar Inc.	<u>4,678</u>	<u>5,083</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>350,652</u>	<u>334,396</u>	<u>338,123</u>	<u>375,807</u>

Investments at December 31, 2018 and 2017 are stated at fair value. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation (depreciation) is included in investment income (loss) in the statement of activities. A summary of investment income (loss) for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 7,829	6,566
Realized gain on sale of investments	20,609	40,470
Unrealized appreciation (depreciation) in fair value of investments	<u>(53,940)</u>	<u>14,879</u>
Investment income (loss)	\$ <u>(25,502)</u>	<u>61,915</u>

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

(4) Beneficial Interest in Assets Held by Community Foundation

Financial Instruments

Investments are held in the Community Foundation for Greater Buffalo (the Community Foundation), a not-for-profit 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, 2018 and 2017, the fair value of the Organization's beneficial interest in assets held by Community Foundation amounted to \$147,620 and \$128,548, 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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 128,548	110,892
Contributions	34,249	5,150
Interest and dividends	1,786	1,609
Net gain (loss) on investment	(11,121)	16,468
Approved grants	(4,729)	(4,510)
Administrative fees	<u>(1,113)</u>	<u>(1,061)</u>
Balance at end of year	\$ <u>147,620</u>	<u>128,548</u>

(5) 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.

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

(5) Fair Value Measurements, Continued

The asset 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.
- Equity securities - Valued at the closing prices reported in the active markets in which the individual securities are traded.
- Beneficial interest in assets held by Community Foundation - NAVs 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.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018 and 2017:

	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 334,396	-	-	334,396
Beneficial interest in assets held by Community Foundation	<u>33,953</u>	<u>109,239</u>	<u>4,428</u>	<u>147,620</u>
Total	<u>\$ 368,349</u>	<u>109,239</u>	<u>4,428</u>	<u>482,016</u>

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

(5) Fair Value Measurements, Continued

	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 375,807	-	-	375,807
Beneficial interest in assets held by Community Foundation	<u>41,135</u>	<u>83,556</u>	<u>3,857</u>	<u>128,548</u>
Total	<u>\$ 416,942</u>	<u>83,556</u>	<u>3,857</u>	<u>504,355</u>

Investments held by 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 the Community Foundation.

(6) Property and Equipment

Property and equipment at December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Land, building and improvements	\$ 661,371	661,371
Vehicles	25,865	25,865
Equipment	<u>304,651</u>	<u>301,369</u>
Total property and equipment	991,887	988,605
Less accumulated depreciation	<u>(767,509)</u>	<u>(711,067)</u>
Net property and equipment	<u>\$ 224,378</u>	<u>277,538</u>

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
East Hill Foundation	\$ 30,000	-
Garman Family Foundation	25,000	-
Food Bank of WNY HPNAPP	<u>-</u>	<u>8,536</u>
	<u>\$ 55,000</u>	<u>8,536</u>

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

(8) In-Kind Contributions

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. Although a substantial number of unpaid volunteers have made significant contributions of their time in helping those who are experiencing homelessness and poverty, most of the services received by the Organization do not meet the specified criteria, as no objective basis is available to measure the value of such services. Contributions of tangible assets are recognized at fair value when received. During the years ended December 31, 2018 and 2017, \$279,465 and \$271,369, respectively, were recognized for donated meals. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

(9) Retirement Plan

The Organization participates in a simplified employee pension plan for all employees meeting certain employment and compensation requirements. For the years ended December 31, 2018 and 2017, 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 \$7,480 and \$6,692 for the years ended December 31, 2018 and 2017, respectively.