

**FRIENDSHIP PLACE**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**SEPTEMBER 30, 2016 AND 2015**

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## Independent Auditor's Report

To the Board of Directors  
Friendship Place  
Washington, DC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Friendship Place, (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Friendship Place as of September 30, 2016 and 2015, 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.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes 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 taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017, on our consideration of Friendship Place's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friendship Place's internal control over financial reporting and compliance.

*Jane Mauer & McQuade PA*

Washington, DC  
January 19, 2017

**FRIENDSHIP PLACE  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,283,948	\$ 761,705
Grants and accounts receivable, net	1,005,982	545,566
Pledges receivable, current portion, net of allowance	336,975	73,617
Prepaid expenses	69,833	48,522
Total Current Assets	<u>2,696,738</u>	<u>1,429,410</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	496,253	484,584
<b>OTHER ASSETS</b>		
Pledges receivable, net of current portion and discount	452,787	617,611
Restricted cash	81,104	41,894
Deposits	31,653	22,105
Total Other Assets	<u>565,544</u>	<u>681,610</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,758,535</u>	<u>\$ 2,595,604</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 76,810	\$ 134,073
Accrued expenses	424,646	503,689
Deferred revenue	829,876	50,000
Line of credit	311,435	180,000
Security deposit payable	81,104	41,894
Notes payable, current portion	8,486	8,072
Total Current Liabilities	<u>1,732,357</u>	<u>917,728</u>
<b>LONG TERM LIABILITIES</b>		
Notes payable, net of current portion	229,845	237,716
Total Liabilities	<u>1,962,202</u>	<u>1,155,444</u>
<b>NET ASSETS</b>		
Unrestricted	748,189	634,263
Temporarily restricted	1,048,144	805,897
Total Net Assets	<u>1,796,333</u>	<u>1,440,160</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,758,535</u>	<u>\$ 2,595,604</u>

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

**FRIENDSHIP PLACE  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 845,425	\$ 1,262,807	\$ 2,108,232
Fee for service income	4,636,312	-	4,636,312
Federal grants	3,459,747	-	3,459,747
Other income	8,017	-	8,017
Interest income	518	-	518
Net assets released from restrictions	1,020,560	(1,020,560)	-
Total Revenue and Support	9,970,579	242,247	10,212,826
<b>EXPENSES</b>			
Program Services:			
Veterans services	2,989,132	-	2,989,132
Permanent supportive housing	2,747,891	-	2,747,891
Rapid Rehousing	1,411,775	-	1,411,775
Employment services	487,792	-	487,792
Welcome center	480,225	-	480,225
Youth services	148,423	-	148,423
Volunteer and community engagement	72,346	-	72,346
Total Program Services	8,337,584	-	8,337,584
Supporting Services:			
Management and general	931,184	-	931,184
Fundraising	587,885	-	587,885
Total Supporting Services	1,519,069	-	1,519,069
Total Expenses	9,856,653	-	9,856,653
<b>CHANGE IN NET ASSETS</b>	113,926	242,247	356,173
<b>NET ASSETS, beginning of year</b>	634,263	805,897	1,440,160
<b>NET ASSETS, end of year</b>	\$ 748,189	\$ 1,048,144	\$ 1,796,333

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

**FRIENDSHIP PLACE  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 1,521,739	\$ 456,649	\$ 1,978,388
Fee for service income	3,397,554	-	3,397,554
Federal grants	2,656,494	-	2,656,494
Other income	14,987	-	14,987
Interest income	586	-	586
Net assets released from restrictions	418,674	(418,674)	-
<b>Total Revenue and Support</b>	<b>8,010,034</b>	<b>37,975</b>	<b>8,048,009</b>
<b>EXPENSES</b>			
Program Services:			
Veterans services	2,444,472	-	2,444,472
Permanent supportive housing	2,316,097	-	2,316,097
Rapid Rehousing	1,106,035	-	1,106,035
Welcome center	650,609	-	650,609
Job placement	498,612	-	498,612
Community engagement	82,592	-	82,592
Youth services	92,247	-	92,247
<b>Total Program Services</b>	<b>7,190,664</b>	<b>-</b>	<b>7,190,664</b>
Management and general	238,960	-	238,960
Fundraising	555,483	-	555,483
<b>Total Supporting Services</b>	<b>794,443</b>	<b>-</b>	<b>794,443</b>
<b>Total Expenses</b>	<b>7,985,107</b>	<b>-</b>	<b>7,985,107</b>
<b>CHANGE IN NET ASSETS</b>	<b>24,927</b>	<b>37,975</b>	<b>62,902</b>
<b>NET ASSETS, beginning of year</b>	<b>609,336</b>	<b>767,922</b>	<b>1,377,258</b>
<b>NET ASSETS, end of year</b>	<b>\$ 634,263</b>	<b>\$ 805,897</b>	<b>\$ 1,440,160</b>

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

**FRIENDSHIP PLACE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2016**

	PROGRAM SERVICES						SUPPORTING SERVICES					
	Veterans Services	Permanent Supportive Housing	Rapid Rehousing	Employment Services	Welcome Center	Youth Services	Volunteer and Community Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 1,169,921	\$ 1,657,345	\$ 574,517	\$ 249,487	\$ 240,456	\$ 99,373	\$ 34,763	\$ 4,025,862	\$ 537,906	\$ 383,927	\$ 921,833	\$ 4,947,695
Payroll taxes	94,366	129,569	45,299	19,911	25,188	6,640	3,010	323,983	36,409	30,045	66,454	390,437
Employee benefits	140,108	180,777	53,489	26,356	30,445	4,403	2,457	438,035	39,527	34,947	74,474	512,509
Pension expense	35,013	13,405	4,824	5,010	6,600	-	-	64,852	18,586	14,881	33,467	98,319
Total Personnel	1,439,408	1,981,096	678,129	300,764	302,689	110,416	40,230	4,852,732	632,428	463,800	1,096,228	5,948,960
Accounting services	-	-	-	-	-	-	-	-	17,258	-	17,258	17,258
Bad debt	-	8,629	-	-	-	-	-	8,629	-	-	-	8,629
Bank fees and licenses	-	-	-	-	-	-	-	-	-	5,139	5,139	5,139
Client assistance	1,316,720	449,470	632,401	104,591	31,653	21,894	26	2,556,755	-	-	-	2,556,755
Conference and workshops	1,772	3,189	523	2,755	1,799	115	17,635	27,788	7,581	27,822	35,403	63,191
Depreciation and amortization	-	4,433	-	-	28,562	3,960	-	36,955	-	-	-	36,955
Dues and subscriptions	1,210	192	75	75	-	-	-	1,552	398	1,249	1,647	3,199
Equipment leases	11,384	23,840	7,685	6,104	8,838	2,255	-	60,106	9,882	1,478	11,360	71,466
Insurance	4,631	7,911	-	-	-	-	-	12,542	38,026	-	38,026	50,568
Interest	-	-	-	-	13,339	-	-	13,339	8,975	-	8,975	22,314
Occupancy	67,577	64,617	26,912	48,897	15,238	6,897	-	230,138	54,010	2,094	56,104	286,242
Postage and printing	1,714	1,512	354	494	469	368	4,443	9,354	802	42,226	43,028	52,382
Professional fees	8,337	57,959	9,707	4,562	40,151	50	4,078	124,844	118,436	31,741	150,177	275,021
Recruiting and other expense	270	711	440	60	254	187	10	1,932	2,690	429	3,119	5,051
Supplies	10,481	10,024	4,755	3,279	13,351	935	665	43,490	7,460	2,605	10,065	53,555
Other	7,012	9,391	-	1,067	5,895	20	3,469	26,854	9,188	4,073	13,261	40,115
Telephone, internet, and cable	25,746	42,186	12,833	4,574	12,056	1,078	454	98,927	15,874	2,236	18,110	117,037
Travel	92,870	82,731	37,961	10,570	5,931	248	1,336	231,647	8,176	2,993	11,169	242,816
Total Expenses	\$ 2,989,132	\$ 2,747,891	\$ 1,411,775	\$ 487,792	\$ 480,225	\$ 148,423	\$ 72,346	\$ 8,337,584	\$ 931,184	\$ 587,885	\$ 1,519,069	\$ 9,856,655

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

**FRIENDSHIP PLACE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2015**

	PROGRAM SERVICES							SUPPORTING SERVICES				
	Welcome Center	Permanent Supportive Housing	Veterans Services	Rapid Rehousing	Job Placement	Community Engagement	Youth Services	Total Program Services	Management and General	Fundraising	Supporting Services	Total Expenses
Salaries	\$ 308,176	\$ 1,286,531	\$ 1,084,080	\$ 451,375	\$ 251,598	\$ 52,812	\$ 53,388	\$ 3,487,960	\$ 87,957	\$ 354,195	\$ 442,152	\$ 3,930,112
Payroll taxes	31,696	109,063	88,572	37,372	22,687	4,877	3,539	297,806	8,003	30,959	38,962	336,768
Employee benefits	39,214	139,508	140,022	44,359	25,900	6,040	1,602	396,645	6,294	39,381	45,675	442,320
Pension expense	5,660	15,995	24,926	4,133	6,418	964	-	58,096	18,542	13,518	32,060	90,156
Total Personnel	384,746	1,551,097	1,337,600	537,239	306,603	64,693	58,529	4,240,507	120,796	438,053	558,849	4,799,356
Accounting services	2,205	3,938	3,781	1,733	945	-	-	12,602	3,148	-	3,148	15,750
Bad debt	43,524	-	-	-	-	-	-	43,524	-	-	-	43,524
Bank fees and licenses	-	-	-	-	-	-	-	-	880	4,805	5,685	5,685
Client assistance	33,964	435,648	846,974	447,690	101,956	582	21,530	1,888,344	-	-	-	1,888,344
Conference and workshops	1,385	2,214	7,247	1,038	4,712	9,715	61	26,372	6,887	21,183	28,070	54,442
Depreciation and amortization	31,002	1,548	-	-	3,177	-	3,960	39,687	-	-	-	39,687
Dues and subscriptions	1,106	1,632	2,110	869	-	50	-	5,767	2,633	566	3,199	8,966
Equipment leases	11,342	34,715	18,229	11,098	3,910	-	118	79,412	-	552	552	79,964
Insurance	4,031	11,918	10,530	3,167	1,728	-	-	31,374	9,031	-	9,031	40,405
Interest	13,748	-	-	-	-	-	-	13,748	2,093	-	2,093	15,841
Occupancy	22,322	68,138	68,915	23,862	51,682	67	7,202	242,188	8,236	1,213	9,449	251,637
Postage and printing	723	820	2,051	-	437	9	-	4,040	1,648	45,301	46,949	50,989
Professional fees	51,377	64,656	24,610	37,869	11,028	2,527	-	192,067	67,940	28,712	96,652	288,719
Recruiting and background checks	720	858	398	80	196	-	-	2,252	2,286	327	2,613	4,865
Supplies	25,806	22,384	16,441	7,533	5,396	2,414	717	80,691	1,092	7,795	8,887	89,578
Other	5,657	3,938	12,117	-	143	1,610	-	23,465	2,180	877	3,057	26,522
Telephone, internet, and cable	11,812	39,403	24,856	7,433	5,182	543	95	89,324	4,798	1,903	6,701	96,025
Travel	5,139	73,190	68,613	26,424	1,517	382	35	175,300	5,312	4,196	9,508	184,808
Total Expenses	\$ 650,609	\$ 2,316,097	\$ 2,444,472	\$ 1,106,035	\$ 498,612	\$ 82,592	\$ 92,247	\$ 7,190,664	\$ 238,960	\$ 555,483	\$ 794,443	\$ 7,985,107

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

**FRIENDSHIP PLACE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 356,173	\$ 62,902
Adjustments to reconcile change in net assets to net cash provided (used) by operation activities:		
Depreciation and amortization	36,955	39,687
Decrease (increase) in:		
Grants and accounts receivable	(460,416)	75,503
Pledges receivable, net	(98,534)	(188,223)
Prepaid expenses	(21,311)	(16,900)
Restricted cash	(39,210)	(38,268)
Deposits	(9,548)	1,100
Increase (decrease) in:		
Accounts payable	(57,263)	25,664
Accrued expenses	(79,043)	141,135
Deferred revenue	779,876	50,000
Security deposit payable	39,210	41,894
Net Cash Provided by Operating Activities	<u>446,889</u>	<u>194,494</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(48,624)</u>	<u>(91,237)</u>
Net Cash Used for Investing Activities	<u>(48,624)</u>	<u>(91,237)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws on line of credit	1,056,177	180,000
Payments on line of credit	(924,742)	-
Principal payment of notes payable	<u>(7,457)</u>	<u>(7,048)</u>
Net Cash Provided by Financing Activities	<u>123,978</u>	<u>172,952</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	522,243	276,209
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>761,705</u>	<u>485,496</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 1,283,948</u></u>	<u><u>\$ 761,705</u></u>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash paid for interest	<u><u>\$ 22,314</u></u>	<u><u>\$ 15,841</u></u>

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

**FRIENDSHIP PLACE  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

**NOTE A - ORGANIZATION AND PROGRAM DESCRIPTIONS**

Friendship Place is a leader in the Washington, DC, metro area in developing solutions to homelessness that have measurable results and a lasting impact. The organization's purpose is to end homelessness by empowering people experiencing or at risk of homelessness to achieve stable housing and to rebuild their lives. Friendship Place helped more than 2,900 people in the year ended September 30, 2016, with comprehensive, wraparound services that included street outreach, drop-in, free medical and psychiatric services, job placement, case management, transitional shelter, rapid rehousing, homelessness prevention, permanent supportive housing, and specialized services for youth and for Veterans and their families.

Program Descriptions

***Veterans Services:***

*Veterans First:* Provides short-term, intensive case management and rental assistance to help homeless veterans and their families get back into housing quickly and to prevent homelessness for veteran households at risk of eviction. The program targets extremely low-income households (less than 30 percent of the Area Median Income) and serves the District of Columbia and eight surrounding counties in Maryland and Virginia. During the year ended September 30, 2016, 567 households served (encompassing 779 individuals); of those who exited the program during the year, 88 percent graduated to stable permanent housing.

*Families First:* is a project in Prince George's County, Maryland, that helps veteran families transition from homelessness into housing and then empowers them to increase their household income by connecting them to jobs or educational opportunities. During the year ended September 30, 2016, 55 people in 12 families were served.

***Permanent Supportive Housing ("PSH"):***

Friendship Place is a leading DC provider of PSH for highly vulnerable, chronically homeless individuals and families. The PSH programs are based on a low-barrier, Housing First service model and include scattered-site apartments, a group home for five women and an apartment building for 40 men. Case managers help participants transition directly from homelessness into housing and then provide long-term support to address the full range of their needs and empower them to achieve personal goals for recovery, wellness, self-sufficiency and integration into the community. During year ended September 30, 2016, 113 families (encompassing 382 total family members) and 299 individuals were housed, with a housing retention rate of 99 percent.

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE A - ORGANIZATION AND PROGRAM DESCRIPTIONS - continued**

Program Descriptions - continued

**Rapid Rehousing ("RRH"):**

Rapid Rehousing serves people experiencing homelessness who need just short-term support to get back on their feet. In addition to providing temporary rental assistance, RRH helps people stabilize their income through benefits or employment, create sustainable budgets, find and move into housing, and connect with whatever services they will need for long-term housing stability. Friendship Place's RRH placed 149 individuals or family households into housing during the fiscal year ending September 30, 2016.

**Employment Services (Formerly Job Placement):**

*AimHire:* Empowers homeless adults to secure stable employment and housing, through individualized, person-centered, wraparound services. The program addresses the needs of people with significant barriers to employment and housing, such as criminal records, histories of substance abuse or mental illness, spotty work histories, and poor credit and rental records. AimHire operates a shelter and apartments that provided transitional housing for 19 participants. During the year ended September 30, 2016, this program placed 130 into jobs and 52 into housing, with a 3-month job retention rate of 78 percent.

*Other Employment Services:* Job placement services that are integrated into Friendship Place's housing programs placed an additional 96 people into jobs.

**Welcome Center:**

*Street Outreach:* Friendship Place conducts Street Outreach to men and women experiencing homelessness in upper Northwest DC, with a special focus on the hardest-to-serve or those who have been on the streets for an extended period of time, who have mental health and/or substance abuse issues, and those who are disconnected from DC's continuum of care. During the year ended September 30, 2016, 158 individuals were served.

*Drop-in:* At Friendship Place's Welcome Center, visitors can help themselves to a cup of coffee or a meal. Free necessities such as toiletries, Metro passes, undergarments, and rain ponchos are available. Visitors can also use the phone or a computer, take a shower or do laundry, receive mail, and meet with a case manager to take steps to rebuild their lives. During the year ended September 30, 2016, 750 individuals were served (607 who signed in, as well as an estimated 150 who used services without signing in).

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE A - ORGANIZATION AND PROGRAM DESCRIPTIONS - continued**

Program Descriptions - continued

Welcome Center: - continued

*Free Clinic:* Anyone who comes through the door of Friendship Place's Welcome Center can get free access to a doctor, nurse or psychiatrist. There are no insurance or even ID requirements, and same-day appointments are available. During the year ended September 30, 2016, 738 consultations were provided.

*Transitional Housing and Shelters:* In partnership with area congregations, Friendship Place operates four small transitional shelters and two efficiency apartments where residents may stay while they work with a case manager toward their own goals for self-sufficiency. Goals may include housing, family re-unification, sobriety, health and wellness, benefits, education and training, employment, and personal finances. During the year ended September 30, 2016, 47 individuals were served.

*Access to Housing:* Friendship Place staff can help homeless people access housing services anywhere in the District, not just at Friendship Place. During the year ended September 30, 2016, staff conducted housing assessments for 914 individuals and entered them into DC's Coordinated Entry System.

Youth Services:

*Before Thirty:* Through person-centered wraparound services, Before Thirty helps homeless and at-risk 17-to-29 year-olds find stable housing, sources of income, and a sense of hope and direction for the future. During the year ended September 30, 2016, the program placed 11 youth into permanent housing, 16 into jobs and 5 into educational or training programs.

*Youth Connect:* New in 2016, Youth Connect outreaches to youth between the ages of 18 and 24 who are economically or emotionally detached from their families and are homeless, unstably housed, living in doubled up circumstances, in transitional housing, in shelter, or on the street. During the year ended September 30, 2016, this program connected with 168 youth and conducted 82 vulnerability assessments to connect participants to Coordinated Entry for housing.

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE A - ORGANIZATION AND PROGRAM DESCRIPTIONS - continued**

Program Descriptions - continued

**Volunteer and Community Engagement:**

Friendship Place actively solicits the support of volunteers. During the year ended September 30, 2016, more than 400 people provided volunteer service in every program and at every level of the organization. The community engagement program also involves community members in advocacy for positive solutions to homelessness at the Federal and DC levels and coordinates a speakers' bureau that offers educational presentations to community groups.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

Financial statement presentation follows Financial Standards Accounting Board ("FASB") Accounting Standards Codification ("ASC") Topic *Not-for-Profit-Entities*. In accordance with the topic, Friendship Place is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of Friendship Place and changes therein are classified and reported as follows:

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

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Friendship Place and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by Friendship Place. Friendship Place had no permanently restricted net assets as of September 30, 2016 and 2015.

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Cash and Cash Equivalents

For the purposes of the statement of cash flows, Friendship Place considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Friendship Place maintains its cash balances in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the accounts may exceed these limits. However, Friendship Place has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on uninsured cash and cash equivalents.

Pledges Receivable

Friendship Place receives multi-year pledges to support the mission that are recorded as receivables and revenue when pledged. These pledges are discounted to their present value using risk free rates and an allowance for doubtful accounts has been recorded. The allowance is based on management's experience with the collectability of the pledges.

Grants and Accounts Receivable

Grants and accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of September 30, 2016 and 2015, the allowance for doubtful accounts totaled \$7,596 and \$33,005, respectively.

Property and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets, ranging from five to thirty-one years. Friendship place capitalizes all expenditures for property and equipment over \$1,000. Loan origination fees are amortized on a straight-line basis over the life of the loan, which approximates the interest method. Minor repairs and maintenance to buildings are charged to expense when incurred.

Restricted Cash

Restricted cash consists of deposits held by Friendship Place on behalf of clients that lease space through Friendship Place.

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Deferred Revenue

Deferred revenue represents funds received in the current fiscal year, which recognition is deferred until the next fiscal year in which the service is provided.

Revenue Recognition

Unconditional pledges and contributions are recorded as revenue in the year notification is received from the donor. Fee income and event revenue are recognized as revenue when services are performed or when the events occur. Federal awards are recognized as revenue to the extent that the expenditures have been incurred.

Functional Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services that benefited from such costs. During 2016 management made a decision to no longer allocate administrative salaries to grant programs on the external financial statements. The result is a large increase in management and general expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and certain reported amounts of the revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Reclassification

Certain items in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

**NOTE C – PLEDGES RECEIVABLE**

Friendship Place has received unconditional pledges to give in future years which have been reduced to the present value of the pledges in accordance with accounting principles generally accepted in the United States of America.

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE C – PLEDGES RECEIVABLE - continued**

Expected receipts from pledges are due as follows:

	2017	\$	428,561
	2018		189,155
	2019		154,620
	2020		95,648
	2021		37,354
Thereafter			10,526
			<u>915,864</u>
Less: allowance for doubtful accounts			(91,586)
Less: present value discounts at 2%			(34,516)
Total		\$	<u><u>789,762</u></u>

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of September 30,

	2016	2015
Land	\$ 95,225	\$ 95,225
Building	380,902	380,902
Building improvements	468,997	434,882
Equipment, furniture and fixtures	45,311	45,311
Loan origination fees	2,160	2,160
Automobiles	93,900	79,391
	<u>1,086,495</u>	<u>1,037,871</u>
Less: accumulated depreciation and amortization	(590,242)	(553,287)
Net property and equipment	<u><u>\$ 496,253</u></u>	<u><u>\$ 484,584</u></u>

Depreciation and amortization expense totaled \$36,955 and \$39,687, for the years ended September 30, 2016 and 2015, respectively.

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE E – LINE OF CREDIT**

In May 2014, Friendship Place secured a line of credit for up to \$400,000 from PNC Bank. Interest on line of credit accrues at 0.7 percentage points over Wall Street published prime rate per annum. As of September 30, 2016 and 2015, the interest rate was 4.2% and 3.95%, respectively. The line of credit is secured by the second priority lien on the “Welcome Center”.

The line of credit consists of two periods, a draw period and a repayment period. During the draw period, Friendship Place will pay regular monthly payments of accrued interest. As long as there is no default of payments during the draw period, the draw period will end May 2021 and the repayment period will begin June 2021. As of September 30, 2016 and 2015, the outstanding principal balance on the line of credit was \$311,435 and \$180,000, respectively.

**NOTE F - NOTES PAYABLE**

In February 2012, Friendship Place received a modification for the property at 4713 Wisconsin Avenue, Washington, DC also called the, “Welcome Center” note dated May 2009, with PNC Bank whereby the rate of interest was reduced from 5.75% to 5% per annum. Monthly payments on this note including principal and interest per annum were \$1,941 until May 2014, when the remainder of the principal and any unpaid interest was due. This loan was secured by the first deed of trust on this building. The note was refinanced in May 2014.

In May 2014, Friendship Place refinanced the “Welcome Center” note dated May 2009, with PNC Bank for the principal amount of \$255,520, with a fixed interest rate of 5.25% per annum.

Monthly payments on this note including principal and interest are \$1,733 until May 2024, when the remainder of the principal and any unpaid interest will be due. This note is secured by the first deed of trust on this building. As of September 30, 2016 and 2015, the outstanding principal balance of the note was \$238,331 and \$245,788, respectively.

Future minimum payments on this note are as follows:

2017	\$	8,486
2018		8,965
2019		9,447
2020		9,955
2021		10,490
Thereafter		190,988
	\$	<u>238,331</u>

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE G - INCOME TAXES**

Friendship Place is recognized as exempt from federal income tax, except on unrelated business activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Friendship Place believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

Friendship Place's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. Friendship Place's information returns for the fiscal years 2012 through 2014 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

**NOTE H - TEMPORARILY RESTRICTED NET ASSETS**

As of September 30, 2016 and 2015, temporarily restricted net assets were designated for the following:

	<u>2016</u>	<u>2015</u>
Homeless and residential	\$ 48,010	\$ 48,550
Homeless Veterans Initiative	25,373	17,944
Professional development	7,791	16,096
Client education	50,000	-
Housing (CHT)	68,678	-
Space planning (Share Fund)	41,658	-
Neighbors First (Welcome Center)	16,872	32,079
Time restricted pledges	789,762	691,228
	<u>\$ 1,048,144</u>	<u>\$ 805,897</u>

**NOTE I - PENSION PLAN**

In July 2000, Friendship Place adopted a 403(b) annuity retirement plan. Employees must have twelve consecutive months of service and must work at least twenty hours a week, or one thousand hours during the year, to be eligible for the matching contribution. Friendship Place may make a discretionary matching contribution that is determined by the board of directors. Employee deferrals that exceed seven percent of compensation will not be matched. For the year ended September 30, 2016 and 2015, Friendship Place matched 5% of compensation and pension expense totaled \$98,319 and \$90,156, respectively.

**FRIENDSHIP PLACE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(continued)

**NOTE J – LEASE COMMITMENTS**

Friendship Place has entered into multiple long-term and annual leases for office space at various locations that have various expiration dates. The future commitments under these leases are as follows:

	3655 Calvert St.	Alexandria Suite A214	5100 Wisconsin Ave.	Total
2017	\$ 13,605	\$ 13,200	\$ 98,434	\$ 125,239
2018	-	5,500	110,089	115,589
2019	-	-	113,116	113,116
2020	-	-	116,227	116,227
2021	-	-	119,423	119,423
Thereafter	-	-	30,471	30,471
Total	<u>\$ 13,605</u>	<u>\$ 18,700</u>	<u>\$ 587,760</u>	<u>\$ 620,065</u>

Occupancy expenses including utility payments totaled \$286,242 and \$251,637 for the years ended September 30, 2016 and 2015, respectively.

On August 8, 2016, Friendship Place entered into a lease for sixty two months for a new location (commencing November 1, 2016) at 5100 Wisconsin Avenue, NW. Under the terms of the lease, Friendship place is required to make monthly payments of \$8,948 starting November 1, 2016 which will be increased by 2.75% on each anniversary.

On October 11, 2016, a second lease was signed for five years for a new location at Bladensburg Road, NE. Commencing October 2016, Friendship Place is required to pay for suites C3 and C4 \$5,425 per month and after possession of C1 and C2 the rent monthly rent will be \$12,288 which will be increased by 3% on each anniversary.

**NOTE K – SUBSEQUENT EVENTS**

In preparing these financial statements, Friendship Place's management has evaluated events and transactions for potential recognition or disclosure through January 19, 2017, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.

## **REPORTS AND SCHEDULES REQUIRED BY THE UNIFORM GUIDANCE**



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CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

To the Board of Directors  
Friendship Place  
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Friendship Place (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Friendship Place's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose for expressing an opinion on the effectiveness of Friendship Place's internal control. Accordingly, we do not express an opinion on the effectiveness of Friendship Place's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Friendship Place

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Friendship Place's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jane Marusa & McQuade PA*

Washington, DC  
January 19, 2017



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**Independent Auditor's Report on Compliance for Each Major  
Program and on Internal Control over Compliance Required  
by the Uniform Guidance**

To the Board of Directors  
Friendship Place  
Washington, DC

**Report on Compliance for Each Major Federal Program**

We have audited Friendship Place's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Friendship Place's major federal programs for the year ended September 30, 2016. The Friendship Place's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the compliance for each of Friendship Place's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Friendship Place's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Friendship Place's compliance.

To the Board of Directors  
Friendship Place

### **Opinion on Each Major Federal program**

In our opinion, Friendship Place complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

### **Report on Internal Control Over Compliance**

Management of Friendship Place is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Friendship Place's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Friendship Place's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Friendship Place

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Janet Maruca & M. Quade PA*

Washington, DC  
January 19, 2017

**FRIENDSHIP PLACE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grant Identification Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Veteran Affairs</b>			
VA Supportive Services for Veteran Families Program	64.033		\$ 2,000,000
VA Supportive Services for Veteran Families Program	64.033		1,107,160
Total U.S. Department of Veteran Affairs			<u>3,107,160</u>
<b>U.S. Department of Housing and Urban Development</b>			
Pass-Through from The Community Partnership for the Prevention of Homelessness			
Supportive Housing Program, Bridges Project I	14.235	DC0005L3G001407	110,116
Supportive Housing Program, Bridges Project II	14.235	DC0005L3G001407	139,395
Supportive Housing Program, Shelter Plus Care	14.235	SS16-07-CCFP-SPC	103,076
Total U.S. Department of Housing and Urban Development			<u>352,587</u>
Total Expenditures of Federal Awards			<u>\$ 3,459,747</u>

The accompanying notes are in integral part of the Schedule of Expenditures of Federal Awards

**FRIENDSHIP PLACE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Friendship Place under programs of the federal government for the year ended September 30, 2016. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein, certain types of expenses are not allowable or are limited as to reimbursement. Friendship Places has elected to use the 10 percent minimums indirect cost rate. Pass-through entity identifying numbers are presented where available.

**FRIENDSHIP PLACE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report issued on the financial statements	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies?	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

***Major program***

Name of Federal Program:	VA Supportive Services for Veteran Families Program
CFDA Number	64.003
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**FRIENDSHIP PLACE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016  
(continued)**

**SECTION II – FINDING RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL  
AWARDS**

None

**SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDING**

None