

2024 and 2023 Financial Statements

Friendship Mission Inc.

Montgomery, Alabama



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Independent Auditor's Report

Board of Directors and
Tara Davis, Executive Director
Friendship Mission, Inc.
312 Chisholm Street
Montgomery, Alabama 36110

Opinions

We have audited the accompanying financial statements of Friendship Mission, Inc. (a nonprofit organization), which comprises the statements of financial position as of and for the years ended September 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Friendship Mission, Inc., as of September 30, 2024 and 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friendship Mission, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friendship Mission, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friendship Mission, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friendship Mission, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Albridge, Borden and Company, P.C.

Montgomery, Alabama
May 30, 2025

Friendship Mission, Inc.
Montgomery, Alabama
September 30, 2024 and 2023

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Statements of Financial Position

Friendship Mission, Inc.
Montgomery, Alabama
As of September 30

	2024	2023
Assets		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 159,691	\$ 99,023
Investments	200	238
Grants receivable	10,827	21,374
Other receivable	28,573	
Prepaid expenses	12,575	8,271
Total current assets	211,866	128,906
Property and equipment, net	934,884	783,131
Total assets	1,146,750	912,037
Liabilities and net assets		
<i>Current liabilities:</i>		
Accounts payable	44,504	15,571
Line of credit		37,000
Accrued liabilities	42,247	21,573
Total current liabilities	86,751	74,144
<i>Net assets:</i>		
Without donor restrictions	1,055,638	837,893
With donor restrictions	4,361	
Total net assets	1,059,999	837,893
Total liabilities and net assets	\$ 1,146,750	\$ 912,037

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

Statements of Activities and Changes in Net Assets

Friendship Mission, Inc.

Montgomery, Alabama

For the years ended September 30

	2024	2023
Revenues and other support		
Grants	\$ 289,646	\$ 439,747
Contributions	837,158	515,128
Investment return, net	3,803	8,580
Gain on disposal of assets	130	
Total revenues and other support	1,130,737	963,455
Net assets released from restrictions		
Satisfaction of program restrictions	123,639	
Total revenues, other support, and net assets released from restrictions	1,254,376	
Expenses and losses		
Program services	899,986	836,571
Supporting services:		
Management and general	93,755	86,834
Fundraising	42,890	34,481
Total expenses and losses	1,036,631	957,886
Increase in net assets without donor restrictions	217,745	5,569
Change in net assets with donor restrictions		
Contributions	128,000	
Satisfaction of program restrictions	(123,639)	
Increase in net assets with donor restrictions	4,361	
Increase in net assets	222,106	5,569
Net assets - beginning of year	837,893	832,324
Net assets - end of year	\$ 1,059,999	\$ 837,893

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

Statement of Functional Expenses

Friendship Mission, Inc.

Montgomery, Alabama

For the year ended September 30, 2024

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries and benefits	\$ 489,163	\$ 26,441	\$ 13,221	\$ 528,825
Payroll taxes	36,879	1,994	997	39,870
Total compensation	526,042	28,435	14,217	568,695
Utilities	114,716	6,201	3,100	124,017
Insurance	36,922	1,996	998	39,916
Automotive	17,232	931	466	18,629
Benevolence	2,143			2,143
Depreciation	70,977	3,837	1,918	76,732
Maintenance and repairs	81,590	4,410	2,205	88,205
Food	14,069			14,069
Mailouts			3,668	3,668
Supplies	35,081	1,896	948	37,925
Bank charges		3,316		3,316
Office expenses		9,903	1,100	11,003
Accounting		11,500		11,500
Professional fees		4,802		4,802
Dues and subscriptions		16,463		16,463
Development			14,236	14,236
Interest	526	28	14	568
Miscellaneous	688	37	19	744
Totals	\$ 899,986	\$ 93,755	\$ 42,890	\$1,036,631

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

Statement of Functional Expenses

Friendship Mission, Inc.

Montgomery, Alabama

For the year ended September 30, 2023

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries and benefits	\$ 472,869	\$ 25,561	\$ 12,780	\$ 511,210
Payroll taxes	41,713	2,255	1,127	45,095
Total compensation	514,582	27,816	13,907	556,305
Utilities	109,169	5,901	2,951	118,021
Insurance	33,186	1,794	897	35,877
Automotive	24,415	1,320	660	26,395
Benevolence	3,589			3,589
Depreciation	61,815	3,341	1,671	66,827
Maintenance and repairs	32,592	1,762	881	35,235
Food	41,232			41,232
Mailouts			2,962	2,962
Supplies	12,828	693	347	13,868
Bank charges		2,173		2,173
Office expenses		10,093	1,121	11,214
Accounting		9,950		9,950
Professional fees		12,872		12,872
Dues and subscriptions		8,948		8,948
Development			8,998	8,998
Interest	923	50	25	998
Miscellaneous	2,239	121	61	2,422
Totals	\$ 836,571	\$ 86,834	\$ 34,481	\$ 957,886

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

Statements of Cash Flows

Friendship Mission, Inc.

Montgomery, Alabama

For the years ended September 30

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 217,745	\$ 5,569
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	76,732	66,827
Loss on sale of investments	(3,469)	(8,382)
Changes in operating assets and liabilities:		
Account receivables	(18,026)	95,473
Prepaid expenses	(4,304)	775
Accounts payable	28,933	(516)
Line of credit	(37,000)	37,000
Deferred revenue		(25,882)
Accrued liabilities	20,674	5,422
Net cash from operating activities	281,285	176,286
Cash flows from investing activities		
Proceeds from sale of investments	28,804	29,000
Purchases of investments	(25,297)	(20,854)
Purchases of property and equipment	(228,485)	(272,083)
Net cash from investing activities	(224,978)	(263,937)
Net increase (decrease) in cash and cash equivalents	56,307	(87,651)
Cash and cash equivalents - beginning of year	99,023	186,674
Cash and cash equivalents - end of year	\$ 155,330	\$ 99,023

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

Notes to Financial Statements

The Friendship Mission, Inc. Montgomery, Alabama September 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies

Nature of Activities – The Friendship Mission, Inc (the “Mission”), is an Alabama not-for-profit organization established in 2007. The Mission was established to provide for the physical and spiritual needs of the homeless in Montgomery, Alabama.

Basis of Accounting – The accompanying financial statements are prepared on the accrual basis of accounting.

Basis of Presentation – Professional standards establish guidelines for external financial reporting by not-for-profit organizations and require resources to be classified for accounting and reporting purposes into two net asset categories according to external (donor) imposed restrictions. The two classes of net assets are:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Mission’s unrestricted net assets for the years ending September 30, 2024 and 2023, was \$1,055,638 and \$837,893, respectively.

Net assets with donor restrictions – Consist of temporarily restricted and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions and/or passage of time. The Mission’s temporarily restricted net assets for the years ending September 30, 2024 and 2023, was \$4,361 and \$0, respectively.

Implementation of Accounting Standard – During the year ended September 30, 2024, the Mission has implemented Accounting Standard Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326). The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Mission adopted this ASU as of October 1, 2023, using a modified-retrospective approach. The Mission’s adoption of this ASU did not have a material effect on financial statements.

Cash and Cash Equivalents – For financial statement purposes, the Mission considers all unrestricted highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments – In accordance with professional standards, the Mission presents investments in marketable securities with a readily determinable fair value at their fair value in the Statement of Financial Position. Fair market values are based on quoted market values. Unrealized gains and losses are included in the change in net assets. The Mission’s investments consist of interest-bearing deposit accounts at the end of year, of which cost approximates fair value.

Grants Receivables – Grants receivables consist largely of amounts due from various granting agencies for the reimbursement of allowable expenses incurred per the terms of the grant agreements during the years ended September 30, 2024 and 2023. The Mission considers grants receivable to be fully collectible; and accordingly, no allowance for credit losses is required.

Notes to Financial Statements (Continued)
The Friendship Mission, Inc.
Montgomery, Alabama
September 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Other Receivable – Other receivable consist of an expected tax refund that stemmed from the Mission remitting quarterly tax payments twice. During the year ended September 30, 2024, the Mission transitioned to a new payroll provider, and one of the quarterly tax payments was remitted twice during the transition.

Property and Equipment – Property and equipment are carried at cost less accumulated depreciation and includes expenditures which substantially increase the useful lives of existing property and equipment. Donated property and equipment are recorded at the approximate fair value as of the date of the gift. Maintenance, repairs, and minor renovations are charged to expense as incurred. All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

When property and equipment are retired or otherwise disposed, the related costs and accumulated depreciation are removed from the respective accounts, and the gain or loss on disposition is recorded in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	5-40 years
Furniture, fixtures, and equipment	5-27 years
Vehicles	5 years

Revenue and Recognition of Donor Restrictions – The Mission receives support by direct contributions and grants from the public, foundations and other organizations, and fundraising activities. Donor restricted assets are created only by donor-imposed restrictions on their use. Amounts received that are restricted by a donor for specific purposes are reported as an increase in donor restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted assets are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses – The cost of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. Cost that are not directly associated with providing specific services have been allocated by time spent by the employees of the Mission providing those services.

Income Taxes – The Mission is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Code section 509(a)(1) is taxable. The Mission currently has no unrelated business income and accordingly, no provision for income taxes have been recorded. As of September 30, 2024 and 2023, the Mission had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – Subsequent events have been evaluated through May 30, 2025, which represents the date the financial statements were available to be issued.

Notes to Financial Statements (Continued)
The Friendship Mission, Inc.
Montgomery, Alabama
September 30, 2024 and 2023

Note 2 – Property and Equipment

Balances of major classes of assets and allowances for depreciation are as follows at September 30:

	2024		
	Cost	Accumulated Depreciation	Net
Buildings and improvements	\$ 923,561	\$ 294,592	\$ 628,969
Land	100,000		100,000
Furniture and equipment	327,482	182,465	145,017
Vehicles	163,096	102,198	60,898
Total	<u>\$ 1,514,139</u>	<u>\$ 579,255</u>	<u>\$ 934,884</u>

	2023		
	Cost	Accumulated Depreciation	Net
Buildings and improvements	\$ 733,671	\$ 263,501	\$ 470,170
Land	100,000		100,000
Furniture and equipment	288,887	160,285	128,602
Vehicles	168,945	84,586	84,359
Total	<u>\$ 1,291,503</u>	<u>\$ 508,372</u>	<u>\$ 783,131</u>

Depreciation expense for the years ending September 30, 2024 and 2023 was \$76,732 and \$66,827, respectively.

Note 3 – Fair Value Measurements

Professional accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices 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; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value of the Mission's cash equivalents, investments, accounts receivable, and accounts payable approximate their carrying values because of the short maturity of the instruments. These are all classified as Level 1 for fair value measurement purposes. The Mission does not have any Level 2 or Level 3 classified assets or liabilities.

Notes to Financial Statements (Continued)
The Friendship Mission, Inc.
Montgomery, Alabama
September 30, 2024 and 2023

Note 4 – Line of Credit

During the year ended September 30, 2024, the Mission has a line of credit with SmartBank maturing in April 2025 with a variable rate of 5.330%. The line of credit is secured by two vehicles with a net book cost of \$48,236. As of September 30, 2024, there was no outstanding balance owed on the line of credit.

During the year ended September 30, 2023, the Mission obtained a \$80,594 line of credit with SmartBank, that matured in April 2024 with a variable interest rate of 4.725%. The line of credit is secured by 2 vehicles with book costs of \$64,315. As of September 30, 2023, there was an outstanding balance on the line of credit of \$37,000.

Note 5 – Economic Dependency and Concentration

The continued existence of the Mission is dependent upon donor funds and funding from various granting agencies. The mission is subject to audits from various funding sources. Expenditures may be considered disallowed and could result in amounts being required to be reimbursed or termination of the program. During the year ended September 30, 2024, the City of Montgomery and Mid Alabama Coalition for the Homeless accounted for 10% and 18% of the Mission's grant income, respectively, and one donor accounted for 7% of the Mission's contribution income. During the year ended September 30, 2023, the City of Montgomery and Mid Alabama Coalition for the Homeless accounted for 19% and 76% of the Mission's grant income, respectively, and one donor accounted for 11% of the Mission's contribution income. The City of Montgomery also accounted for 100% and 43% of the Mission's grants receivable as of September 30, 2024 and 2023, respectively.

Financial instruments that potentially subject the Mission to concentrations of credit risk consist primarily of cash and cash equivalents. The Mission maintains its cash in bank deposit accounts. Accounts at each institution are insured by the Federal Deposit Insurance Company up to \$250,000. The Mission did not have any uninsured cash balances as of September 30, 2024 and 2023.

Note 6 – Liquidity and Availability of Funds

The Mission's financial assets available for general expenditures, that is without donor restrictions limiting their use, within one year of the statement of financial position date, compromise the following:

	2024	2023
Cash and cash equivalents	\$ 159,691	\$ 99,023
Investments	200	238
Grants receivable	10,827	21,374
Other receivable	28,573	
With donor restrictions	(4,361)	
	<hr/>	<hr/>
Total financial assets available for general expenditures	<u>\$ 194,930</u>	<u>\$ 120,635</u>

To manage liquidity, the board of directors works closely with management to develop an operating budget each year. The budget is developed based on assets available for general expenditure as well as expected cash receipts during each fiscal year. Management along with the board of directors closely monitors the budget throughout the year. Any significant changes to the budget must be approved by the board of directors.