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</tbody>
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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.
Independent Auditor’s Report
Friendship Place
Page Two

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 Miller & McQuade PA

Washington, DC
January 19, 2017
<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,783,948</td>
<td>$761,705</td>
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<tr>
<td>Grants and accounts receivable, net</td>
<td>1,005,982</td>
<td>545,566</td>
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<tr>
<td>Pledges receivable, current portion, net of allowance</td>
<td>336,975</td>
<td>73,617</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>69,833</td>
<td>48,522</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>2,696,738</td>
<td>1,429,410</td>
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<tr>
<td>PROPERTY AND EQUIPMENT, NET</td>
<td>496,253</td>
<td>484,584</td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges receivable, net of current portion and discount</td>
<td>452,787</td>
<td>617,611</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>81,104</td>
<td>41,894</td>
</tr>
<tr>
<td>Deposits</td>
<td>31,653</td>
<td>22,105</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td>565,544</td>
<td>681,610</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$3,758,535</td>
<td>$2,595,604</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>LIABILITIES AND NET ASSETS</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES</td>
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<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$76,810</td>
<td>$134,073</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>424,646</td>
<td>503,689</td>
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<tr>
<td>Deferred revenue</td>
<td>829,876</td>
<td>50,000</td>
</tr>
<tr>
<td>Line of credit</td>
<td>311,435</td>
<td>180,000</td>
</tr>
<tr>
<td>Security deposit payable</td>
<td>81,104</td>
<td>41,894</td>
</tr>
<tr>
<td>Notes payable, current portion</td>
<td>8,486</td>
<td>8,072</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>1,732,357</td>
<td>917,728</td>
</tr>
<tr>
<td>LONG TERM LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable, net of current portion</td>
<td>229,845</td>
<td>237,716</td>
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<td><strong>Total Liabilities</strong></td>
<td>1,962,202</td>
<td>1,155,444</td>
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<tr>
<td>NET ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>748,189</td>
<td>634,263</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,048,144</td>
<td>805,897</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>1,796,333</td>
<td>1,440,160</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$3,758,535</td>
<td>$2,595,604</td>
</tr>
</tbody>
</table>

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

-3-
FRIENDSHIP PLACE  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2016

<table>
<thead>
<tr>
<th>REVENUE AND SUPPORT</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and grants</td>
<td>$ 845,425</td>
<td>$ 1,262,807</td>
<td>$ 2,108,232</td>
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<tr>
<td>Fee for service income</td>
<td>4,636,312</td>
<td></td>
<td>4,636,312</td>
</tr>
<tr>
<td>Federal grants</td>
<td>3,459,747</td>
<td></td>
<td>3,459,747</td>
</tr>
<tr>
<td>Other income</td>
<td>8,017</td>
<td></td>
<td>8,017</td>
</tr>
<tr>
<td>Interest income</td>
<td>518</td>
<td></td>
<td>518</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,020,560</td>
<td>(1,020,560)</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenue and Support</td>
<td>9,970,579</td>
<td>242,247</td>
<td>10,212,826</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Veterans services</td>
<td>2,989,132</td>
<td></td>
<td>2,989,132</td>
</tr>
<tr>
<td>Permanent supportive housing</td>
<td>2,747,891</td>
<td></td>
<td>2,747,891</td>
</tr>
<tr>
<td>Rapid Rehousing</td>
<td>1,411,775</td>
<td></td>
<td>1,411,775</td>
</tr>
<tr>
<td>Employment services</td>
<td>487,792</td>
<td></td>
<td>487,792</td>
</tr>
<tr>
<td>Welcome center</td>
<td>480,225</td>
<td></td>
<td>480,225</td>
</tr>
<tr>
<td>Youth services</td>
<td>148,423</td>
<td></td>
<td>148,423</td>
</tr>
<tr>
<td>Volunteer and community engagemen</td>
<td>72,346</td>
<td></td>
<td>72,346</td>
</tr>
<tr>
<td>Total Program Services</td>
<td>8,337,584</td>
<td></td>
<td>8,337,584</td>
</tr>
</tbody>
</table>

| 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  |

| CHANGE IN NET ASSETS                         |              |                        |            |
|                                              | 113,926      | 242,247                | 356,173    |

| NET ASSETS, beginning of year                | 634,263      | 805,897                | 1,440,160  |
| NET ASSETS, end of year                      | $ 748,189    | $ 1,048,144            | $ 1,796,333|

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

-4-
FRIENDSHIP PLACE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

<table>
<thead>
<tr>
<th>REVENUE AND SUPPORT</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and grants</td>
<td>$ 1,521,739</td>
<td>$ 456,649</td>
<td>$ 1,978,388</td>
</tr>
<tr>
<td>Fee for service income</td>
<td>3,397,554</td>
<td>-</td>
<td>3,397,554</td>
</tr>
<tr>
<td>Federal grants</td>
<td>2,656,494</td>
<td>-</td>
<td>2,656,494</td>
</tr>
<tr>
<td>Other income</td>
<td>14,987</td>
<td>-</td>
<td>14,987</td>
</tr>
<tr>
<td>Interest income</td>
<td>586</td>
<td>-</td>
<td>586</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>418,674</td>
<td>(418,674)</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenue and Support</td>
<td>8,010,034</td>
<td>37,975</td>
<td>8,048,009</td>
</tr>
</tbody>
</table>

EXPENSES
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    |
Total Program Services                   | 7,190,664    | -                      | 7,190,664 |

Management and general                  | 238,960      | -                      | 238,960   |
Fundraising                              | 555,483      | -                      | 555,483   |
Total Supporting Services                | 794,443      | -                      | 794,443   |

CHANGE IN NET ASSETS                    | 24,927       | 37,975                 | 62,902   |

NET ASSETS, beginning of year            | 609,336      | 767,922                | 1,377,258 |

NET ASSETS, end of year                  | $ 634,263    | $ 805,897              | $ 1,440,160 |

The accompanying notes are an integral part of these financial statements.
### FRIENDSHIP PLACE
**STATEMENT OF FUNCTIONAL EXPENSES**
YEAR ENDED SEPTEMBER 30, 2016

<table>
<thead>
<tr>
<th>PROGRAM SERVICES</th>
<th>SUPPORTING SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Veterans</strong></td>
<td><strong>Management</strong></td>
</tr>
<tr>
<td>Services</td>
<td>and <strong>General</strong></td>
</tr>
<tr>
<td>Permanent</td>
<td>Fundraising</td>
</tr>
<tr>
<td>Supportive</td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Services</td>
<td>Supporting</td>
</tr>
<tr>
<td>Housing</td>
<td><strong>Expenses</strong></td>
</tr>
<tr>
<td>Permanent</td>
<td>Services</td>
</tr>
<tr>
<td>Supportive</td>
<td>$ 537,906</td>
</tr>
<tr>
<td>Housing</td>
<td>$ 383,927</td>
</tr>
<tr>
<td>Permanent</td>
<td>$ 921,833</td>
</tr>
<tr>
<td>Supportive</td>
<td>$ 4,947,695</td>
</tr>
<tr>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Rapid</td>
<td>$ 1,169,921</td>
</tr>
<tr>
<td>Rehousing</td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Employment</td>
<td><strong>Program</strong></td>
</tr>
<tr>
<td>Services</td>
<td>Services</td>
</tr>
<tr>
<td>Welcome</td>
<td>$ 34,763</td>
</tr>
<tr>
<td>Youth</td>
<td>$ 4,025,862</td>
</tr>
<tr>
<td>Center</td>
<td>$ 40,230</td>
</tr>
<tr>
<td>Volunteer and</td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Community</td>
<td><strong>Program</strong></td>
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<tr>
<td>Engagement</td>
<td>Services</td>
</tr>
<tr>
<td>Total</td>
<td>$ 4,852,732</td>
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<tr>
<td><strong>Total</strong></td>
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<td>Personnel</td>
<td>$ 1,439,408</td>
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<tr>
<td>Accounting</td>
<td>$ 632,428</td>
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<td>services</td>
<td>$ 463,800</td>
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<tr>
<td>Bad debt</td>
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<tr>
<td></td>
<td>$ 5,948,960</td>
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<tr>
<td>Bank fees and</td>
<td></td>
</tr>
<tr>
<td>licenses</td>
<td></td>
</tr>
<tr>
<td>Client assistance</td>
<td>$ 8,629</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference and</td>
<td>$ 1,710</td>
</tr>
<tr>
<td>workshops</td>
<td>$ 3,139</td>
</tr>
<tr>
<td>Depreciation and</td>
<td>$ 5,139</td>
</tr>
<tr>
<td>amortization</td>
<td>$ 5,139</td>
</tr>
<tr>
<td>Dues and</td>
<td></td>
</tr>
<tr>
<td>subscriptions</td>
<td></td>
</tr>
<tr>
<td>Equipment leases</td>
<td>$ 1,210</td>
</tr>
<tr>
<td>Insurance</td>
<td>$ 1,210</td>
</tr>
<tr>
<td>Interest</td>
<td>$ 1,210</td>
</tr>
<tr>
<td></td>
<td>$ 5,139</td>
</tr>
<tr>
<td>Occupancy</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage and</td>
<td>$ 67,577</td>
</tr>
<tr>
<td>printing</td>
<td>$ 64,617</td>
</tr>
<tr>
<td>Professional fees</td>
<td>$ 26,912</td>
</tr>
<tr>
<td>Recruiting and</td>
<td>$ 64,897</td>
</tr>
<tr>
<td>other expense</td>
<td>$ 48,897</td>
</tr>
<tr>
<td>Supplies</td>
<td>$ 15,238</td>
</tr>
<tr>
<td></td>
<td>$ 40,151</td>
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<tr>
<td>Other</td>
<td>$ 5,384</td>
</tr>
<tr>
<td>Telephone,</td>
<td>$ 4,078</td>
</tr>
<tr>
<td>internet, and</td>
<td>$ 124,844</td>
</tr>
<tr>
<td>cable</td>
<td>$ 118,436</td>
</tr>
<tr>
<td>Travel</td>
<td>$ 150,177</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 2,989,132</td>
</tr>
</tbody>
</table>

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

-6-
<table>
<thead>
<tr>
<th></th>
<th>PROGRAM SERVICES</th>
<th>SUPPORTING SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Welcome Center</td>
<td>Permanent Housing</td>
</tr>
<tr>
<td>Salaries</td>
<td>$308,176</td>
<td>$1,286,531</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>31,696</td>
<td>109,063</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>39,214</td>
<td>139,508</td>
</tr>
<tr>
<td>Pension expense</td>
<td>5,660</td>
<td>15,995</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>384,476</td>
<td>1,551,097</td>
</tr>
<tr>
<td>Accounting services</td>
<td>2,205</td>
<td>3,938</td>
</tr>
<tr>
<td>Bad debt</td>
<td>43,524</td>
<td>-</td>
</tr>
<tr>
<td>Bank fees and licenses</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Client assistance</td>
<td>33,964</td>
<td>435,648</td>
</tr>
<tr>
<td>Conference and workshops</td>
<td>1,385</td>
<td>2,214</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>31,002</td>
<td>1,548</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>1,106</td>
<td>1,632</td>
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<tr>
<td>Equipment leases</td>
<td>11,342</td>
<td>34,715</td>
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<tr>
<td>Insurance</td>
<td>4,031</td>
<td>11,918</td>
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<td>Interest</td>
<td>13,748</td>
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<td>Occupancy</td>
<td>22,322</td>
<td>68,138</td>
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<tr>
<td>Postage and printing</td>
<td>723</td>
<td>820</td>
</tr>
<tr>
<td>Professional fees</td>
<td>51,377</td>
<td>64,656</td>
</tr>
<tr>
<td>Recruiting and background checks</td>
<td>720</td>
<td>858</td>
</tr>
<tr>
<td>Supplies</td>
<td>25,806</td>
<td>22,384</td>
</tr>
<tr>
<td>Other</td>
<td>5,657</td>
<td>3,938</td>
</tr>
<tr>
<td>Telephone, internet, and cable</td>
<td>11,812</td>
<td>39,403</td>
</tr>
<tr>
<td>Travel</td>
<td>5,139</td>
<td>73,190</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$650,609</td>
<td>$2,316,097</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
FRIENDSHIP PLACE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$356,173</td>
<td>$62,902</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>36,955</td>
<td>39,687</td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and accounts receivable</td>
<td>(460,416)</td>
<td>75,503</td>
</tr>
<tr>
<td>Pledges receivable, net</td>
<td>(98,534)</td>
<td>(188,223)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(21,311)</td>
<td>(16,900)</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>(39,210)</td>
<td>(38,268)</td>
</tr>
<tr>
<td>Deposits</td>
<td>(9,548)</td>
<td>1,100</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(57,263)</td>
<td>25,664</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(79,043)</td>
<td>141,135</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>779,876</td>
<td>50,000</td>
</tr>
<tr>
<td>Security deposit payable</td>
<td>39,210</td>
<td>41,894</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>446,889</td>
<td>194,494</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property and equipment</td>
<td>(48,624)</td>
<td>(91,237)</td>
</tr>
<tr>
<td><strong>Net Cash Used for Investing Activities</strong></td>
<td>(48,624)</td>
<td>(91,237)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM FINANCING ACTIVITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draws on line of credit</td>
<td>1,056,177</td>
<td>180,000</td>
</tr>
<tr>
<td>Payments on line of credit</td>
<td>(924,742)</td>
<td>-</td>
</tr>
<tr>
<td>Principal payment of notes payable</td>
<td>(7,457)</td>
<td>(7,048)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Financing Activities</strong></td>
<td>123,978</td>
<td>172,952</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET CHANGE IN CASH AND CASH EQUIVALENTS</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>522,243</td>
<td>276,209</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS, beginning of year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>761,705</td>
<td>485,496</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS, end of year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,283,948</td>
<td>$761,705</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUPPLEMENTARY INFORMATION</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$22,314</td>
<td>$15,841</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
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.
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 individualize, 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).
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.
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.
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.
NOTE C – PLEDGES RECEIVABLE - continued

Expected receipts from pledges are due as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$428,561</td>
</tr>
<tr>
<td>2018</td>
<td>$189,155</td>
</tr>
<tr>
<td>2019</td>
<td>$154,620</td>
</tr>
<tr>
<td>2020</td>
<td>$95,648</td>
</tr>
<tr>
<td>2021</td>
<td>$37,354</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$10,526</td>
</tr>
</tbody>
</table>

Less: allowance for doubtful accounts
(91,586)

Less: present value discounts at 2%
(34,516)

Total
$789,762

NOTE D – PROPERTY AND EQUIPMENT

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$8,486</td>
</tr>
<tr>
<td>2018</td>
<td>8,965</td>
</tr>
<tr>
<td>2019</td>
<td>9,447</td>
</tr>
<tr>
<td>2020</td>
<td>9,955</td>
</tr>
<tr>
<td>2021</td>
<td>10,490</td>
</tr>
<tr>
<td>Thereafter</td>
<td>190,988</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$238,331</strong></td>
</tr>
</tbody>
</table>
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:

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

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.
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:

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

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
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.

Washington, DC
January 19, 2017
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.

Washington, DC
January 19, 2017
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<tr>
<th>Federal Grantor/Pass-through Grantor/Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Pass-through Grant Identification Number</th>
<th>Federal Expenditures</th>
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<tr>
<td>VA Supportive Services for Veteran Families Program</td>
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<td>$ 2,000,000</td>
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<td>U.S. Department of Housing and Urban Development</td>
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<td>Pass-Through from The Community Partnership for the Prevention of Homelessness</td>
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<tr>
<td>Total Expenditures of Federal Awards</td>
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<td>$ 3,459,747</td>
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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.
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
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