FRIENDS OF NIGHT PEOPLE, INC.

Financial Statements

December 31, 2010

(With Independent Auditors' Report Thereon)

FRIENDS OF NIGHT PEOPLE, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Friends of Night People, Inc. as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated February 2, 2010, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Toski, Schaefer & Co. P.C.

Williamsville, New York
January 27, 2011

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FRIENDS OF NIGHT PEOPLE, INC.
Statement of Financial Position
December 31, 2010
with comparative totals for 2009

Assets		2010	2009
Current assets:			
Cash	$	386,025	303,383
Inventory		-	9,727
Prepaid expenses		6,285	5,846
Investments, at fair value		116,896	101,354
Total current assets		509,206	420,310
Property and equipment, at cost		595,365	580,850
Less accumulated depreciation		(473,476)	(451,598)
Net property and equipment		121,889	129,252
Total assets	$	631,095	549,562
Liabilities and Net Assets			
Liabilities:			
Accounts payable		-	1,639
Accrued expenses		5,420	3,398
Deferred revenue		8,977	28,522
Total liabilities		14,397	33,559
Unrestricted net assets		616,698	516,003
Total liabilities and net assets	$	631,095	549,562

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Activities
Year ended December 31, 2010
with comparative totals for 2009

	2010	2009
Unrestricted revenue:		
Contributions and grants	$ 345,366	296,854
Special events revenue	23,883	19,498
In-kind support	127,424	55,000
Investment income	16,043	27,261
Miscellaneous income	363	3,377
Total unrestricted revenue	513,079	401,990
Unrestricted expenses:		
Program services	366,210	279,856
Management and general	31,915	31,061
Fundraising	14,259	21,589
Total unrestricted expenses	412,384	332,506
Increase in unrestricted net assets	100,695	69,484
Unrestricted net assets at beginning of year	516,003	446,519
Unrestricted net assets at end of year	$ 616,698	516,003

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Functional Expenses
Year ended December 31, 2010
with comparative totals for 2009

	Program services	Management and general	Fundraising	Total 2010	Total 2009
Unrestricted expenses:					
Salaries and wages	$ 107,546	8,672	-	116,218	104,103
Payroll taxes and employee benefits	33,019	2,663	-	35,682	30,855
Total salaries and related benefits	140,565	11,335	-	151,900	134,958
Meals	143,197	-	-	143,197	58,725
Insurance	11,006	2,752	-	13,758	14,346
Office supplies	2,114	528	-	2,642	2,519
Program supplies	17,628	-	-	17,628	14,968
Postage	-	456	1,822	2,278	2,332
Printing	-	-	7,002	7,002	9,264
Telephone	3,027	757	-	3,784	3,456
Utilities	13,564	3,391	-	16,955	17,005
Professional services	-	7,030	-	7,030	7,041
Trash removal	2,173	543	-	2,716	3,455
Repairs and maintenance	8,702	-	-	8,702	25,526
Bank service charges	3,746	-	-	3,746	4,049
Special events	-	-	5,435	5,435	10,459
Depreciation	17,502	4,376	-	21,878	17,014
Miscellaneous	2,986	747	-	3,733	7,389
Total unrestricted expenses	$ 366,210	31,915	14,259	412,384	332,506

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Cash Flows
Year ended December 31, 2010
with comparative totals for 2009

	2010	2009
Cash flows from operating activities:		
Increase in unrestricted net assets	$ 100,695	69,484
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	21,878	17,014
Loss on sale of investments	-	32,862
Unrealized appreciation in investments	(13,494)	(52,568)
Changes in:		
Inventory	9,727	-
Prepaid expenses	(439)	149
Accounts payable	(1,639)	(513)
Accrued expenses	2,022	2,133
Deferred revenue	(19,545)	(10,888)
Net cash provided by operating activities	99,205	57,673
Cash flows from investing activities:		
Increase in investments	(2,048)	(1,291)
Additions to property and equipment	(14,515)	(26,961)
Net cash used in investing activities	(16,563)	(28,252)
Net increase in cash	82,642	29,421
Cash at beginning of year	303,383	273,962
Cash at end of year	$ 386,025	303,383
Supplemental schedule of non-cash operating activities:		
Donated food	$ 127,424	55,000
Food expense	$ 127,424	55,000

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.

Notes to Financial Statements

December 31, 2010

(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 increase the public's understanding of homelessness and the working poor by working with other voluntary agencies in providing services for people and their associated problems. The Organization operates a soup kitchen which provides hot meals, clothing, assistance and social service referrals for 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 net assets in 2010 and 2009.

(d) Estimates

The preparation of financial statements in conformity 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

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) Inventories

Purchased food products are stated at the lower of cost (first-in, first-out) or market. Donated food products are recorded at their estimated market values at the date of the donation.

(g) 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 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, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

(1) Summary of Significant Accounting Policies, Continued

(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) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire 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.

(j) Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time in providing hot meals to the homeless. The value of this contributed time is not reflected in these financial statements because the criteria for recognition under generally accepted accounting principles has not been satisfied. The Organization estimates the fair value of the contributed services received but not recognized as revenue for the years ended December 31, 2010 and 2009 to be as follows:

	2010	2009
Estimated volunteer hours	48,904	20,440
Hourly rate	$ 8.50	8
Total contributed services	$ 415,684	163,520

(k) 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 and management and general activities.

(l) Subsequent Events

The Organization has evaluated events after December 31, 2010, and through January 27, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(m) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is reflected in the financial statements.

(1) Summary of Significant Accounting Policies, Continued

(n) Reclassifications

Certain reclassifications have been made to the 2009 balances in order to conform them to the 2010 presentation.

(2) Investments

Financial Investments

The cost and fair value of investments at December 31, 2010 and 2009 were as follows:

	2010		2009	
	Cost	Fair value	Cost	Fair value
Mutual Funds:				
Fidelity Investments Dividend Growth Fund	$ 60,917	69,330	60,360	57,897
Fidelity Investments Intermediate Government Income Fund	33,405	35,473	31,914	33,946
Fidelity Investments Select Technology Fund	10,102	12,093	10,102	9,511
Total investments	$ 104,424	116,896	102,376	101,354

The fair value of investments is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation or depreciation is included in investment income in the statement of activities.

A summary of investment income for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Interest and dividends	$ 2,549	7,555
Realized loss on investment	-	(32,862)
Net unrealized appreciation in fair value of investments	13,494	52,568
	$ 16,043	27,261

(2) Investments, Continued

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. 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). Level 1 assets and liabilities are those whose 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. Investments held by the Organization are classified as Level 1 in the fair value hierarchy.

(3) Property and Equipment

Property and equipment at December 31, 2010 and 2009 is summarized as follows:

	2010	2009
Land, building and improvements	$ 445,155	445,155
Vehicles	15,534	15,534
Equipment	134,676	120,161
Total property and equipment	595,365	580,850
Less: accumulated depreciation	(473,476)	(451,598)
Net property and equipment	$ 121,889	129,252