

Friendship Place

Financial Statements
Including Uniform Guidance Reports
and Independent Auditors' Report

September 30, 2018 and 2017

Friendship Place

Financial Statements
September 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friendship Place

We have audited the accompanying financial statements of Friendship Place, which comprise the statement of financial position as of September 30, 2018, the related statements of activities, functional expenses and cash flows for the year 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friendship Place as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Friendship Place as of September 30, 2017, were audited by other auditors whose report, dated January 19, 2018, expressed an unmodified opinion on those statements.

Supplementary and Other Information

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 are 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 12, 2019, 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 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.



Vienna, Virginia
March 12, 2019

Friendship Place

Statements of Financial Position September 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,256,244	\$ 794,612
Accounts receivable, net	829,832	1,421,978
Grants receivable	68,000	120,038
Pledges receivable, net - current portion	222,918	596,630
Prepaid expenses	65,337	26,323
Total current assets	2,442,331	2,959,581
Pledges receivable, net - long-term	623,701	577,066
Deposits	135,818	144,510
Property and equipment, net	465,849	511,686
Total assets	\$ 3,667,699	\$ 4,192,843
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 514,958	\$ 543,901
Deferred revenue	-	253,263
Line of credit	-	276,870
Security deposit payable	107,173	111,785
Capital lease obligation, current portion	12,588	19,128
Notes payable, current portion	17,854	8,965
Total current liabilities	652,573	1,213,912
Capital lease obligation, net - long-term	1,827	5,313
Notes payable, net	205,995	220,979
Deferred rent	59,229	24,954
Total liabilities	919,624	1,465,158
Net Assets		
Unrestricted	1,608,358	1,238,427
Temporarily restricted	1,139,717	1,489,258
Total net assets	2,748,075	2,727,685
Total liabilities and net assets	\$ 3,667,699	\$ 4,192,843

See accompanying notes.

Friendship Place

Statement of Activities For the Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and grants	\$ 3,085,377	\$ 623,912	\$ 3,709,289
Fee for service income	4,074,313	-	4,074,313
Federal grants	3,270,862	-	3,270,862
Other income	11,903	-	11,903
Interest income	11,963	-	11,963
Released from restrictions	973,453	(973,453)	-
Total revenue and support	11,427,871	(349,541)	11,078,330
Expenses			
Program services:			
Veterans services	2,856,446	-	2,856,446
Permanent supportive housing	3,050,464	-	3,050,464
Rapid rehousing	1,565,034	-	1,565,034
Employment services	488,931	-	488,931
Welcome center	729,843	-	729,843
Youth services	204,868	-	204,868
Community engagement	87,276	-	87,276
Total program services	8,982,862	-	8,982,862
Supporting services:			
Management and general	1,237,726	-	1,237,726
Fundraising	837,352	-	837,352
Total supporting services	2,075,078	-	2,075,078
Total expenses	11,057,940	-	11,057,940
Change in Net Assets	369,931	(349,541)	20,390
Net Assets, beginning of year	1,238,427	1,489,258	2,727,685
Net Assets, end of year	\$ 1,608,358	\$ 1,139,717	\$ 2,748,075

See accompanying notes.

Friendship Place

Statement of Activities For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and grants	\$ 964,522	\$ 1,709,240	\$ 2,673,762
Fee for service income	5,616,193	-	5,616,193
Federal grants	3,624,401	-	3,624,401
Other income	9,869	-	9,869
Interest income	1,118	-	1,118
Released from restrictions	1,268,126	(1,268,126)	-
Total revenue and support	11,484,229	441,114	11,925,343
Expenses			
Program services:			
Veterans services	3,269,357	-	3,269,357
Permanent supportive housing	2,833,314	-	2,833,314
Rapid rehousing	1,947,437	-	1,947,437
Employment services	517,865	-	517,865
Welcome center	503,042	-	503,042
Youth services	187,946	-	187,946
Community engagement	55,898	-	55,898
Total program services	9,314,859	-	9,314,859
Supporting services:			
Management and general	1,024,927	-	1,024,927
Fundraising	654,205	-	654,205
Total supporting services	1,679,132	-	1,679,132
Total expenses	10,993,991	-	10,993,991
Change in Net Assets	490,238	441,114	931,352
Net Assets, beginning of year	748,189	1,048,144	1,796,333
Net Assets, end of year	\$ 1,238,427	\$ 1,489,258	\$ 2,727,685

See accompanying notes.

Friendship Place

Statement of Functional Expenses
For the Year Ended September 30, 2018

	Program Services								Supporting Services			Total Expenses
	Veterans Services	Permanent Supportive Housing	Rapid Rehousing	Employment Services	Welcome Center	Youth Services	Community Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,106,115	\$ 1,791,422	\$ 483,208	\$ 295,586	\$ 379,047	\$ 155,284	\$ 52,250	\$ 4,262,912	\$ 682,635	\$ 453,733	\$ 1,136,368	\$ 5,399,280
Payroll taxes	87,785	136,304	40,487	22,967	38,381	11,044	4,564	341,532	47,887	36,062	83,949	425,481
Employee benefits	137,398	193,095	32,674	16,666	45,615	12,483	6,727	444,658	73,961	32,878	106,839	551,497
Pension expense	37,711	27,235	11,314	4,034	14,160	-	450	94,904	24,468	13,710	38,178	133,082
Total personnel	1,369,009	2,148,056	567,683	339,253	477,203	178,811	63,991	5,144,006	828,951	536,383	1,365,334	6,509,340
Accounting services	-	20	-	-	-	-	-	20	30,900	-	30,900	30,920
Bank fees and licenses	-	-	-	-	2,502	-	-	2,502	8,529	5,119	13,648	16,150
Client assistance	1,273,511	515,805	818,362	56,290	70,458	20,547	-	2,754,973	-	-	-	2,754,973
Conference and workshops	-	2,270	542	1,504	5,114	149	10,911	20,490	12,010	29,122	41,132	61,622
Depreciation and amortization	-	4,433	-	-	36,395	-	-	40,828	12,588	-	12,588	53,416
Dues and subscriptions	-	-	-	-	1,450	-	-	1,450	673	-	673	2,123
Equipment leases	20,188	19,626	8,958	19,202	8,646	-	826	77,446	11,708	9,312	21,020	98,466
Insurance	-	-	-	-	-	-	-	-	48,387	-	48,387	48,387
Interest	-	-	-	-	12,937	-	-	12,937	678	-	678	13,615
Occupancy	71,249	125,840	100,774	58,889	36,388	-	-	393,140	74,851	51,776	126,627	519,767
Postage and printing	391	1,142	165	1,187	348	-	1,462	4,695	1,471	69,998	71,469	76,164
Professional fees	5,890	91,843	4,875	294	45,267	-	2,789	150,958	135,456	104,409	239,865	390,823
Supplies	10,397	15,485	6,624	4,842	15,845	1,651	5,605	60,449	12,846	14,523	27,369	87,818
Other	2,722	8,089	1,407	1,156	3,618	298	378	17,668	6,379	6,852	13,231	30,899
Telephone, internet, and cable	26,315	40,107	11,977	3,978	9,559	2,038	787	94,761	13,929	5,295	19,224	113,985
Travel	76,774	77,748	43,667	2,336	4,113	1,374	527	206,539	38,370	4,563	42,933	249,472
Total Expenses	\$ 2,856,446	\$ 3,050,464	\$ 1,565,034	\$ 488,931	\$ 729,843	\$ 204,868	\$ 87,276	\$ 8,982,862	\$ 1,237,726	\$ 837,352	\$ 2,075,078	\$ 11,057,940

See accompanying notes.

Friendship Place

Statement of Functional Expenses
For the Year Ended September 30, 2017

	Program Services								Supporting Services			Total Expenses
	Veterans Services	Permanent Supportive Housing	Rapid Rehousing	Employment Services	Welcome Center	Youth Services	Community Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,190,179	\$ 1,659,886	\$ 782,717	\$ 272,777	\$ 263,811	\$ 121,792	\$ 47,442	\$ 4,338,604	\$ 585,780	\$ 360,153	\$ 945,933	\$ 5,284,537
Payroll taxes	97,410	132,248	64,895	22,502	27,878	7,262	1,482	353,677	38,362	31,731	70,093	423,770
Employee benefits	141,074	193,318	83,892	28,287	23,129	12,761	949	483,410	46,758	28,512	75,270	558,680
Pension expense	40,564	23,679	13,618	4,089	8,235	791	306	91,282	24,342	14,899	39,241	130,523
Total personnel	1,469,227	2,009,131	945,122	327,655	323,053	142,606	50,179	5,266,973	695,242	435,295	1,130,537	6,397,510
Accounting services	-	-	-	-	-	-	-	-	29,500	-	29,500	29,500
Bad debt	-	17,028	-	-	-	-	-	17,028	-	-	-	17,028
Bank fees and licenses	-	-	-	-	-	-	-	-	-	4,251	4,251	4,251
Client assistance	1,580,838	478,414	765,736	42,226	37,525	38,069	-	2,942,808	-	-	-	2,942,808
Conference and workshops	1,267	2,012	1,250	24,161	3,064	537	3,045	35,336	14,384	39,365	53,749	89,085
Depreciation and amortization	1,556	4,836	3,340	2,304	36,179	-	-	48,215	-	4,360	4,360	52,575
Dues and subscriptions	-	100	-	176	-	-	-	276	678	1,536	2,214	2,490
Equipment leases	18,497	10,517	18,679	9,953	6,967	119	142	64,874	20,832	5,343	26,175	91,049
Insurance	2,550	-	-	-	-	-	-	2,550	48,937	-	48,937	51,487
Interest	-	216	7,605	-	12,769	-	-	20,590	4,103	3,973	8,076	28,666
Occupancy	72,701	86,558	110,383	58,351	14,368	3,538	-	345,899	52,053	29,098	81,151	427,050
Postage and printing	816	809	430	664	220	-	766	3,705	1,506	45,753	47,259	50,964
Professional fees	6,535	64,805	17,996	28,728	39,569	1,000	1,290	159,923	114,844	66,203	181,047	340,970
Recruiting and background checks	855	2,456	450	473	635	-	-	4,869	4,237	990	5,227	10,096
Supplies	10,995	12,250	16,104	12,581	12,201	540	-	64,671	12,364	5,430	17,794	82,465
Other	1,223	12,032	-	2,307	3,376	32	18	18,988	4,641	7,111	11,752	30,740
Telephone, internet, and cable	26,637	41,310	19,284	4,153	7,735	922	99	100,140	12,354	3,390	15,744	115,884
Travel	75,660	90,840	41,058	4,133	5,381	583	359	218,014	9,252	2,107	11,359	229,373
Total Expenses	\$ 3,269,357	\$ 2,833,314	\$ 1,947,437	\$ 517,865	\$ 503,042	\$ 187,946	\$ 55,898	\$ 9,314,859	\$ 1,024,927	\$ 654,205	\$ 1,679,132	\$ 10,993,991

See accompanying notes.

Friendship Place

Statements of Cash Flows For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 20,390	\$ 931,352
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	53,416	52,575
Amortization of deferred financing costs	360	216
Change in allowance	(23,092)	30,344
Change in discount for pledges receivable	101	9,205
Equipment acquired under capital lease	-	28,128
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	592,146	(536,034)
Grants receivable	52,038	-
Pledges receivable	350,068	(423,483)
Prepaid expenses	(39,014)	43,510
Deposits	8,692	(31,753)
Increase (decrease) in:		
Accounts payable and accrued expenses	(28,943)	42,445
Deferred revenue	(253,263)	(576,613)
Security deposit payable	(4,612)	30,681
Deferred rent	34,275	24,954
	<u>762,562</u>	<u>(374,473)</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activity		
Purchases of property and equipment	(7,579)	(68,584)
	<u>(7,579)</u>	<u>(68,584)</u>
Net cash used in investing activity		
Cash Flows from Financing Activities		
Principal payments – capital lease obligation	(10,026)	(3,687)
Draws on line of credit	-	1,585,000
Payments on line of credit	(276,870)	(1,619,565)
Principal payments – notes payable	(6,455)	(8,027)
	<u>(293,351)</u>	<u>(46,279)</u>
Net cash used in financing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	461,632	(489,336)
Cash and Cash Equivalents, beginning of year	794,612	1,283,948
Cash and Cash Equivalents, end of year	<u>\$ 1,256,244</u>	<u>\$ 794,612</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 13,615</u>	<u>\$ 28,450</u>
Noncash Investing and Financing Transactions		
Lease of equipment:		
Equipment	<u>\$ -</u>	<u>\$ 28,128</u>
Capital lease obligation	<u>\$ -</u>	<u>\$ (28,128)</u>

See accompanying notes.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

1. Nature of Operations

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 mission is to empower people who are experiencing or at risk of homelessness to attain stable housing and rebuild their lives. Friendship Place helped more than 3,770 and 3,500 people in the years ended September 30, 2018 and 2017, respectively, 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 families, youth and veterans.

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, 2018, 533 households were served (encompassing 728 total family members); of those who exited the program during the year, 86 percent graduated to stable permanent housing.

Families First: A pilot 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, 2018, 50 people in 13 families were served; of 13 families who exited all graduated successfully to stable permanent housing.

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 the year ended September 30, 2018, 116 families (encompassing 436 total family members) and 255 individuals were housed, with a housing retention rate of 99 percent.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

1. Nature of Operations (continued)

Program Descriptions (continued)

Rapid Rehousing (RRH)

Rapid Rehousing serves people experiencing homelessness or at imminent risk of eviction 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. During the year ended September 30, 2018, Friendship Place's RRH helped 150 individuals attain stable housing. RRH ended during the year ended September 30, 2018.

Family Connect: Family Connect targets homeless and at-risk families who fall through the cracks in the region's existing housing services, providing comprehensive, individualized case management with a focus on housing and job placement, and with the goal of helping each family attain stable, sustainable permanent housing. During the year ended September 30, 2018, 67 families (encompassing 218 total family members) were enrolled in services. Family Connect ended during the year ended September 30, 2018.

Employment Services

AimHire: Empowers homeless and at-risk 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. During the year ended September 30, 2018, 77 people were placed into jobs, with a 3-month retention rate of 72 percent.

Other Employment Services: Job placement services that are integrated into Friendship Place's other programs placed an additional 149 people into jobs during the year ended September 30, 2018.

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 – those who have been on the streets for an extended period of time, who have mental health and/or substance abuse issues, and who are disconnected from DC's continuum of care. During the year ended September 30, 2018, 122 individuals were served.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

1. Nature of Operations (continued)

Program Descriptions (continued)

Welcome Center (continued)

Drop-in: At Friendship Place's Welcome Center, visitors can help themselves to a cup of coffee, a meal, and free necessities such as toiletries, Metro passes, undergarments, and rain ponchos. 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, 2018, 1,050 individuals received 5,299 total units of service, including 206 who received assistance successfully obtaining vital documents.

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, 2018, 364 consultations were provided.

Transitional Housing and Shelters: In partnership with area congregations, Friendship Place operates four small transitional shelters where residents may stay while they work with a case manager toward their own goals for permanent housing and self-sufficiency. During the year ended September 30, 2018, 25 individuals were served.

Access to Housing: Friendship Place staff can help visitors access housing services anywhere in the District, not just at Friendship Place. During the year ended September 30, 2018, staff conducted housing assessments for 307 individuals and entered them into DC's Coordinated Entry System.

Youth Services

Before Thirty: Provides individualized, person-centered, and developmentally-informed supportive services and counseling to homeless and at-risk 17-29-year-olds. During the year ended September 30, 2018, 48 young people were served, with 11 placed in housing and 8 connected to job opportunities.

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, 2018, 326 youth were served.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

1. Nature of Operations (continued)

Program Descriptions (continued)

Community Engagement

Friendship Place actively solicits the support of volunteers. During the year ended September 30, 2018, 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.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Friendship Place's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of Friendship Place's operations. Unrestricted net assets include both undesignated and Board-designated amounts.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of Friendship Place or by the passage of time.

Cash Equivalents

For the purpose of the statements of cash flows, Friendship Place considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable primarily represents amounts due from program operations and is recorded at net realizable value. 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. At both September 30, 2018 and 2017, the allowance for doubtful accounts totaled \$6,464.

Grants Receivable

Grants receivable consists mainly of amounts to be reimbursed to the Friendship Place for expenses incurred under its agreements with U.S. Department of Veterans Affairs and the U.S. Department of Housing and Urban Development. The entire amount of the grants receivable is expected to be collected within one year, and is recorded at net realizable value. No allowance for doubtful accounts is recorded, as management believes that all amounts are fully collectible.

Pledges Receivable

Pledges receivable represent unconditional promises to give. Amounts to be collected more than a year after the balance sheet date are recorded net of a present value discount. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the promises are to be received. Friendship Place provides an allowance for doubtful pledges using the allowance method, which is based on management's judgment considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the amounts are written off against the related allowance.

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. Leasehold improvements are amortized over the shorter of the lease term or asset life. Minor repairs and maintenance to buildings are charged to expense when incurred.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Restricted Cash

Restricted cash consists of deposits held by Friendship Place on behalf of clients that lease space through Friendship Place. Restricted cash totaled \$107,173 and \$111,783 at September 30, 2018 and 2017, respectively, and is included in deposits in the accompanying statements of financial position.

Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Friendship Place reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Federal and state government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position.

Fee for service income is recognized as revenue when services are performed.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the change in net assets previously reported.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in Friendship Place's fiscal year 2021.

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in Friendship Place's fiscal year 2019.

Subsequent Events

In preparing these financial statements, Friendship Place has evaluated events and transactions for potential recognition or disclosure through March 12, 2019, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject Friendship Place to significant concentrations of credit risk consist of cash and cash equivalents. Friendship Place maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). Friendship Place has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

4. Pledges Receivable

Pledges receivable are promised as follows at September 30:

	2018	2017
Due in one year or less	\$ 301,015	\$ 598,522
Due in one to five years	580,603	549,479
Due in more than five years	107,661	191,346
Total pledges receivable	989,279	1,339,347
Less: allowance for doubtful accounts	(98,838)	(121,930)
Less: present value discount (2%)	(43,822)	(43,721)
Pledges receivable, net	<u>\$ 846,619</u>	<u>\$ 1,173,696</u>

5. Property and Equipment

Property and equipment consists of the following at September 30:

	2018	2017
Land	\$ 95,225	\$ 95,225
Building	380,902	380,902
Building improvements	517,032	509,453
Equipment, furniture and fixtures	45,311	45,311
Equipment, capital lease	28,128	28,128
Automobiles	93,900	93,900
Total property and equipment	1,160,498	1,152,919
Less: accumulated depreciation	(694,649)	(641,233)
Property and equipment, net	<u>\$ 465,849</u>	<u>\$ 511,686</u>

6. Line of Credits

In May 2014, Friendship Place secured a line of credit for up to \$400,000 from PNC Bank. Interest on the line of credit accrues at 0.7 percentage points over Wall Street published prime rate, per annum. As of September 30, 2018 and 2017, the interest rate was 3.90%. The line of credit is secured by the second priority lien on the Welcome Center.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

6. Line of Credits (continued)

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. During fiscal year 2018, Friendship Place paid off this line of credit and closed the instrument. As of September 30, 2018 and 2017, the outstanding principal balance was \$-0- and \$276,870, respectively.

In August 2018, Friendship Place secured a new line of credit with Capital One Bank for \$700,000. Interest on this instrument will accrue at 5% per year. Payment of all unpaid principal and interest is due on demand, or at the latest on June 28, 2019. At September 30, 2018, there was no balance on this line of credit.

7. Notes Payable

In February 2012, Friendship Place received a modification on the note with PNC Bank for the property at 4713 Wisconsin Avenue, Washington, DC also called the "Welcome Center," dated May 2009, whereby the rate of interest was reduced from 5.75% to 5.00% 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 was due. This note is secured by the first deed of trust on the building. The note was refinanced in August 2018.

In August 2018, Friendship Place refinanced the Welcome Center note dated May 2014, with Capital One Bank for the principal amount of \$255,000, with a fixed interest rate of 4.75% per annum. Monthly payments on this note including principal and interest of \$1,465 until June 2028, when the remainder of the principal and any unpaid interest is due. This note is secured by the first deed of trust on the building.

As of September 30, 2018 and 2017, the outstanding principal balance on the notes was \$223,849 and \$229,944, respectively.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

7. Notes Payable (continued)

Future minimum payments on this note are as follows for the years ending September 30:

2019	\$	17,584
2020		17,584
2021		17,584
2022		17,584
2023		17,584
Thereafter		221,927
Total minimum notes payable		309,847
Less: amount representing interest		(85,998)
Net present value of minimum note payments		\$ 223,849

8. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes at September 30:

	2018	2017
Homeless and residential	\$ 71,185	\$ 132,909
Homeless Veterans Initiative	17,979	38,188
Professional development	-	2,968
Youth programs	161,449	143,144
Client education	8,306	32,053
Housing (CHT)	18,883	50,683
Space planning (Share Fund)	15,296	19,783
Neighbors First (Welcome Center)	-	15,872
Time restricted	846,619	1,053,658
Total temporarily restricted net assets	\$ 1,139,717	\$ 1,489,258

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

9. Commitments and Contingencies

Operating Leases

Friendship Place has entered into multiple long-term and annual leases for office space at various locations that have various expiration dates.

On August 8, 2016, Friendship Place entered into a lease for sixty-two months (commencing November 1, 2016) for a location 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 location at Bladensburg Road, NE. Commencing in 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.

Friendship Place also leases a number of residential properties that are used in their housing programs. These units are, in turn, utilized to provide temporary housing assistance in fulfillment of program objectives. All leases are operating leases and the original terms lease the space on a month-to-month basis.

The future commitments under the long-term leases are as follows for the years ending September 30:

	3655 Calvert St.	Alexandria Suite A214	1033-35 Bladensburg Rd.	5100 Wisconsin Ave.	Total
2019	\$ 9,600	\$ 5,775	\$ 155,676	\$ 113,116	\$ 284,167
2020	-	-	160,346	116,227	276,573
2021	-	-	165,156	119,423	284,579
2022	-	-	27,660	30,471	58,131
Total future lease payments	\$ 9,600	\$ 5,775	\$ 508,838	\$ 379,237	\$ 903,450

Occupancy expenses including utility payments totaled \$519,767 and \$427,050 for the years ended September 30, 2018 and 2017, respectively.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

9. Commitments and Contingencies (continued)

Capital Lease

Friendship Place is the lessee of office equipment under capital leases expiring in various years through November 2019. The assets and obligations under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Amortization of capital leased equipment included in depreciation and amortization expense for the years ended September 30, 2018 and 2017 totaled \$12,588 and \$11,560, respectively. Accumulated amortization as of September 30, 2018 and 2017 of capital leased equipment was \$24,148 and \$11,560, respectively.

Future minimum lease payments under the capital leases for the years ending September 30 are as follows:

2019	\$	12,588
2020		<u>2,098</u>
Total minimum lease payments		14,686
Less: amount representing interest		<u>(271)</u>
Net present value of minimum lease payments	\$	<u><u>14,415</u></u>

Federal and State Grants

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are closed out, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

10. Retirement 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 years ended September 30, 2018 and 2017, Friendship Place matched 5% of compensation and pension expense totaled \$133,082 and \$130,523, respectively.

Friendship Place

Notes to Financial Statements
September 30, 2018 and 2017

11. Income Taxes

Friendship Place is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. For the years ended September 30, 2018 and 2017, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to Friendship Place are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated Friendship Place's tax positions and concluded that the financial statements do not include any uncertain tax positions.

**SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED
BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' 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 of
Friendship Place

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, which comprise the statement of financial position as of September 30, 2018, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2019.

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 of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

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 or 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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
March 12, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Friendship Place

Report on Compliance for the 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 Friendship Place's major federal program for the year ended September 30, 2018. Friendship Place's major federal program is identified in the summary of auditors' 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 compliance for Friendship Place's major federal program 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 the major federal program. However, our audit does not provide a legal determination of Friendship Place's compliance.

Opinion on the 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 its major federal program for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of Friendship Place is responsible for establishing and maintaining effective internal control over compliance with the 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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.

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.



Vienna, Virginia
March 12, 2019

Friendship Place

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass- Through Grant Number	Federal CFDA Number	Federal Expenditures	Subrecipient Awards
U.S. Department of Veteran Affairs				
VA Supportive Services for Veteran Families Program		64.033	\$ 2,536,500	\$ -
VA Supportive Services for Veteran Families Program		64.033	398,780	-
Total U.S. Department of Veteran Affairs			<u>2,935,280</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
<i>Pass-Through From The Community Partnership for the Prevention of Homelessness:</i>				
Supportive Housing Program, Bridges Project I	DC0005L3G001609	14.235	103,142	-
Supportive Housing Program, Bridges Project II	DC0005L3G001609	14.235	133,201	-
Supportive Housing Program, Shelter Plus Care	SS16-07-CCFP-SPC	14.235	99,239	-
Total U.S. Department of Housing and Urban Development			<u>335,582</u>	<u>-</u>
Total expenditures of federal awards			<u><u>\$ 3,270,862</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

Friendship Place

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2018

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Friendship Place under the programs of the federal government for the year ended September 30, 2018. The information in the SEFA is presented in accordance with the 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). Because the SEFA presents only a selected portion of the operations of Friendship Place, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Friendship Place.

2. **Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

3. **Indirect Cost Rates**

Friendship Place records its expenditures of federal awards using the indirect cost and fringe benefit rates per the non-profit rate agreement with the federal government which was approved in accordance with the authority in the Uniform Guidance. Friendship Place has elected to use the 10% *de minimis* indirect cost rate, which is allowed in accordance with the Uniform Guidance.

Friendship Place

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2018

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of the major program:

CFDA Number	Name of Federal Program or Cluster
64.033	VA Supportive Services for Veteran Families Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Friendship Place

Schedule of Findings and Questioned Costs (continued)
For the Year Ended September 30, 2018

Findings - Financial Statement Audit

There were no financial statement findings reported during the 2018 audit.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no federal award findings or questioned costs reported during the 2018 audit.

Friendship Place

Corrective Action Plan For the Year Ended September 30, 2018

There were no findings for the year ending September 30, 2018 and therefore, a corrective action plan was not needed.

Friendship Place

Schedule of Prior Audit Findings
For the Year Ended September 30, 2018

There were no federal award findings or questioned costs reported for the 2017 audit.