

**MF PLACE, INC. dba MY FRIEND'S PLACE
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

JUNE 30, 2017

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R.H. JOHNSTON ACCOUNTANCY INC.

**A Professional Corporation
16350 Ventura Boulevard, Suite D-502
Encino, California 91436
(818) 789-4346**

INDEPENDENT AUDITOR'S REPORT

August 9, 2017

Board of Directors
MF Place, Inc. dba My Friend's Place
Hollywood, California

We have audited the accompanying financial statements of MF Place, Inc. dba My Friend's Place (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MF Place, Inc. dba My Friend's Place as of June 30, 2017, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 5 is presented for the purpose 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.

R.H. Johnston Accountancy LLC.

**MF PLACE, INC. dba MY FRIEND'S PLACE
(A NONPROFIT ORGANIZATION)**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS:

Cash and cash equivalents	\$ 1,043,238
Individual savings accounts	<u>1,200,166</u>
	2,243,404
Grants and contributions receivable (Note B)	395,000
Prepaid expenses	14,637
Property and equipment - Net of accumulated depreciation of \$435,681 (Note C)	<u>698,298</u>

TOTAL ASSETS \$ 3,351,339

LIABILITIES AND NET ASSETS:

Accounts payable and accrued expenses	<u>\$ 125,710</u>
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NET ASSETS:

Unrestricted	2,622,256
Temporarily restricted (Note D)	<u>603,373</u>
	<u>3,225,629</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,351,339

See notes to the financial statements.

**MF PLACE, INC. dba MY FRIEND'S PLACE
(A NONPROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Grants and contributions	\$ 1,354,119	\$ 625,000	\$ 1,979,119
Event - Net of direct expenses of \$74,594	260,647	-	260,647
Investment income - Net	2,944	-	2,944
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>390,371</u>	<u>(390,371)</u>	<u>-</u>
Total revenue and support	<u>2,008,081</u>	<u>234,629</u>	<u>2,242,710</u>
FUNCTIONAL EXPENSES:			
Program services	1,714,606	-	1,714,606
General and administrative	104,329	-	104,329
Fundraising	<u>113,774</u>	<u>-</u>	<u>113,774</u>
Total functional expenses	<u>1,932,709</u>	<u>-</u>	<u>1,932,709</u>
CHANGE IN NET ASSETS	75,372	234,629	310,001
NET ASSETS - BEGINNING	<u>2,546,884</u>	<u>368,744</u>	<u>2,915,628</u>
NET ASSETS - ENDING	<u>\$ 2,622,256</u>	<u>\$ 603,373</u>	<u>\$ 3,225,629</u>

See notes to the financial statements.

**MF PLACE, INC. dba MY FRIEND'S PLACE
(A NONPROFIT ORGANIZATION)**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services				Total Programs	General & Administrative	Fundraising	Total
	Safe Haven	Transformative Education	Health & Well Being	The Shift				
Personnel expenses:								
Salaries and wages	\$ 311,267	\$ 283,737	\$ 329,391	\$ 145,357	\$ 1,069,752	\$ 68,575	\$ 74,717	\$ 1,213,044
Payroll taxes	27,335	24,800	28,902	13,064	94,101	3,744	6,620	104,465
Group insurance	20,220	18,394	21,397	9,432	69,443	2,854	4,898	77,195
	<u>358,822</u>	<u>326,931</u>	<u>379,690</u>	<u>167,853</u>	<u>1,233,296</u>	<u>75,173</u>	<u>86,235</u>	<u>1,394,704</u>
Operational expenses:								
Bank charges	34	34	34	-	102	9,180	34	9,316
Depreciation	14,138	12,355	15,104	6,563	48,160	1,809	3,310	53,279
Direct services:								
Clothing	18,318	186	-	-	18,504	-	-	18,504
DMV ID expense	-	-	3,123	-	3,123	-	-	3,123
Food	61,407	401	268	-	62,076	-	-	62,076
Travel	669	922	2,905	9	4,505	-	-	4,505
Dues & subscriptions	1,581	1,499	1,707	739	5,526	316	2,256	8,098
Equipment rentals	1,344	1,230	1,401	637	4,612	185	327	5,124
Insurance	13,736	12,889	14,353	5,973	46,951	1,858	3,232	52,041
Miscellaneous	43	43	47	21	154	9	10	173
Occupancy & building costs	7,293	6,673	7,877	3,163	25,006	916	1,609	27,531
Outside services	-	17,500	17,600	-	35,100	-	-	35,100
Postage	1,086	1,094	1,086	-	3,266	1,724	1,094	6,084
Printing	2,971	3,223	3,133	-	9,327	3,313	2,972	15,612
Professional services	20,040	18,991	19,090	7,165	65,286	2,614	6,270	74,170
Repairs & maintenance	7,709	6,563	7,718	3,204	25,194	893	1,587	27,674
Staff development	810	633	859	-	2,302	634	615	3,551
Supplies	1,174	1,350	1,174	-	3,698	2,717	947	7,362
Taxes & licenses	745	720	715	-	2,180	715	538	3,433
Technology	742	742	998	-	2,482	742	738	3,962
Telephone	5,539	5,088	5,887	2,614	19,128	755	1,332	21,215
Travel	796	1,188	739	103	2,826	575	467	3,868
Volunteer appreciation	70	70	70	-	210	70	70	350
Workshops	17,582	43,408	13,020	17,582	91,592	131	131	91,854
	<u>\$ 536,649</u>	<u>\$ 463,733</u>	<u>\$ 498,598</u>	<u>\$ 215,626</u>	<u>\$ 1,714,606</u>	<u>\$ 104,329</u>	<u>\$ 113,774</u>	<u>\$ 1,932,709</u>
	27.8%	24.0%	25.8%	11.1%	88.7%	5.4%	5.9%	100.0%

See notes to the financial statements.

**MF PLACE, INC. dba MY FRIEND'S PLACE
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STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 310,001
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	53,279
Change in assets and liabilities:	
Increase in grants and contributions receivable	(110,768)
Increase in prepaid expenses	(2,323)
Increase in accounts payable and accrued expenses	<u>34,251</u>
Net cash provided by operating activities:	284,440
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in individual savings accounts - Net	<u>(200,965)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	83,475
CASH AND CASH EQUIVALENTS - Beginning of year	<u>959,763</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 1,043,238</u></u>

See notes to the financial statements.

**MF PLACE, INC. dba MY FRIEND'S PLACE
(A NONPROFIT ORGANIZATION)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

MF Place, Inc. dba My Friend's Place ("Organization") is a nonprofit public benefit organization incorporated 1991. The Organization provides food, clothing, case management, education, and medical assistance for homeless youth in the Hollywood, California area. The Organization is supported primarily through donor contributions and grants.

Financial Statement Presentation

The accompanying financial statements are presented using the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization did not have any permanently restricted net assets at June 30, 2017.

Fair Value of Financial Instruments

Financial instruments include primarily cash and cash equivalents, grants receivable, accounts payable and other current liabilities. Due to the short-term nature of these items, the carrying amounts approximate their fair value.

Accounting for Grants and Pledges

Grants received are recorded as unrestricted, temporarily restricted, and permanently restricted support depending on the existence and/or nature of any donor restrictions. Unrestricted grants are recognized as an increase in unrestricted net assets when received. Grants restricted by the donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. Additionally, promises to contribute in future periods are recognized as temporarily restricted. When the restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restriction. When restrictions are satisfied in the same accounting period as the receipt of the contribution, the Organization reports both the revenue and the related expense, if any, in the unrestricted net asset class.

Unconditional promises to contribute in future periods are measured at their present value of estimated cash flows at the time of the promise is made. The present value discount is amortized to contribution revenue over the term of the pledge.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

**MF PLACE, INC. dba MY FRIEND'S PLACE
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment and Related Depreciation

Property and equipment are stated at cost. The Organization capitalizes expenditures for property and equipment items in excess of \$1,000. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets of ranging from five to thirty years.

Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Certain expenses are associated with more than one program or supporting service have been allocated among the programs and supporting services benefitted based on management's estimates of time spent on various programs and services.

Income Taxes

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization is classified by the Internal Revenue Service as other than a private foundation.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2017.

The Organization's Federal Forms 990, Return of Organization Exempt From Income Tax, are subject to examination by the IRS, generally for three years after they are filed, and remain open for the years ended June 30, 2014 through 2016. The California forms 199, California Exempt Organization Annual Information Return, are subject to examination by the Franchise Tax Board, generally for four years after they are filed, and remain open for the years ended June 30, 2013 through 2016.

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.

Concentration of Credit Risk

Items which potentially expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and sources of revenue and support.

**MF PLACE, INC. dba MY FRIEND'S PLACE
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and cash equivalents are placed in high-credit quality financial institutions. At times the amounts on deposit at a bank or brokerage may be in excess of the FDIC or SPIC insurance limits. The Organization has not incurred losses related to the cash and cash equivalents.

During the year ended June 30, 2017, the Organization received 44% of its grants and contributions from seven donors.

Date of Management's Review

Subsequent events were evaluated through August 9, 2017, which is the date the financial statements were available to be issued.

B. GRANTS AND CONTRIBUTIONS RECEIVABLE

At June 30, 2017, grants receivable are due to be received as follows:

In less than one year	\$ 270,000
In one to two years	<u>125,000</u>
	<u>\$ 395,000</u>

C. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land and building	\$ 624,617
Improvements	387,719
Furniture, fixtures and equipment	70,684
Transportation equipment	<u>50,959</u>
	1,133,979
Less: Accumulated depreciation	<u>435,681</u>
	<u>\$ 698,298</u>

Depreciation expense for the year ended June 30, 2017 was \$53,279.

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets at June 30, 2017 were available for the following purposes:

Programs	\$ 75,000
General support	<u>528,373</u>
	<u>\$ 603,373</u>

**MF PLACE, INC. dba MY FRIEND'S PLACE
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

E. EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution 403(b) pension plan for its employees. The plan permits employees to contribute up to specific percentages of their compensation. The Organization does not make matching contributions.