

**FRIENDS OF JOSHUA HOUSE
FOUNDATION, INC.**

Financial Statements

**June 30, 2016 and 2015
(With Independent Auditor's Report Thereon)**

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

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Independent Auditor's Report

The Board of Directors
Friends of Joshua House Foundation, Inc.:

We have audited the accompanying financial statements of Friends of Joshua House Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2016 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 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 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 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Joshua House Foundation, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Friends of Joshua House Foundation, Inc.'s 2015 financial statements, and our report dated September 8, 2015, expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MAYER HOFFMAN MCCANN P.C.

October 13, 2016
Clearwater, Florida

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Statements of Financial Position

June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 804,315	760,077
Accounts receivable	13,472	15,062
Due from employees	-	5,005
Contributions receivable, net	3,311	2,812
Prepaid expenses	1,933	2,661
Investments	475,452	476,110
	\$ 1,298,483	1,261,727
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses:		
Due to Children's Home Society of Florida	\$ 2,835	37,121
Other	21,390	32,120
Deferred revenue	-	8,754
Total liabilities	24,225	77,995
Net assets:		
Unrestricted:		
Designated for Joshua House infrastructure	50,000	-
Undesignated	1,186,274	1,150,077
	1,236,274	1,150,077
Temporarily restricted	37,984	33,655
Total net assets	1,274,258	1,183,732
	\$ 1,298,483	1,261,727

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Statement of Activities

**Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
Support and revenue:				
Special events revenue	\$ 300,694	-	300,694	295,600
Special events expense	<u>(105,243)</u>	<u>-</u>	<u>(105,243)</u>	<u>(90,648)</u>
Special events revenue, net	195,451	-	195,451	204,952
Contributions	226,514	10,079	236,593	201,550
In-kind support	108,015	-	108,015	86,665
Other income	1,049	-	1,049	377
Net assets released from restrictions:				
Expiration of use restrictions	4,170	(4,170)	-	-
Expiration of time restrictions	<u>1,580</u>	<u>(1,580)</u>	<u>-</u>	<u>-</u>
Total support and revenue	536,779	4,329	541,108	493,544
Expenses:				
Program services	340,661	-	340,661	331,214
Supporting services:				
Management and general	29,658	-	29,658	34,061
Fundraising	<u>78,955</u>	<u>-</u>	<u>78,955</u>	<u>76,648</u>
Total expenses	<u>449,274</u>	<u>-</u>	<u>449,274</u>	<u>441,923</u>
Increase in net assets from operations	87,505	4,329	91,834	51,621
Other changes:				
Investment return, net	<u>(1,308)</u>	<u>-</u>	<u>(1,308)</u>	<u>(309)</u>
Increase in net assets	86,197	4,329	90,526	51,312
Net assets at beginning of year	<u>1,150,077</u>	<u>33,655</u>	<u>1,183,732</u>	<u>1,132,420</u>
Net assets at end of year	<u>\$ 1,236,274</u>	<u>37,984</u>	<u>1,274,258</u>	<u>1,183,732</u>

See accompanying independent auditor's report and notes to financial statements.

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Special events revenue	\$ 295,600	-	295,600
Special events expense	<u>(90,648)</u>	-	<u>(90,648)</u>
Special events revenue, net	204,952	-	204,952
Contributions	166,550	35,000	201,550
In-kind support	86,665	-	86,665
Other income	377	-	377
Net assets released from restrictions:			
Expiration of time restrictions	<u>9,350</u>	<u>(9,350)</u>	<u>-</u>
Total support and revenue	467,894	25,650	493,544
Expenses:			
Program services	331,214	-	331,214
Supporting services:			
Management and general	34,061	-	34,061
Fundraising	<u>76,648</u>	-	<u>76,648</u>
Total expenses	<u>441,923</u>	-	<u>441,923</u>
Increase in net assets from operations	25,971	25,650	51,621
Other changes:			
Investment return, net	<u>(309)</u>	-	<u>(309)</u>
Increase in net assets	25,662	25,650	51,312
Net assets at beginning of year	<u>1,124,415</u>	<u>8,005</u>	<u>1,132,420</u>
Net assets at end of year	<u>\$ 1,150,077</u>	<u>33,655</u>	<u>1,183,732</u>

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Statement of Functional Expenses

**Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>	
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>2016</u>	<u>2015</u>
Personnel costs	\$ 106,162	4,765	23,827	28,592	134,754	123,499
Contributions to Joshua House	210,666	-	-	-	210,666	213,912
Office expense	-	1,698	1,342	3,040	3,040	2,188
Printing and postage	-	2,818	8,417	11,235	11,235	7,405
Occupancy	11,393	808	6,046	6,854	18,247	17,743
Insurance	3,543	253	765	1,018	4,561	4,811
Professional fees	3,827	17,503	21,684	39,187	43,014	41,064
Advertising	-	-	13,380	13,380	13,380	18,186
Bank charges	(650)	967	523	1,490	840	4,578
Other expenses	5,720	846	2,971	3,817	9,537	8,537
Total expenses	\$ <u>340,661</u>	<u>29,658</u>	<u>78,955</u>	<u>108,613</u>	<u>449,274</u>	<u>441,923</u>

See accompanying independent auditor's report and notes to financial statements.

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 90,526	51,312
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized losses on investments	11,578	8,883
Decrease (increase) in accounts receivable	1,590	(9,165)
Decrease (increase) in employee receivable	5,005	(5,005)
Decrease (increase) in contributions receivable	(499)	5,193
Decrease (increase) in prepaid expenses	728	(198)
Decrease in accounts payable and accrued expenses	(45,016)	(20,927)
Increase (decrease) in deferred revenue	(8,754)	8,754
Net cash provided by operating activities	<u>55,158</u>	<u>38,847</u>
Cash flows from investing activities:		
Purchases of investments	(63,108)	(545,419)
Proceeds from sale of investments	<u>52,188</u>	<u>336,845</u>
Net cash used in investing activities	<u>(10,920)</u>	<u>(208,574)</u>
Net increase (decrease) in cash and cash equivalents	44,238	(169,727)
Cash and cash equivalents at beginning of year	<u>760,077</u>	<u>929,804</u>
Cash and cash equivalents at end of year	<u>\$ 804,315</u>	<u>760,077</u>

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(1) Description of the Organization

Friends of Joshua House Foundation, Inc. (Organization) is a Florida non-profit organization of concerned individuals that have dedicated themselves to developing resources to improve the quality of life for the children of Joshua House, a program of the Children's Home Society of Florida. Joshua House is a safe haven for these abused, abandoned, and neglected children offering a therapeutic residential group care program that provides a protected, nurturing, family-like environment for children ages six to seventeen. Acting as the fundraising arm, the Organization raises resources, develops solutions and supports Hillsborough County's most vulnerable citizens, its children.

(2) Summary of Significant Accounting Policies

(a) Financial Accounting Standards

The Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP), authoritative and nonauthoritative, and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. The guidance is incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

(b) Financial Statement Presentation

The Organization's financial statements report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted or permanently restricted. The three classes of net assets are described as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.
- *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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- *Permanently restricted net assets*: Net assets subject to donor-restricted stipulations 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 any related investments for general or specific purposes.

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(c) Fair Value Measurement

The Organization has adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels; quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

The carrying amounts reported in the statements of financial position for cash and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

(d) Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(e) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Organization's Statements of Financial Position. Unrealized gains and losses are included in other changes as a component of net investment return in the Statements of Activities. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the earnings are recognized.

(f) Contributed Goods and Services

Contributed professional services are recognized at fair value if the services received require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received. Donated rent is recognized at fair value when the space is made available. Those amounts, when reflected in the accompanying financial statements as contributions in-kind, are offset by like amounts included in expenses.

In addition, a number of volunteers have donated significant amounts of their time and performed a variety of tasks that assist the Organization in meeting its objectives, but these services do not meet the criteria for recognition as contributed services.

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(f) Contributed Goods and Services - Continued

The Organization received the following goods and services recognized as in-kind support for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Supplies for the benefit of Joshua House	\$ 86,765	67,365
Donated rent	15,000	15,000
Professional services	<u>6,250</u>	<u>4,300</u>
Total	<u>\$ 108,015</u>	<u>86,665</u>

(g) Income Taxes

The Organization has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from Federal and State income taxes. The Organization is treated as a publicly supported organization, and not as a private foundation. The Organization has adopted the provisions of ASC Topic 740, *Income Taxes*, and does not believe it has any material income tax exposure relating to uncertain tax positions. The Organization's income tax filings for periods after the fiscal year ended June 30, 2012 remain subject to examination.

(h) Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs, such as occupancy and insurance have been allocated among the programs and supporting services benefitted.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(j) Deferred Revenue

Deferred revenue represents advance payments received for special events.

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Notes to Financial Statements - Continued

(3) Contributions Receivable

Contributions receivable at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Contributions receivable	\$ 3,325	2,830
Less unamortized discount	<u>(14)</u>	<u>(18)</u>
Net contributions receivable	<u>\$ 3,311</u>	<u>2,812</u>
Amounts due in:		
Less than one year	\$ 2,110	1,610
One to five years	<u>1,215</u>	<u>1,220</u>
	<u>\$ 3,325</u>	<u>2,830</u>

The present value of contributions receivable at June 30, 2016 and 2015 was estimated by discounting future cash flows using a discount rate of approximately 1%, the risk-free rate of return of U.S. Treasury Securities with similar maturities at the date of donation.

(4) Investments

At June 30, 2016 and 2015, the cost and market value of investments were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 34,767	34,767	50,181	50,181
Mutual funds	369,731	365,056	349,517	347,575
Real estate investment trusts	<u>78,932</u>	<u>75,629</u>	<u>77,086</u>	<u>78,354</u>
	<u>\$ 483,430</u>	<u>475,452</u>	<u>476,784</u>	<u>476,110</u>

At June 30, 2016 and 2015, none of the Organization's investments were concentrated in a single entity or industry. In addition, the Organization's mutual fund investments represent shares in registered investment companies which own diversified portfolios. The mutual funds invest in a combination of equities and fixed income securities.

The following schedule summarizes investment return and its classification in the accompanying statements of activities for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 13,109	10,395
Net realized and unrealized losses	(11,578)	(8,883)
Investment fees	<u>(2,839)</u>	<u>(1,821)</u>
Investment return, net	<u>\$ (1,308)</u>	<u>(309)</u>

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Notes to Financial Statements - Continued

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
Capital improvements	\$ 20,843	20,843
Earn to Learn program	9,105	5,000
Athletic programs	4,725	5,000
Contributions receivable	<u>3,311</u>	<u>2,812</u>
	<u>\$ 37,984</u>	<u>33,655</u>

Contributions receivable included in temporarily restricted net assets represents amounts that will be collected over the next five years and become available to be used for operations.

(6) Fair Value Measurements

The Organization adopted ASC 820, which provides a common definition of fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and requires additional disclosures about fair value.

Financial instruments measured at fair value are classified and disclosed in the following categories:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments typically included in Level 1 are mutual funds, corporate bonds, bond funds, and cash and cash equivalents.
- Level 2: Pricing inputs are other than quoted prices for identical investments in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of models or other valuation methodologies.
- Level 3: Valuation is based on unobservable inputs. At June 30, 2016 and 2015, the Organization did not hold assets or liabilities with Level 3 fair value measurements.

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.

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Notes to Financial Statements - Continued

(6) Fair Value Measurements - Continued

Fair value of assets measured on a recurring basis at June 30, 2016 and 2015 was as follows:

<u>Description</u>	Assets Measured at Fair Value at June 30, 2016	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 34,767	34,767	-	-
Equity mutual funds:				
Managed futures	51,911	51,911	-	-
Conservative allocation	109,365	109,365	-	-
Fixed income mutual funds:				
Short-term bonds	51,498	51,498	-	-
Large blend	51,604	51,604	-	-
Nontraditional bonds	49,995	49,995	-	-
Emerging markets bonds	50,683	50,683	-	-
Real estate investment trusts	75,629	75,629	-	-
	<u>\$ 475,452</u>	<u>475,452</u>	<u>-</u>	<u>-</u>

<u>Description</u>	Assets Measured at Fair Value at June 30, 2015	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 50,181	50,181	-	-
Equity mutual funds:				
Conservative allocation	147,288	147,288	-	-
Fixed income mutual funds:				
Corporate bonds	50,083	50,083	-	-
Large blend	48,922	48,922	-	-
Nontraditional bonds	51,360	51,360	-	-
Emerging markets bonds	49,922	49,922	-	-
Real estate investment trusts	78,354	78,354	-	-
	<u>\$ 476,110</u>	<u>476,110</u>	<u>-</u>	<u>-</u>

FRIENDS OF JOSHUA HOUSE FOUNDATION, INC.

Notes to Financial Statements - Continued

(7) Concentration of Credit Risk

The Organization maintains significant deposit accounts at a large commercial bank. At June 30, 2016 and 2015, the Organization's deposits exceeded the amounts insured by the Federal Deposit Insurance Corporation by approximately \$460,000 and \$616,000, respectively.

(8) Revenue Share to Children's Home Society, Inc. - Joshua House

In June 2011, a stipulation agreement, as amended, was executed between the Joshua House Steering Committee and the Children's Home Society of Florida (CHS). The agreement provided for the formation of the Friends of Joshua House Foundation, Inc. and requires the Organization to fund a minimum annual distribution equal to one-third of all funds raised by the Organization to CHS. Distributions are to be used exclusively to support the annual operating needs of Joshua House. CHS may also from time to time request funds for capital projects benefiting Joshua House.

Total support provided to Joshua House for the years ended June 30, 2016 and 2015 included the following:

	<u>2016</u>	<u>2015</u>
Support directly disbursed to CHS or a third party on behalf of Joshua House	\$ 123,901	146,547
In-kind supplies	<u>86,765</u>	<u>67,365</u>
Contributions to Joshua House	210,666	213,912
Support for maintenance personnel, included in personnel costs	<u>38,031</u>	<u>38,721</u>
Total support provided to Joshua House	<u>\$ 248,697</u>	<u>252,633</u>

At June 30, 2016, the amount due to CHS includes \$2,835 for operating expenses. At June 30, 2015, the amount due to CHS includes \$19,121 for operating expenses and an additional allocation of \$18,000 as approved by the Board of Directors.

In July 2016, the Board of Directors approved an allocation of \$65,000 to CHS for the benefit of Joshua House for fiscal 2017.

(9) Subsequent Events

Management has evaluated subsequent events through October 13, 2016, the date the financial statements were available for issuance.