

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

FINANCIAL STATEMENTS

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

August 16, 2018

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, 2018, 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, 2018, 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, 2018

ASSETS:

Cash and cash equivalents	\$ 1,151,095
Individual savings accounts	<u>1,512,178</u>
	2,663,273
Investments (Note B)	3,387
Grants and contributions receivable (Note C)	175,000
Prepaid expenses	15,055
Property and equipment - Net of accumulated depreciation of \$488,880 (Note D)	<u>645,099</u>

TOTAL ASSETS \$ 3,501,814

LIABILITIES AND NET ASSETS:

Accounts payable and accrued expenses	<u>\$ 151,821</u>
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NET ASSETS:

Unrestricted	2,996,025
Temporarily restricted (Note E)	<u>353,968</u>
	<u>3,349,993</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,501,814

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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Grants and contributions	\$ 1,620,289	\$ 275,000	\$ 1,895,289
Event - Net of direct expenses of \$388,760	359,197	-	359,197
Investment income - Net	7,330	-	7,330
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>524,405</u>	<u>(524,405)</u>	<u>-</u>
Total revenue and support	<u>2,511,221</u>	<u>(249,405)</u>	<u>2,261,816</u>
FUNCTIONAL EXPENSES:			
Program services	1,938,797	-	1,938,797
General and administrative	91,940	-	91,940
Fundraising	<u>106,715</u>	<u>-</u>	<u>106,715</u>
Total functional expenses	<u>2,137,452</u>	<u>-</u>	<u>2,137,452</u>
CHANGE IN NET ASSETS	373,769	(249,405)	124,364
NET ASSETS - BEGINNING	<u>2,622,256</u>	<u>603,373</u>	<u>3,225,629</u>
NET ASSETS - ENDING	<u>\$ 2,996,025</u>	<u>\$ 353,968</u>	<u>\$ 3,349,993</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, 2018

	Program Services				Total Programs	General & Administrative		Fundraising	Total
	Safe Haven	Transformative Education	Health & Well Being	The Shift					
Personnel expenses:									
Salaries and wages	\$ 334,591	\$ 301,214	\$ 425,155	\$ 207,722	\$ 1,268,682	\$ 49,154	\$ 73,068	\$ 1,390,904	
Payroll taxes	28,918	25,796	36,949	17,964	109,627	4,431	6,270	120,328	
Group insurance	22,580	20,238	28,516	14,088	85,422	3,320	4,900	93,642	
	<u>386,089</u>	<u>347,248</u>	<u>490,620</u>	<u>239,774</u>	<u>1,463,731</u>	<u>56,905</u>	<u>84,238</u>	<u>1,604,874</u>	
Operational expenses:									
Bank charges	76	76	76	-	228	17,070	76	17,374	
Depreciation	11,064	12,962	18,520	5,899	48,445	1,848	2,906	53,199	
Direct services:									
Clothing	14,640	210	-	-	14,850	-	-	14,850	
DMV ID expense	-	196	3,385	-	3,581	-	-	3,581	
Food	62,908	2,244	132	787	66,071	-	60	66,131	
Travel	528	590	3,351	-	4,469	-	-	4,469	
Dues & subscriptions	2,503	2,182	2,962	1,466	9,113	331	495	9,939	
Equipment rentals	313	276	386	212	1,187	46	74	1,307	
Insurance	13,039	11,431	15,994	8,138	48,602	1,891	2,822	53,315	
Miscellaneous	80	73	95	28	276	44	47	367	
Occupancy & building costs	6,764	6,144	8,465	4,349	25,722	999	1,518	28,239	
Outside services	602	4,289	13,064	-	17,955	102	-	18,057	
Postage	1,098	1,081	1,157	186	3,522	886	913	5,321	
Printing	2,786	2,786	3,010	-	8,582	2,787	2,779	14,148	
Professional services	17,498	15,960	21,481	10,275	65,214	2,265	3,654	71,133	
Repairs & maintenance	7,082	6,051	8,599	4,179	25,911	995	1,467	28,373	
Staff development	1,212	1,000	1,614	19	3,845	919	948	5,712	
Supplies	2,248	1,626	1,857	9	5,740	1,681	1,075	8,496	
Taxes & licenses	711	711	711	-	2,133	836	578	3,547	
Technology	900	900	900	-	2,700	900	900	4,500	
Telephone	5,597	5,011	7,026	3,505	21,139	820	1,221	23,180	
Travel	580	780	1,454	141	2,955	472	257	3,684	
Volunteer appreciation	99	99	99	930	1,227	99	268	1,594	
Workshops	19,875	29,002	15,603	27,119	91,599	44	419	92,062	
	<u>\$ 558,292</u>	<u>\$ 452,928</u>	<u>\$ 620,561</u>	<u>\$ 307,016</u>	<u>\$ 1,938,797</u>	<u>\$ 91,940</u>	<u>\$ 106,715</u>	<u>\$ 2,137,452</u>	
	26.1%	21.2%	29.0%	14.4%	90.7%	4.3%	5.0%	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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 124,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	53,199
Donation of investment	(3,255)
Unrealized gain on investment	(132)
Change in assets and liabilities:	
Decrease in grants and contributions receivable	220,000
Increase in prepaid expenses	(418)
Increase in accounts payable and accrued expenses	<u>26,111</u>
Net cash provided by operating activities:	419,869
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in individual savings accounts - Net	<u>(312,012)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	107,857
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,043,238</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,151,095</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, 2018

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, 2018.

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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value for financial statements. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments.

Level 1 Fair Value Measurements

The fair values of common stock, most corporate bonds and debentures, and U.S. Government securities are based on quoted market value.

Level 2 Fair Value Measurements

The fair value of certain corporate bonds and debentures for which quoted market price are not available are valued based on observable inputs other than the quoted prices included in Level 1; for example, quoted market-based prices of similar assets.

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fair Value Measurements

Level 3 Fair Value Measurements

The fair value of certain investments which have no quoted market price or similar assets with quoted market-based prices are considered to have no observable inputs. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, 2018.

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, 2015 through 2017. 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, 2014 through 2017.

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.

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, 2018, the Organization received approximately 30% of its grants and contributions from six donors.

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

JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Date of Management's Review

Subsequent events were evaluated through August 16, 2018, which is the date the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENT

Fair value measurement at June 30, 2018 is as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 3,387	\$ 3,387	\$ -	\$ -

C. GRANTS AND CONTRIBUTIONS RECEIVABLE

At June 30, 2018, grants and contributions receivable are due to be received within one year.

D. 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>488,880</u>
		<u>\$ 645,099</u>

Depreciation expense for the year ended June 30, 2018 was \$53,199.

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

JUNE 30, 2018

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets at June 30, 2018 were available for the following purposes:

Programs	\$	87,500
General support		<u>266,468</u>
	\$	<u>353,968</u>

F. 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.