

FRIENDS OF NIGHT PEOPLE, INC.
Financial Statements
December 31, 2012
(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.:

Report on the Financial Statements

We have audited the financial statements of Friends of Night People, Inc. which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses 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 of 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 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, 2012, 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.

Report on Summarized Comparative Information

We have previously audited Friends of Night People, Inc.'s 2011 financial statements, and in our report dated April 26, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Toski & Co., CPAs, P.C.

Williamsville, New York
April 23, 2013

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Financial Position
December 31, 2012
with comparative totals for 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and equivalents	\$ 392,491	388,778
Prepaid expenses	13,798	9,143
Investments, at fair value	239,682	161,901
Total current assets	645,971	559,822
Property and equipment, at cost	650,324	615,878
Less accumulated depreciation	(520,020)	(497,115)
Net property and equipment	130,304	118,763
Long-term investments	-	24,256
Total assets	\$ 776,275	702,841
<u>Liabilities and Net Assets</u>		
Liabilities - accrued expenses	10,056	5,132
Unrestricted net assets	766,219	697,709
Total liabilities and net assets	\$ 776,275	702,841

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Activities
Year ended December 31, 2012
with comparative totals for 2011

	<u>2012</u>	<u>2011</u>
Unrestricted revenue:		
Contributions and grants	\$ 371,204	365,711
Special events revenue	28,384	15,603
In-kind support	164,443	138,982
Investment income (loss)	15,701	(3,880)
Miscellaneous income	<u>2,345</u>	<u>87</u>
Total unrestricted revenue	<u>582,077</u>	<u>516,503</u>
Unrestricted expenses:		
Program services	451,199	384,360
Management and general	39,198	31,970
Fundraising	<u>23,170</u>	<u>19,162</u>
Total unrestricted expenses	<u>513,567</u>	<u>435,492</u>
Increase in unrestricted net assets	68,510	81,011
Unrestricted net assets at beginning of year	<u>697,709</u>	<u>616,698</u>
Unrestricted net assets at end of year	<u><u>\$ 766,219</u></u>	<u><u>697,709</u></u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Functional Expenses
Year ended December 31, 2012
with comparative totals for 2011

	Program services	Management and general	Fundraising	<u>Total</u>	
				<u>2012</u>	<u>2011</u>
Unrestricted expenses:					
Salaries and wages	\$ 133,932	9,254	-	143,186	123,135
Payroll taxes and employee benefits	<u>34,424</u>	<u>2,378</u>	-	<u>36,802</u>	<u>39,133</u>
Total salaries and related benefits	168,356	11,632	-	179,988	162,268
Meals	182,245	-	-	182,245	150,808
Insurance	10,738	2,685	-	13,423	12,229
Office supplies	3,801	950	-	4,751	2,590
Program supplies	13,973	-	-	13,973	10,635
Postage	-	682	2,727	3,409	2,413
Printing	-	-	13,482	13,482	10,594
Telephone	2,751	688	-	3,439	2,723
Utilities	13,402	3,351	-	16,753	17,813
Professional services	-	11,164	-	11,164	7,544
Trash removal	3,110	-	-	3,110	3,973
Repairs and maintenance	17,096	-	-	17,096	15,307
Bank service charges	3,541	-	-	3,541	4,875
Special events	-	-	6,961	6,961	6,638
Depreciation	18,324	4,581	-	22,905	23,639
Miscellaneous	<u>13,862</u>	<u>3,465</u>	-	<u>17,327</u>	<u>1,443</u>
Total unrestricted expenses	<u>\$ 451,199</u>	<u>39,198</u>	<u>23,170</u>	<u>513,567</u>	<u>435,492</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.
Statement of Cash Flows
Year ended December 31, 2012
with comparative totals for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 68,510	81,011
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	22,905	23,639
Unrealized (gains) losses in investments	(11,967)	5,788
Changes in:		
Prepaid expenses	(4,655)	(2,858)
Accrued expenses	4,924	(288)
Deferred revenue	-	(8,977)
Net cash provided by operating activities	<u>79,717</u>	<u>98,315</u>
Cash flows from investing activities:		
Purchase of investments	(41,558)	(1,677)
Additions to property and equipment	<u>(34,446)</u>	<u>(20,513)</u>
Net cash used in investing activities	<u>(76,004)</u>	<u>(22,190)</u>
Net increase in cash	3,713	76,125
Cash at beginning of year	<u>388,778</u>	<u>312,653</u>
Cash at end of year	<u>\$ 392,491</u>	<u>388,778</u>
Supplemental schedule of non-cash operating activities:		
Donated food	<u>\$ 164,443</u>	<u>138,982</u>
Food expense	<u>\$ 164,443</u>	<u>138,982</u>

See accompanying notes to financial statements.

FRIENDS OF NIGHT PEOPLE, INC.

Notes to Financial Statements

December 31, 2012

(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 2012 and 2011.

(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, 2012 and 2011 to be as follows:

	<u>2012</u>	<u>2011</u>
Estimated volunteer hours	61,896	60,896
Hourly rate	\$ <u>8.50</u>	<u>8.50</u>
Total contributed services	\$ <u>526,116</u>	<u>517,616</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, 2012, and through April 23, 2013, 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, 2008, 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, 2012 and 2011 were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Certificates of deposit:				
Maturing July 18, 2013	\$ 28,610	28,610	-	-
Maturing August 21, 2013	25,699	25,699	-	-
Maturing September 8, 2013	27,401	27,401	-	-
Maturing July 17, 2012	-	-	23,622	23,622
Maturing September 21, 2012	-	-	25,667	25,667
Mutual Funds:				
Fidelity Investments				
Dividend Growth Fund	73,353	86,771	61,258	63,915
Fidelity Investments				
Intermediate Government Income Fund	35,778	38,325	34,568	37,466
Fidelity Investments				
Select Technology Fund	10,102	12,768	10,102	11,231
Fidelity Investments				
Capital and Income Fund	10,054	10,096	-	-
Fidelity Investments				
Corporate Bond Fund	<u>10,034</u>	<u>10,012</u>	<u>-</u>	<u>-</u>
Total current investments	221,031	239,682	155,217	161,901
Long-term investment - certificate of deposit, maturing March 19, 2013				
	<u>-</u>	<u>-</u>	<u>24,256</u>	<u>24,256</u>
Total investments	\$ <u>221,031</u>	<u>239,682</u>	<u>179,473</u>	<u>186,157</u>

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

(2) Investments, Continued

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, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 3,734	1,908
Net unrealized gains (losses) in fair value of investments	<u>11,967</u>	<u>(5,788)</u>
	\$ <u>15,701</u>	<u>(3,880)</u>

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, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Land, building and improvements	\$ 477,108	445,155
Vehicles	15,534	15,534
Equipment	<u>157,682</u>	<u>155,189</u>
Total property and equipment	650,324	615,878
Less: accumulated depreciation	<u>(520,020)</u>	<u>(497,115)</u>
Net property and equipment	\$ <u>130,304</u>	<u>118,763</u>

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

(4) In-Kind Donations

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. Most of the services received by the Organization do not meet these criteria. During the years ended December 31, 2012 and 2011, \$164,443 and \$138,982, respectively, were recognized for meals, although volunteers provided almost 62,000 and 61,000 hours, respectively, 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.

(5) Retirement Plan

The Organization participates in a simplified employee pension plan for all employees meeting certain employment and compensation requirements. The Organization's contribution is determined annually by the Board of Directors. For the years ended December 31, 2012 and 2011, the Organization contributed a discretionary amount to individual retirement accounts established by the respective employees. The Organization's policy is to fund the current retirement benefit costs accrued which amounted to \$5,000 for the years ended December 31, 2012 and 2011.