

AID FOR FRIENDS

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JULY 31, 2015 AND 2014

C O N T E N T S

| | PAGE |
|--|--------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF FINANCIAL POSITION | 2 |
| STATEMENTS OF ACTIVITIES - 2015 AND 2014 | 3 |
| STATEMENT OF ACTIVITIES – 2014 | 4 |
| STATEMENTS OF CASH FLOWS | 5 |
| STATEMENTS OF FUNCTIONAL EXPENSES | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7 - 14 |

INDEPENDENT AUDITOR'S REPORT

December 31, 2015

Board of Directors
Aid for Friends
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Aid for Friends (a nonprofit corporation) which comprise the statements of financial position as of July 31, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to 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 audits. We conducted our audits 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 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 positions of Aid for Friends as of July 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



AID FOR FRIENDS

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 105,207 | \$ 29,868 |
| Investments | 1,802,147 | 1,836,049 |
| Prepaid expenses | 11,448 | 17,416 |
| Fixed assets, net | <u>958,498</u> | <u>948,719</u> |
| TOTAL ASSETS | <u>\$ 2,877,300</u> | <u>\$ 2,832,052</u> |
| | | |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 13,581 | \$ 23,596 |
| Accrued expenses | <u>6,941</u> | <u>6,119</u> |
| Total Liabilities | 20,522 | 29,715 |
| | | |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 1,118,778 | 1,051,448 |
| Board designated | <u>1,324,808</u> | <u>1,369,053</u> |
| Total Unrestricted | 2,443,586 | 2,420,501 |
| | | |
| Temporarily restricted | 43,765 | 16,356 |
| Permanently restricted | <u>369,427</u> | <u>365,480</u> |
| Total Net Assets | <u>2,856,778</u> | <u>2,802,337</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,877,300</u> | <u>\$ 2,832,052</u> |

The accompanying notes are an integral part of these financial statements.

AID FOR FRIENDS

STATEMENTS OF ACTIVITIES

YEARS ENDED JULY 31, 2015 and 2014

| | 2015 | | | | | 2014 | |
|---|---------------------|----------------------------------|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | | | Temporarily Restricted | Permanently Restricted | Total | Total |
| | Undesignated | Board Designated Endowment | Total | | | | |
| PUBLIC SUPPORT AND REVENUE | | | | | | | |
| Grants and Contributions | | | | | | | |
| Foundations, corporations and individuals | \$ 566,848 | \$ - | \$ 566,848 | \$ 130,977 | \$ - | \$ 697,825 | \$ 603,170 |
| Donated food and meals | 1,876,142 | - | 1,876,142 | - | - | 1,876,142 | 1,936,173 |
| Bequests | 107,603 | - | 107,603 | - | - | 107,603 | 7,456 |
| Investment income | 8,014 | 34,862 | 42,876 | - | 23,628 | 66,504 | 212,221 |
| Special events, net of expenses of \$10,296 and \$15,273 for 2015 and 2014, respectively | 36,837 | - | 36,837 | - | - | 36,837 | 53,995 |
| Endowment transfer | 98,788 | (79,107) | 19,681 | - | (19,681) | - | - |
| Net Assets Released from Restriction | | | | | | | |
| Program restriction | 103,568 | - | 103,568 | (103,568) | - | - | - |
| TOTAL SUPPORT AND REVENUE | <u>2,797,800</u> | <u>(44,245)</u> | <u>2,753,555</u> | <u>27,409</u> | <u>3,947</u> | <u>2,784,911</u> | <u>2,813,015</u> |
| EXPENSES | | | | | | | |
| Program services | 2,542,195 | - | 2,542,195 | - | - | 2,542,195 | 2,603,112 |
| Supporting services: | | | | | | | |
| Management and general | 127,612 | - | 127,612 | - | - | 127,612 | 134,114 |
| Development | 60,663 | - | 60,663 | - | - | 60,663 | 61,651 |
| TOTAL EXPENSES | <u>2,730,470</u> | <u>-</u> | <u>2,730,470</u> | <u>-</u> | <u>-</u> | <u>2,730,470</u> | <u>2,798,877</u> |
| INCREASE (DECREASE) IN NET ASSETS | 67,330 | (44,245) | 23,085 | 27,409 | 3,947 | 54,441 | 14,138 |
| NET ASSETS, Beginning of Year | <u>1,051,448</u> | <u>1,369,053</u> | <u>2,420,501</u> | <u>16,356</u> | <u>365,480</u> | <u>2,802,337</u> | <u>2,788,199</u> |
| NET ASSETS, End of Year | <u>\$ 1,118,778</u> | <u>\$ 1,324,808</u> | <u>\$ 2,443,586</u> | <u>\$ 43,765</u> | <u>\$ 369,427</u> | <u>\$ 2,856,778</u> | <u>\$ 2,802,337</u> |

The accompanying notes are an integral part of these financial statements.

AID FOR FRIENDS

STATEMENT OF ACTIVITIES

YEARS ENDED JULY 31, 2014

| | <u>Unrestricted</u> | | | <u>Temporarily</u> <u>Restricted</u> | <u>Permanently</u> <u>Restricted</u> | <u>Total</u> |
|---|---------------------|---|---------------------|---|---|---------------------|
| | <u>Undesignated</u> | <u>Board</u> <u>Designated</u> <u>Endowment</u> | <u>Total</u> | | | |
| PUBLIC SUPPORT AND REVENUE | | | | | | |
| Grants and Contributions | | | | | | |
| Foundations, corporations and individuals | \$ 599,754 | \$ - | \$ 599,754 | \$ 3,416 | \$ - | \$ 603,170 |
| Donated food and meals | 1,936,173 | - | 1,936,173 | - | - | 1,936,173 |
| Bequests | 7,456 | - | 7,456 | - | - | 7,456 |
| Investment income | 11,834 | 153,840 | 165,674 | - | 46,547 | 212,221 |
| Special events, net of expenses of \$15,273 | 53,995 | - | 53,995 | - | - | 53,995 |
| Endowment transfer | 77,142 | (60,000) | 17,142 | - | (17,142) | - |
| Net Assets Released from Restriction | | | | | | |
| Program restriction | <u>2,530</u> | <u>-</u> | <u>2,530</u> | <u>(2,530)</u> | <u>-</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>2,688,884</u> | <u>93,840</u> | <u>2,782,724</u> | <u>886</u> | <u>29,405</u> | <u>2,813,015</u> |
| EXPENSES | | | | | | |
| Program services | 2,603,112 | - | 2,603,112 | - | - | 2,603,112 |
| Supporting services: | | | | | | |
| Management and general | 134,114 | - | 134,114 | - | - | 134,114 |
| Development | <u>61,651</u> | <u>-</u> | <u>61,651</u> | <u>-</u> | <u>-</u> | <u>61,651</u> |
| TOTAL EXPENSES | <u>2,798,877</u> | <u>-</u> | <u>2,798,877</u> | <u>-</u> | <u>-</u> | <u>2,798,877</u> |
| (DECREASE) INCREASE IN NET ASSETS | (109,993) | 93,840 | (16,153) | 886 | 29,405 | 14,138 |
| NET ASSETS, Beginning of Year | <u>1,161,441</u> | <u>1,275,213</u> | <u>2,436,654</u> | <u>15,470</u> | <u>336,075</u> | <u>2,788,199</u> |
| NET ASSETS, End of Year | <u>\$ 1,051,448</u> | <u>\$ 1,369,053</u> | <u>\$ 2,420,501</u> | <u>\$ 16,356</u> | <u>\$ 365,480</u> | <u>\$ 2,802,337</u> |

The accompanying notes are an integral part of these financial statements.

AID FOR FRIENDS

STATEMENTS OF CASH FLOWS

YEAR ENDED JULY 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 54,441 | \$ 14,138 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 88,141 | 82,345 |
| Gain on investments | (29,132) | (180,344) |
| Changes in operating assets and liabilities | | |
| Decrease (Increase) | | |
| Prepaid expenses | 5,968 | 7,619 |
| Increase (Decrease) | | |
| Accounts payable | (10,015) | 4,771 |
| Accrued expenses | 822 | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>110,225</u> | <u>(71,471)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (57,859) | (51,622) |
| Proceeds from sale of investments | 120,893 | 80,000 |
| Purchase of fixed assets | (97,920) | - |
| NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES | <u>(34,886)</u> | <u>28,378</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 75,339 | (43,093) |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>29,868</u> | <u>72,961</u> |
| CASH AND CASH EQUIVALENTS - End of Year | <u>\$ 105,207</u> | <u>\$ 29,868</u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> |
| Interest capitalized | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

AID FOR FRIENDS

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JULY 31, 2015 AND 2014

| | 2015 | | | | 2014 | | | |
|---|---------------------|--|---------------------------------|---------------------|---------------------|--|---------------------------------|---------------------|
| | Program Services | Supporting Services Management and General | Supporting Services Development | Total | Program Services | Supporting Services Management and General | Supporting Services Development | Total |
| Salaries | \$ 242,153 | \$ 95,863 | \$ 20,888 | \$ 358,904 | \$ 249,747 | \$ 100,337 | \$ 21,520 | \$ 371,604 |
| Employee benefits | 9,139 | 3,618 | 788 | 13,545 | 13,370 | 5,371 | 1,152 | 19,893 |
| Payroll taxes | 21,261 | 8,417 | 1,834 | 31,512 | 21,993 | 8,836 | 1,895 | 32,724 |
| Total salaries and related expenses | 272,553 | 107,898 | 23,510 | 403,961 | 285,110 | 114,544 | 24,567 | 424,221 |
| Bags, trays, meal packaging | 87,079 | - | - | 87,079 | 79,285 | - | - | 79,285 |
| Bank fees | - | 426 | - | 426 | - | 362 | - | 362 |
| Breakfast bags - donated and purchased | 111,467 | - | - | 111,467 | 114,305 | - | - | 114,305 |
| Client expense | 1,845 | - | - | 1,845 | 1,549 | - | - | 1,549 |
| Depreciation and amortization | 80,904 | 5,897 | 1,340 | 88,141 | 75,584 | 5,509 | 1,252 | 82,345 |
| Donated food and meals | 1,768,380 | - | - | 1,768,380 | 1,823,591 | - | - | 1,823,591 |
| Dues and subscriptions | 343 | 114 | - | 457 | 658 | 219 | - | 877 |
| Emergency meals | 776 | - | - | 776 | 1,107 | - | - | 1,107 |
| Food storage | 6,026 | - | - | 6,026 | 6,272 | - | - | 6,272 |
| Insurance | 39,102 | 2,850 | 648 | 42,600 | 38,565 | 2,811 | 639 | 42,015 |
| Kitchen expense | 5,032 | - | - | 5,032 | 2,975 | - | - | 2,975 |
| Licenses and fees | - | 635 | - | 635 | - | 635 | - | 635 |
| Maintenance agreements | 3,247 | 236 | 54 | 3,537 | 2,122 | 155 | 35 | 2,312 |
| Meetings/seminars expense | 1,182 | 394 | - | 1,576 | 908 | 303 | - | 1,211 |
| Newsletter expense | 30,025 | - | 30,025 | 60,050 | 28,782 | - | 28,782 | 57,564 |
| Office supplies and expense | 12,126 | 884 | 201 | 13,211 | 12,115 | 883 | 201 | 13,199 |
| Postage, printing, stationery & advertising | 3,187 | 800 | 3,187 | 7,174 | 5,087 | 851 | 4,393 | 10,331 |
| Professional services | 10,560 | 770 | 175 | 11,505 | 12,013 | 875 | 199 | 13,087 |
| Repairs and maintenance | 38,350 | 2,795 | 635 | 41,780 | 38,961 | 2,840 | 645 | 42,446 |
| Utilities | 44,603 | 3,251 | 739 | 48,593 | 45,704 | 3,331 | 757 | 49,792 |
| Telephone | 9,075 | 662 | 149 | 9,886 | 10,916 | 796 | 181 | 11,893 |
| Transportation | 10,117 | - | - | 10,117 | 10,513 | - | - | 10,513 |
| Volunteer activities and public relations | 6,216 | - | - | 6,216 | 6,990 | - | - | 6,990 |
| TOTAL EXPENSES | \$ 2,542,195 | \$ 127,612 | \$ 60,663 | \$ 2,730,470 | \$ 2,603,112 | \$ 134,114 | \$ 61,651 | \$ 2,798,877 |

The accompanying notes are an integral part of these financial statements.

AID FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2015 AND 2014

Aid for Friends (the Organization) is organized for the purpose of providing free meals, advocacy, emergency assistance, friendly visits and other outreach services to isolated homebound elderly and ill handicapped individuals residing in the counties of Philadelphia, Bucks, Chester, Delaware and Montgomery, Pennsylvania. The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities.

1 Summary of Significant Accounting Policies

Accrual Basis – The financial statements of the Organization have been prepared on the accrual basis.

Cash and Cash Equivalents – For the statement of cash flows, the Organization includes cash on deposit and cash on hand.

Investments – Investments are reported at fair value.

Contributions – The Organization records contributions of cash and other assets when an unconditional promise to give such assets, is received from a donor. Contributions are recorded at the fair market value of the assets received and are classified as either permanently restricted, temporarily restricted or unrestricted, depending on whether the donor has imposed a restriction on the use of such assets.

Inventory – The Organization does not record donated food as inventory. Excess donated food held in cold storage is recognized when distributed.

Advertising – The Organization follows the policy of charging the costs of advertising to expense as incurred.

Fixed Assets – Fixed assets are recorded at cost. The Organization’s policy is to capitalize major improvements to buildings, grounds and equipment with a unit cost of \$1,000 or more. Depreciation is calculated by the straight line method over the estimated useful lives of depreciable assets.

| | |
|-----------------------------------|----------------|
| Building & building improvements | 10 to 40 years |
| Furniture, fixtures and equipment | 5 to 7 years |

Temporarily Restricted – The Organization reports gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donations whose restrictions are met in the same year as the donation are classified as unrestricted.

AID FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2015 AND 2014

1 Summary of Significant Accounting Policies (Continued)

Permanently Restricted – Permanently restricted funds represent gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or for a specified period, with only the income to be utilized.

Functional Expenses – The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Donated Services – A significant portion of the Organization’s activity to prepare and distribute food to the homebound is performed by a network of volunteers. The value of such contributed volunteer time is not included in the accompanying financial statements since the time does not meet the criteria necessary for recognition.

Donated Food – Donated meals, soups and raw food are recorded as contributions at estimated wholesale value in the period received. Estimated wholesale values of donated meals and soups are based on an average cost of like-kind foods found at local supermarkets. Estimated wholesale value of donated raw food is based on average costs per weight of food delivered. Management estimated wholesale values of \$4.66 and \$4.55 and served an estimated total of 343,075 and 365,000 dinners during years ended July 31, 2015 and 2014, respectively. Management estimated \$2.61 and \$2.55 as the value of soup and served a total of 65,000 and 64,000 cups of soup during the years ended July 31, 2015 and 2014, respectively.

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. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument. Alternative investments fair value are based on their net asset value per unit as reported by their managers.

Level 3 - Inputs to the valuation methodology are unobservable.

AID FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2015 AND 2014

1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

Use of 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.

Program Services – Expenses are allocated to the various programs based on direct charges for those items specifically identified with the respective programs. Other charges are allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

Income Taxes – The Organization adopted the income standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect for the Organization. The Organization is no longer subject to federal and state tax examinations for the years prior to 2012.

2 Concentration of Risk

The Organization maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

AID FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2015 AND 2014

3 Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of July 31, 2015 and 2014:

| <u>Investments at Fair Values as of July 31, 2015</u> | | | | |
|---|---------------------|----------------|----------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Equities | \$ 971,129 | \$ - | \$ - | \$ 971,129 |
| Mutual Funds | 356,921 | - | - | 356,921 |
| Exchange Traded Funds | 304,788 | - | - | 304,788 |
| Bonds | 20,876 | - | - | 20,876 |
| Money Market Fund | 148,433 | - | - | 148,433 |
| Total assets at fair value | <u>\$ 1,802,147</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,802,147</u> |

| <u>Investments at Fair Values as of July 31, 2014</u> | | | | |
|---|---------------------|----------------|----------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Equities | \$ 968,735 | \$ - | \$ - | \$ 968,735 |
| Mutual Funds | 367,084 | - | - | 367,084 |
| Exchange Traded Funds | 331,017 | - | - | 331,017 |
| Bonds | 67,685 | - | - | 67,685 |
| Money Market Fund | 101,528 | - | - | 101,528 |
| Total assets at fair value | <u>\$ 1,836,049</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,836,049</u> |

Investment income consists of the following:

| | <u>2015</u> | <u>2014</u> |
|------------------------|------------------|-------------------|
| Interest and dividends | \$ 50,821 | \$ 45,350 |
| Gain on investments | 29,132 | 180,344 |
| Investment Fees | (13,449) | (13,473) |
| | <u>\$ 66,504</u> | <u>\$ 212,221</u> |

Investment assets are designated or restricted for the following purposes

| | <u>2015</u> | <u>2014</u> |
|------------------------|---------------------|---------------------|
| Unrestricted | \$ 107,912 | \$ 101,516 |
| Board Designated | 1,324,808 | 1,369,053 |
| Permanently Restricted | 369,427 | 365,480 |
| | <u>\$ 1,802,147</u> | <u>\$ 1,836,049</u> |

AID FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2015 AND 2014

4 Fixed Assets

Fixed assets consist of the following:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|--------------------|--------------------|
| Building & building improvements | \$ 1,448,110 | \$ 1,350,190 |
| Furniture, fixtures and equipment | 779,691 | 779,691 |
| Land | <u>105,291</u> | <u>105,291</u> |
| | 2,333,092 | 2,235,172 |
| Less: accumulated depreciation | <u>(1,374,594)</u> | <u>(1,286,453)</u> |
| | <u>\$ 958,498</u> | <u>\$ 948,719</u> |

Depreciation expense was \$88,141 and \$82,345 for the years ended July 31, 2015 and 2014, respectively.

5 Board Designated and Permanently Restricted Funds

Endowments

The Organization's endowment consists of three individual funds established primarily to fund programs. The endowment includes both donor restricted endowment funds and board designated endowment funds. The Organization follows the donors' stipulations on release of permanently restricted endowment income. One permanently restricted fund requires the lesser of a 5% transfer of the average market value for the year or total investment earnings for the year. Another permanently restricted fund allows the Organization to transfer all investment income earned.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield result of the S&P 500 Index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of between 7% and 9%. Actual returns in any given year may vary from this amount. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long term objectives within prudent risk constraints.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets.

AID FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2015 AND 2014

5 Board Designated and Permanently Restricted Funds (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's current assets allocation for donor restricted endowment funds is structured to achieve the appropriate level of investment return.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Expenditures from the board designated net assets are released as approved by The Organization's Board of Directors. The income on the permanently restricted net assets is used in accordance with donor stipulations as described above.

The financial activity of the endowment fund are reflected on the Statement of Activities under the heading Permanently Restricted.

The Organization's endowment assets had the following activity for the years ended July 31, 2015 and 2014.

| | <u>2015</u> | | |
|---|-----------------------------|-----------------------------------|---------------------|
| | <u>Board Designated</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Endowment net assets, beginning of year | \$ 1,369,053 | \$ 365,480 | \$ 1,734,533 |
| Investment income | 34,862 | 23,628 | 58,490 |
| Endowment transfer | (79,107) | (19,681) | (98,788) |
| Changes in net assets | (44,245) | 3,947 | (40,298) |
| Endowment net assets, end of year | <u>\$ 1,324,808</u> | <u>\$ 369,427</u> | <u>\$ 1,694,235</u> |

| | <u>2014</u> | | |
|---|-----------------------------|-----------------------------------|---------------------|
| | <u>Board Designated</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Endowment net assets, beginning of year | \$ 1,275,213 | \$ 336,075 | \$ 1,611,288 |
| Investment income | 153,840 | 46,547 | 200,387 |
| Endowment transfer | (60,000) | (17,142) | (77,142) |
| Changes in net assets | 93,840 | 29,405 | 123,245 |
| Endowment net assets, end of year | <u>\$ 1,369,053</u> | <u>\$ 365,480</u> | <u>\$ 1,734,533</u> |

AID FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2015 AND 2014

5 Board Designated and Permanently Restricted Funds (Continued)

Endowment assets had the following net asset compositions as of the years ended July 31, 2015 and 2014.

| | 2015 | | |
|-----------------|---------------------|---------------------------|--------------|
| | Board Designated | Permanently Restricted | Total |
| Program Support | \$ 1,324,808 | \$ 369,427 | \$ 1,694,235 |
| | 2014 | | |
| | Board Designated | Permanently Restricted | Total |
| Program Support | \$ 1,369,053 | \$ 365,480 | \$ 1,734,533 |

6 Temporarily Restricted

Temporarily restricted net assets are available for the following purposes as of July 31, 2015 and 2014:

| | 2015 | 2014 |
|-------------------------|-----------|-----------|
| Client/friend purchases | \$ 14,059 | \$ 13,120 |
| Raw food / meals | 2,394 | - |
| Breakfast Bags | 118 | 2,051 |
| Capital expenditures | 26,009 | - |
| Water | 1,085 | 1,085 |
| Generator | 100 | 100 |
| | \$ 43,765 | \$ 16,356 |

7 Satisfaction of Restrictions

Net assets were reduced from donor restriction by incurring expenses satisfying the restricted purpose as follows:

| | 2015 | 2014 |
|-------------------------------------|------------|----------|
| Satisfaction of Program Restriction | | |
| Client/friend purchases | \$ 1,167 | \$ - |
| Raw food / meals | 776 | - |
| Breakfast Bags | 3,705 | 2,530 |
| Capital expenditures | 97,920 | - |
| | \$ 103,568 | \$ 2,530 |

AID FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2015 AND 2014

8 Compensated Absences

Employees of the Organization are entitled to paid vacations, sick days and other time off depending on length of services and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statement. The Organization's policy is to recognize the costs of compensated absences when paid to employees.

9 Operating Lease

The Organization entered into a lease for a copier. The Organization has no other lease agreements. The lease qualifies as an operating lease and payments are charged to expense as they are incurred. Lease expense was \$2,814 and \$6,856 for the years ended July 31, 2015 and 2014, respectively.

The lease calls for the following future minimum lease payments:

| | | |
|------|----|-------|
| 2016 | \$ | 2,148 |
| 2017 | | 2,148 |
| 2018 | | 2,148 |
| 2019 | | 537 |

10 Legal Matter

The Organization is the defendant in a pending lawsuit by a outside contracted worker alleging negligent entrustment. It is impossible to estimate any potential liability at the time of the audit report as a result of this litigation, therefore no liability provision relating to this suit has been recorded. The Organization's legal defense is expected to be paid for by its insurance carrier.

11 Reclassification

Certain prior year amounts have been reclassified to conform with the current year's presentation.

12 Subsequent Event

The Organization has evaluated all subsequent events through December 31, 2015, the date the financial statements were available to be issued.