

FRIENDS OF NIGHT PEOPLE, INC.  
Financial Statements  
December 31, 2011  
(With Independent Auditors' Report Thereon)

FRIENDS OF NIGHT PEOPLE, INC.

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# TOSKI & CO., P.C.

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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, 2011, 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 2010 financial statements and, in our report dated January 27, 2011, 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, 2011, 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 & Co., CPAs, P.C.*

Williamsville, New York  
April 26, 2012

FRIENDS OF NIGHT PEOPLE, INC.  
Statement of Financial Position  
December 31, 2011  
with comparative totals for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and equivalents	\$ 388,778	312,653
Prepaid expenses	9,143	6,285
Investments, at fair value	<u>161,901</u>	<u>166,092</u>
Total current assets	<u>559,822</u>	<u>485,030</u>
Property and equipment, at cost	615,878	595,365
Less accumulated depreciation	<u>(497,115)</u>	<u>(473,476)</u>
Net property and equipment	<u>118,763</u>	<u>121,889</u>
Long-term investments	<u>24,256</u>	<u>24,176</u>
Total assets	<u><u>\$ 702,841</u></u>	<u><u>631,095</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accrued expenses	5,132	5,420
Deferred revenue	<u>-</u>	<u>8,977</u>
Total liabilities	5,132	14,397
Unrestricted net assets	<u>697,709</u>	<u>616,698</u>
Total liabilities and net assets	<u><u>\$ 702,841</u></u>	<u><u>631,095</u></u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.  
Statement of Activities  
Year ended December 31, 2011  
with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenue:		
Contributions and grants	\$ 365,711	345,366
Special events revenue	15,603	23,883
In-kind support	138,982	127,424
Investment income (loss)	(3,880)	16,043
Miscellaneous income	<u>87</u>	<u>363</u>
Total unrestricted revenue	<u>516,503</u>	<u>513,079</u>
Unrestricted expenses:		
Program services	384,360	366,210
Management and general	31,970	31,915
Fundraising	<u>19,162</u>	<u>14,259</u>
Total unrestricted expenses	<u>435,492</u>	<u>412,384</u>
Increase in unrestricted net assets	81,011	100,695
Unrestricted net assets at beginning of year	<u>616,698</u>	<u>516,003</u>
Unrestricted net assets at end of year	<u>\$ 697,709</u>	<u>616,698</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.  
Statement of Functional Expenses  
Year ended December 31, 2011  
with comparative totals for 2010

	Program services	Management and general	Fundraising	<u>Total</u>	
				2011	2010
Unrestricted expenses:					
Salaries and wages	\$ 114,140	8,995	-	123,135	116,218
Payroll taxes and employee benefits	<u>36,274</u>	<u>2,859</u>	-	<u>39,133</u>	<u>35,682</u>
Total salaries and related benefits	150,414	11,854	-	162,268	151,900
Meals	150,808	-	-	150,808	143,197
Insurance	9,783	2,446	-	12,229	13,758
Office supplies	2,072	518	-	2,590	2,642
Program supplies	10,635	-	-	10,635	17,628
Postage	-	483	1,930	2,413	2,278
Printing	-	-	10,594	10,594	7,002
Telephone	2,178	545	-	2,723	3,784
Utilities	14,250	3,563	-	17,813	16,955
Professional services	-	7,544	-	7,544	7,030
Trash removal	3,973	-	-	3,973	2,716
Repairs and maintenance	15,307	-	-	15,307	8,702
Bank service charges	4,875	-	-	4,875	3,746
Special events	-	-	6,638	6,638	5,435
Depreciation	18,911	4,728	-	23,639	21,878
Miscellaneous	<u>1,154</u>	<u>289</u>	-	<u>1,443</u>	<u>3,733</u>
Total unrestricted expenses	<u>\$ 384,360</u>	<u>31,970</u>	<u>19,162</u>	<u>435,492</u>	<u>412,384</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.

Statement of Cash Flows  
 Year ended December 31, 2011  
 with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 81,011	100,695
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	23,639	21,878
Unrealized (gains) losses in investments	5,788	(13,494)
Changes in:		
Inventory	-	9,727
Prepaid expenses	(2,858)	(439)
Accounts payable	-	(1,639)
Accrued expenses	(288)	2,022
Deferred revenue	(8,977)	(19,545)
Net cash provided by operating activities	<u>98,315</u>	<u>99,205</u>
Cash flows from investing activities:		
Purchase of investments	(1,677)	(2,700)
Additions to property and equipment	(20,513)	(14,515)
Net cash used in investing activities	<u>(22,190)</u>	<u>(17,215)</u>
Net increase in cash	76,125	81,990
Cash at beginning of year	<u>312,653</u>	<u>230,663</u>
Cash at end of year	<u>\$ 388,778</u>	<u>312,653</u>
Supplemental schedule of non-cash operating activities:		
Donated food	<u>\$ 138,982</u>	<u>127,424</u>
Food expense	<u>\$ 138,982</u>	<u>127,424</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.

Notes to Financial Statements

December 31, 2011

(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 2011 and 2010.

(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) 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.

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

(1) Summary of Significant Accounting Policies, Continued

(g) 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.

(h) 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, 2011 and 2010 to be as follows:

	<u>2011</u>	<u>2010</u>
Estimated volunteer hours	60,896	48,904
Hourly rate	\$ <u>8.50</u>	<u>8.50</u>
Total contributed services	\$ <u>517,616</u>	<u>415,684</u>

(i) 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.

(j) Subsequent Events

The Organization has evaluated events after December 31, 2011, and through April 26, 2012, 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.

(k) Income Taxes

The Organization is exempt from federal 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. The Organization is not longer subject to tax examination for the years ended December 31, 2007, and prior.

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

(2) Investments

Financial Investments

The cost and fair value of investments at December 31, 2011 and 2010 were as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Certificates of deposit	\$ 49,289	49,289	49,196	49,196
Mutual Funds:				
Fidelity Investments				
Dividend Growth Fund	61,258	63,915	60,917	69,330
Fidelity Investments				
Intermediate Government				
Income Fund	34,568	37,466	33,405	35,473
Fidelity Investments				
Select Technology Fund	<u>10,102</u>	<u>11,231</u>	<u>10,102</u>	<u>12,093</u>
Total current				
investments	155,217	161,901	153,620	166,092
Long-term investment -				
certificate of deposit,				
maturing March 19, 2013	<u>24,256</u>	<u>24,256</u>	<u>24,176</u>	<u>24,176</u>
Total investments	\$ <u>179,473</u>	<u>186,157</u>	<u>177,796</u>	<u>190,268</u>

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, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 1,908	2,549
Net unrealized gains (losses) in fair value of investments	<u>(5,788)</u>	<u>13,494</u>
	\$ <u>(3,880)</u>	<u>16,043</u>

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

(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, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Land, building and improvements	\$ 445,155	445,155
Vehicles	15,534	15,534
Equipment	<u>155,189</u>	<u>134,676</u>
Total property and equipment	615,878	595,365
Less: accumulated depreciation	(497,115)	(473,476)
Net property and equipment	\$ <u>118,763</u>	<u>121,889</u>

(4) In-Kind Donations

The Organization records in-kind support for meals served. Accounting principles generally accepted in the United States of America requires 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. During the years ended December 31, 2011 and 2010, \$138,982 and \$127,424, respectively, were recognized for meals, although volunteers provided almost 61,000 hours serving meals. 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.