

FRIEDENS COMMUNITY MINISTRIES, INC.
MILWAUKEE, WISCONSIN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015 AND 2014

FRIEDENS COMMUNITY MINISTRIES, INC.
MILWAUKEE, WISCONSIN

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Independent Auditor's Report

Board of Directors
Friedens Community Ministries, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of the Friedens Community Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 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 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 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 position of the Friedens Community Ministries, Inc. as of December 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.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive, somewhat stylized font.

Krause & Associates, SC
Grafton, Wisconsin
May 20, 2016

FRIEDENS COMMUNITY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 87,638	\$ 141,068
Investment	71,838	71,887
Contribution receivable – United Way	30,630	30,630
Prepaid expenses	<u>6,302</u>	<u>4,974</u>
	<u>196,408</u>	<u>248,559</u>
FIXED ASSETS		
Equipment	33,823	28,003
Less accumulated depreciation	<u>(28,585)</u>	<u>(22,752)</u>
Total fixed assets	<u>5,238</u>	<u>5,251</u>
TOTAL ASSETS	<u>\$ 201,646</u>	<u>\$ 253,810</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	<u>\$ 4,777</u>	<u>\$ 137</u>
Total liabilities	4,777	137
NET ASSETS		
Unrestricted	166,239	223,043
Temporarily restricted	<u>30,630</u>	<u>30,630</u>
Total net assets	<u>196,869</u>	<u>253,673</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 201,646</u>	<u>\$ 253,810</u>

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

FRIEDENS COMMUNITY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
		2015	
REVENUE AND SUPPORT			
Contributions	\$ 109,414	\$ -	\$ 109,414
United Way	30,630	30,630	61,260
In-kind			
Donated food	526,001	-	526,001
Other	5,245	-	5,245
Interest and dividends	4,487	-	4,487
Other	123	-	123
Net unrealized gain/(loss)	(4,536)	-	(4,536)
Loss on disposal of assets	-	-	-
Net assets released from restrictions	<u>30,630</u>	<u>(30,630)</u>	<u>-</u>
Total revenue and support	<u>701,994</u>	<u>-</u>	<u>701,994</u>
EXPENSES			
Program	718,812	-	718,812
Administrative	14,562	-	14,562
Fundraising	<u>25,424</u>	<u>-</u>	<u>25,424</u>
Total expenses	<u>758,798</u>	<u>-</u>	<u>758,798</u>
Change in net assets	(56,804)	-	(56,804)
NET ASSETS, beginning of year	<u>223,043</u>	<u>30,630</u>	<u>253,673</u>
NET ASSETS, end of year	<u>\$ 166,239</u>	<u>\$ 30,630</u>	<u>\$ 196,869</u>

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

FRIEDENS COMMUNITY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
	<u>2014</u>		
REVENUE AND SUPPORT			
Contributions	\$ 119,057	\$ -	\$ 119,057
United Way	30,630	30,630	61,260
In-kind			
Donated food	414,256	-	414,256
Other	3,700	-	3,700
Interest and dividends	2,171	-	2,171
Other	40	-	40
Net unrealized gain/(loss)	4,597	-	4,597
Loss on disposal of assets	-	-	-
Net assets released from restrictions	<u>30,630</u>	<u>(30,630)</u>	<u>-</u>
Total revenue and support	<u>605,081</u>	<u>-</u>	<u>605,081</u>
EXPENSES			
Program	561,829	-	561,829
Administrative	22,880	-	22,880
Fundraising	<u>12,883</u>	<u>-</u>	<u>12,883</u>
Total expenses	<u>597,592</u>	<u>-</u>	<u>597,592</u>
Change in net assets	7,489	-	7,489
NET ASSETS, beginning of year	<u>215,554</u>	<u>30,630</u>	<u>246,184</u>
NET ASSETS, end of year	<u>\$ 223,043</u>	<u>\$ 30,630</u>	<u>\$ 253,673</u>

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

FRIEDENS COMMUNITY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (56,804)	\$ 7,489
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	5,833	6,051
(Increase) decrease in prepaid expenses	(1,328)	1,672
Increase (decrease) in accounts payable	4,640	82
Unrealized gain loss on investments	<u>4,536</u>	<u>(4,597)</u>
 Net cash provided by (used in) operating activities	 (43,123)	 10,697
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5,820)	-
Investment dividends reinvested	<u>(4,487)</u>	<u>(2,172)</u>
 Net cash used in investing activities	 <u>(10,307)</u>	 <u>(2,172)</u>
 Net increase in cash and cash equivalents	 (53,430)	 8,525
 Cash and cash equivalents at beginning of year	 <u>141,068</u>	 <u>132,543</u>
 Cash and cash equivalents at end of year	 <u>\$ 87,638</u>	 <u>\$ 141,068</u>

No cash paid for interest or income taxes during 2015 and 2014.

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

FRIEDENS COMMUNITY MINISTRIES, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

2015				
	Program	Administrative	Fundraising	Total
OPERATING EXPENSES				
Salaries and wages	\$ 72,650	\$ 7,479	\$ 15,954	\$ 96,083
Employee benefits	9,889	1,082	1,391	12,362
Payroll taxes	6,202	643	1,311	8,156
Legal and professional	3,080	1,933	433	5,446
Temporary help	2,333	-	-	2,333
Office supplies	2,670	292	375	3,337
Postage	121	13	17	151
Maintenance	3,619	1,310	-	4,929
Acquisition of food	571,357	-	-	571,357
Depreciation	5,833	-	-	5,833
Vehicle	5,041	551	709	6,301
Rent	18,008	504	648	19,160
Miscellaneous	18,009	755	4,586	23,350
Total expenses	\$ 718,812	\$ 14,562	\$ 25,424	\$ 758,798

2014				
	Program	Administrative	Fundraising	Total
OPERATING EXPENSES				
Salaries and wages	\$ 55,897	\$ 15,618	\$ 7,406	\$ 78,921
Employee benefits	7,245	1,388	620	9,253
Payroll taxes	5,541	1,437	674	7,652
Legal and professional	2,627	504	225	3,356
Temporary help	-	-	-	-
Office supplies	1,448	277	124	1,849
Postage	113	22	10	145
Maintenance	4,028	1,203	-	5,231
Acquisition of food	451,105	-	-	451,105
Depreciation	6,033	12	6	6,051
Vehicle	3,218	616	275	4,109
Rent	9,710	864	386	10,960
Miscellaneous	14,864	939	3,157	18,960
Total expenses	\$ 561,829	\$ 22,880	\$ 12,883	\$ 597,592

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

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

Friedens Community Ministries, Inc. (Friedens) is a Wisconsin non-stock nonprofit corporation, whose primary purpose is the distribution of food to needy individuals and families in the Milwaukee, WI metropolitan area. The pantry has one permanent location with an office and two satellite locations staffed by volunteers.

2. Accounting method

Friedens follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Friedens are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted net assets - Net assets subject to donor-imposed restrictions that may or may not be met, either by actions of Friedens and/or the passage of time. When a restriction is met, restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted net assets – Net assets subject to a donor imposed restriction that they be maintained permanently by Friedens. As of December 31, 2015 and 2014, Friedens has no permanently restricted net assets.

3. Cash and cash equivalents

For purposes of the statements of cash flows, Friedens considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Investments

Investments are presented at fair value in the statements of financial position. All interest and dividend income is recorded in the unrestricted fund, unless a donor restricts that money. Investment income or loss is included in income (loss) from operations.

Investment securities, in general, are inherently subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

5. Accounts and contributions receivable

Friedens considers all accounts receivable to be fully collectible; accordingly, no provision for doubtful accounts is included. If amounts become uncollectible, they will be charged to operations when that determination is made.

6. Fixed assets

Fixed assets are recorded at cost or fair market value if donated. Friedens capitalizes all new expenditures for fixed assets in excess of \$500. Maintenance and repairs are expensed currently. Fixed assets are depreciated over the estimated useful lives of the assets using the straight-line method as follows:

Vehicles	5 years
Equipment	5 years

7. Income taxes

Friedens is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Friedens evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Income taxes – continued

Friedens' informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for Friedens at December 31, 2015 and 2014. Friedens has not incurred any interest or penalties for income taxes for the years ended December 31, 2015 and 2014.

8. Donated services and materials

A number of unpaid volunteers have made significant contributions of their time in conjunction with Friedens' programs and services. The value of this contributed time is not included in these financial statements, since they are not susceptible to objective measurement.

9. Allocation of functional expenses

Allocations presented on the statements of functional expenses are estimated by management based upon staff time devoted to the various functions or the purpose of the expense.

10. Use of estimates

The preparation of the 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.

11. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through May 20, 2016, which is the date that the financial statements were available to be issued.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

B – FAIR VALUE MEASUREMENT

Friedens has adopted fair value measurement guidance for financial assets and financial liabilities. The guidance defines fair value, establishes a framework for measuring value in generally accepted accounting principles and expands disclosure about fair value measurements.

In addition, the guidance permits an entity to choose to measure eligible financial instruments and other items at fair value. Friedens has not made any fair value elections as of December 31, 2015.

Fair value is defined to be 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. A three-level hierarchy has been established for fair value measurements based upon the inputs to the valuation of an asset or a liability.

Level 1 – Valuation is based on quoted prices for identical assets and liabilities in active markets.

Level 2 – Valuation is derived from inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 – Valuation is derived from unobservable inputs that are not corroborated by market data.

Assets that were accounted for at fair value on a recurring basis as of December 31, 2015 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment	<u>\$ 71,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,838</u>

FRIEDENS COMMUNITY MINISTRIES, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2015 AND 2014

C - INVESTMENTS

The estimated fair value of Friedens' investments at December 31, 2015 and 2014 is as follows:

	2015	
	Cost	Fair Value
Investment, mutual fund	\$ 58,779	\$ 71,838
	2014	
	Cost	Fair Value
Investment, mutual fund	\$ 54,292	\$ 71,887

D- LEASE COMMITMENTS

Friedens operates three pantries under three separate lease arrangements. Commencing January 1, 2013, Friedens entered into an operating lease for the space in the Marsha Coggs building. Rent expense is \$480 per month. The agreement is perpetual, with 90 days notice of termination required. Rent expense under this lease was \$5,760 and \$5,760 in 2015 and 2014 respectively.

The second pantry, Despensa de la Paz, is located on the near-south side of Milwaukee, in space owned by the Council for the Spanish Speaking. The lease does not stipulate a rental payment; Friedens made a contribution to the organization in the amount of \$2,000 and \$2,000 in 2015 and 2014, respectively. The agreement is perpetual, with 120 days notice of termination required. Friedens recorded \$2,000 and \$2,000 of rent expense related to this space in 2015 and 2014 respectively.

Friedens' third pantry is in the Hope House of Milwaukee the space was leased commencing January 1, 2015 for a term of one year and continues on a month-to-month basis thereafter, with 90 days notice of termination required. Friedens' recorded \$11,400 of rent expense related to this space in 2015.

Rent expense was \$19,160 and \$10,960 in 2015 and 2014, respectively. There are no required minimum lease payments.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

E – NON-CASH CONTRIBUTIONS AND EXPENDITURES

Friedens receives and distributes food under a government program, The Emergency Food Assistance Program (TEFAP), and other grants. Most of this food is donated to the pantry by the government or other granting agencies. The estimated value of this food is recorded as both revenue and expense at the time of receipt. 437,138 and 273,879 pounds of food were distributed in this manner in 2015 and 2014, respectively.

During 2015 and 2014, Friedens received \$2,445 and \$3,700, respectively, of in-kind donations of rent and other supplies.

A significant amount of volunteer labor is received by Friedens for support purposes. No amounts have been recognized for these services in the accompanying statements of activities because the criteria for recognition of such volunteer efforts under SFAS No. 116 have not been satisfied.

F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Timing restrictions	<u>\$ 30,630</u>	<u>\$ 30,630</u>

G – CONCENTRATION OF RISK

During the years ended December 31, 2015 and 2014, cash contributions totaling \$115,003 and \$111,226, which represents 67% and 62%, respectively, of the total cash contributions received from four major contributors.