

Friendship Place

Financial Statements
Including Uniform Guidance Reports
and Independent Auditor's Report

September 30, 2023 and 2022

Friendship Place

Financial Statements
September 30, 2023 and 2022

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
Friendship Place

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Friendship Place, which comprise the statements of financial position as of September 30, 2023 and 2022; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friendship Place as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friendship Place and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Friendship Place adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*, and all subsequent ASUs that modified ASC 842. Friendship Place has applied the modified retrospective method to adopt this standard during the year ended September 30, 2023, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friendship Place's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friendship Place's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friendship Place's ability to continue as a going concern for a reasonable period of time.

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

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 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 accompanying supplementary 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 [Date of Report] 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 solely 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 effectiveness of Friendship Place's 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 27, 2024

Friendship Place

Statements of Financial Position September 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 2,363,115	\$ 5,948,500
Accounts receivable	348	348
Grants receivable	1,387,035	1,554,272
Contributions receivable, net	306,763	544,855
Investments	3,491,900	-
Prepaid expenses	37,196	29,668
Deposits and other assets	69,239	82,937
Property and equipment, net	1,009,393	1,020,564
Right-of-use assets – operating leases	1,376,634	-
	\$ 10,041,623	\$ 9,181,144
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,175,009	\$ 777,613
Refundable advances	-	40,658
Security deposit payable	96,306	120,211
Deferred rent	-	21,768
Lease liabilities – operating leases	1,410,079	-
	2,681,394	960,250
Net Assets		
Without donor restrictions	5,709,774	6,175,374
With donor restrictions	1,650,455	2,045,520
	7,360,229	8,220,894
Total net assets	7,360,229	8,220,894
Total liabilities and net assets	\$ 10,041,623	\$ 9,181,144

See accompanying notes.

Friendship Place

Statement of Activities For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and foundation grants	\$ 2,368,174	\$ 402,993	\$ 2,771,167
Federal grants	10,464,075	-	10,464,075
Fee for service income	7,415,699	-	7,415,699
Investment return, net	114,613	-	114,613
Other income	2,888	-	2,888
Released from restrictions	798,058	(798,058)	-
Total revenue and support	21,163,507	(395,065)	20,768,442
Expenses			
Program services:			
Veterans services	7,748,500	-	7,748,500
Permanent supportive housing	5,381,443	-	5,381,443
Short-term family facility	3,301,386	-	3,301,386
Outreach services	2,128,779	-	2,128,779
Volunteer and community engagement	211,746	-	211,746
Total program services	18,771,854	-	18,771,854
Supporting services:			
Management and general	1,833,043	-	1,833,043
Fundraising	1,024,210	-	1,024,210
Total supporting services	2,857,253	-	2,857,253
Total expenses	21,629,107	-	21,629,107
Change in Net Assets	(465,600)	(395,065)	(860,665)
Net Assets, beginning of year	6,175,374	2,045,520	8,220,894
Net Assets, end of year	\$ 5,709,774	\$ 1,650,455	\$ 7,360,229

See accompanying notes.

Friendship Place

Statement of Activities For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and foundation grants	\$ 2,260,566	\$ 895,202	\$ 3,155,768
Federal grants	6,528,902	-	6,528,902
Fee for service income	8,004,726	-	8,004,726
Investment return, net	6,117	-	6,117
Other income	49,173	-	49,173
Released from restrictions	707,071	(707,071)	-
Total revenue and support	17,556,555	188,131	17,744,686
Expenses			
Program services:			
Veterans services	6,177,825	-	6,177,825
Permanent supportive housing	4,087,252	-	4,087,252
Short-term family facility	2,983,499	-	2,983,499
Outreach services	1,748,283	-	1,748,283
Volunteer and community engagement	177,838	-	177,838
Total program services	15,174,697	-	15,174,697
Supporting services:			
Management and general	1,490,265	-	1,490,265
Fundraising	1,084,696	-	1,084,696
Total supporting services	2,574,961	-	2,574,961
Total expenses	17,749,658	-	17,749,658
Change in Net Assets	(193,103)	188,131	(4,972)
Net Assets, beginning of year	6,368,477	1,857,389	8,225,866
Net Assets, end of year	\$ 6,175,374	\$ 2,045,520	\$ 8,220,894

See accompanying notes.

Friendship Place

Statement of Functional Expenses
For the Year Ended September 30, 2023

	Program Services					Supporting Services				Total Expenses
	Veterans Services	Permanent Supportive Housing	Short-Term Family Facility	Outreach Services	Volunteer and Community Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,669,848	\$ 3,470,849	\$ 1,119,209	\$ 921,206	\$ 170,327	\$ 8,351,439	\$ 764,802	\$ 530,942	\$ 1,295,744	\$ 9,647,183
Payroll taxes	191,895	274,969	94,963	88,871	13,668	664,366	87,142	42,775	129,917	794,283
Employee benefits	299,419	262,521	75,758	109,938	19,250	766,886	204,387	36,919	241,306	1,008,192
Pension expense	41,748	24,054	14,293	18,399	8,476	106,970	30,023	19,450	49,473	156,443
Total personnel	3,202,910	4,032,393	1,304,223	1,138,414	211,721	9,889,661	1,086,354	630,086	1,716,440	11,606,101
Accounting services	-	-	-	-	-	-	30,071	-	30,071	30,071
Bank fees and licenses	4,971	1,371	64	748	-	7,154	9,416	26,015	35,431	42,585
Client assistance	4,163,271	749,225	148,291	813,761	-	5,874,548	3,593	-	3,593	5,878,141
Conference and workshops	6,749	2,275	645	3,408	-	13,077	3,007	48,290	51,297	64,374
Depreciation and amortization	-	3,320	14,175	-	-	17,495	49,730	-	49,730	67,225
Dues and subscriptions	395	735	-	222	-	1,352	3,652	2,926	6,578	7,930
Equipment leases	9,241	8,725	4,894	6,906	-	29,766	-	4,637	4,637	34,403
Insurance	3,493	966	-	547	-	5,006	113,503	391	113,894	118,900
Occupancy	243,086	205,473	22,846	75,108	-	546,513	146,339	3,270	149,609	696,122
Postage and printing	3,112	8,484	1,383	2,830	-	15,809	11,119	63,835	74,954	90,763
Professional fees	26,457	189,476	1,740,956	40,531	-	1,997,420	235,296	178,709	414,005	2,411,425
Supplies	22,367	112,635	33,512	20,628	-	189,142	100,998	57,852	158,850	347,992
Other	-	124	186	27	-	337	1,564	564	2,128	2,465
Telephone, internet, and cable	32,318	53,993	29,821	20,432	25	136,589	28,900	4,466	33,366	169,955
Travel	30,130	12,248	390	5,217	-	47,985	9,501	3,169	12,670	60,655
Total Expenses	\$ 7,748,500	\$ 5,381,443	\$ 3,301,386	\$ 2,128,779	\$ 211,746	\$ 18,771,854	\$ 1,833,043	\$ 1,024,210	\$ 2,857,253	\$ 21,629,107

See accompanying notes.

Friendship Place

Statement of Functional Expenses
For the Year Ended September 30, 2022

	Program Services					Supporting Services			Total Expenses	
	Veterans Services	Permanent Supportive Housing	Short-Term Family Facility	Outreach Services	Volunteer and Community Engagement	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 2,123,413	\$ 2,591,163	\$ 1,206,017	\$ 764,390	\$ 145,426	\$ 6,830,409	\$ 717,623	\$ 520,390	\$ 1,238,013	\$ 8,068,422
Payroll taxes	178,916	251,967	117,789	88,770	14,549	651,991	80,641	47,227	127,868	779,859
Employee benefits	187,431	203,751	72,716	87,594	14,255	565,747	32,350	33,184	65,534	631,281
Pension expense	41,060	21,953	16,752	15,012	-	94,777	25,828	24,628	50,456	145,233
Total personnel	2,530,820	3,068,834	1,413,274	955,766	174,230	8,142,924	856,442	625,429	1,481,871	9,624,795
Accounting services	-	-	-	-	-	-	41,165	-	41,165	41,165
Bank fees and licenses	7,786	317	204	-	-	8,307	6,681	26,429	33,110	41,417
Client assistance	3,186,472	453,980	125,543	572,500	-	4,338,495	-	-	-	4,338,495
Conference and workshops	2,913	2,079	2,392	1,742	-	9,126	7,082	128,764	135,846	144,972
Depreciation and amortization	-	-	14,175	-	-	14,175	41,687	-	41,687	55,862
Dues and subscriptions	191	588	284	171	-	1,234	7,504	3,305	10,809	12,043
Equipment leases	5,555	7,032	4,696	5,728	-	23,011	207	5,079	5,286	28,297
Insurance	16,797	38,161	16,890	14,221	3,164	89,233	11,329	6,328	17,657	106,890
Occupancy	201,787	279,332	33,677	47,931	-	562,727	101,219	2,048	103,267	665,994
Postage and printing	8,320	13,087	253	1,257	-	22,917	3,456	61,813	65,269	88,186
Professional fees	76,606	82,156	1,281,732	72,629	-	1,513,123	313,270	192,038	505,308	2,018,431
Supplies	54,883	79,395	55,879	45,895	81	236,133	73,654	22,155	95,809	331,942
Other	-	167	5,753	930	-	6,850	2,907	1,564	4,471	11,321
Telephone, internet, and cable	35,891	50,595	27,945	20,361	363	135,155	18,001	3,312	21,313	156,468
Travel	49,804	11,529	802	9,152	-	71,287	5,661	6,432	12,093	83,380
Total Expenses	\$ 6,177,825	\$ 4,087,252	\$ 2,983,499	\$ 1,748,283	\$ 177,838	\$ 15,174,697	\$ 1,490,265	\$ 1,084,696	\$ 2,574,961	\$ 17,749,658

See accompanying notes.

Friendship Place

Statements of Cash Flows For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (860,665)	\$ (4,972)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	67,225	55,862
Donations of property and equipment – condominium	-	(526,835)
Change in allowance for contributions receivable	24,349	(18,163)
Change in discount for contributions receivable	9,321	19,475
Net realized and unrealized gain on investments	(30,168)	-
Amortization of right-of-use assets – operating leases	390,192	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	-	182
Grants receivable	167,237	(575,905)
Contributions receivable	204,422	148,441
Prepaid expenses	(7,528)	86,719
Deposits and other assets	13,698	(31,770)
Increase (decrease) in:		
Accounts payable and accrued expenses	397,396	(106,549)
Refundable advances	(40,658)	(164,535)
Security deposit payable	(23,905)	(10,798)
Deferred rent	-	404
Lease liabilities – operating leases, net	(378,515)	-
Net cash used in operating activities	(67,599)	(1,128,444)
Cash Flows from Investing Activities		
Purchases of property and equipment	(56,054)	(132,843)
Purchases of investments	(4,324,312)	-
Proceeds from sale of investments	862,580	-
Net cash used in investing activities	(3,517,786)	(132,843)
Net Decrease in Cash and Cash Equivalents	(3,585,385)	(1,261,287)
Cash and Cash Equivalents, beginning of year	5,948,500	7,209,787
Cash and Cash Equivalents, end of year	\$ 2,363,115	\$ 5,948,500
Noncash Transactions Arising from ASC 842 Adoption:		
Establishment of right-of-use assets – operating leases	\$ 1,766,826	\$ -
Establishment of lease liabilities – operating leases	\$ 1,784,611	\$ -

See accompanying notes.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

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. Friendship Place'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 4,993 and 4,497 people in the years ended September 30, 2023 and 2022, 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.

Friendship Place administers the following programs:

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% of the Area Median Income) and serves the District of Columbia and eight surrounding counties in Maryland and Virginia. The program received additional funding from the U.S. Department of Veterans Affairs for a long-term shallow subsidy initiative for single veteran households in the District of Columbia. During the year ended September 30, 2023, 531 households were served (encompassing 709 total family members) through all services; of those who exited the program during the year, 95% graduated 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 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.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

1. Nature of Operations (continued)

Permanent Supportive Housing (PSH) (continued)

During the year ended September 30, 2023, 178 PSH families and 355 PSH individuals were housed. PSH housing programs ended the fiscal year with a housing retention rate of 97%. Valley Place Bridge Housing programming supported 110 individuals.

Short-Term Family Facility

The Brooks: The short-term family housing facility was opened in April 2020 as part of the District's efforts to end homelessness among families. With the capacity to serve up to 50 families at a time, The Brooks is designed to address the needs of resident families with wrap-around supportive services, clinical supports, child programming, and housing-solutions with a goal of moving families from shelter to stable housing within 90 days of entry. During the year ended September 30, 2023, 141 families were served (encompassing 460 total persons), and 103 households exited (67% to stable housing and 63% of families exited in less than 90 days).

Outreach Services

Outreach services include employment services, welcome center, and youth services as follows:

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, 2023, 204 people were placed into jobs, with a three-month retention rate of 95%.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

1. Nature of Operations (continued)

Outreach Services (continued)

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, 2023, 129 individuals were served.
- *Drop-in:* Through 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 or do laundry, receive mail, and meet with a case manager to take steps to rebuild their lives. During the year ended September 30, 2023, 1,015 individuals received service, including 180 who received assistance to successfully obtain 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. Services were scaled during the year due to COVID-19 and the availability of practitioners.
- *Access to Housing:* Friendship Place’s staff can help visitors access housing services anywhere in the District, not just at Friendship Place.

Youth Services

- *Before Thirty:* Provides individualized, person-centered, and developmentally-informed supportive services and counseling to homeless and at-risk 17- to 29-year-olds. During the year ended September 30, 2023, 65 young people were served. 66% reported progress towards at least one financial, educational, employment, or health goal.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

1. Nature of Operations (continued)

Outreach Services (continued)

Youth Services (continued)

- *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, 2023, 158 youth were served.

Volunteer and Community Engagement

Friendship Place actively solicits the support of volunteers. During the year ended September 30, 2023, more than 1,024 people provided volunteer service in every program and at every level of the organization, providing over 10,240 volunteer hours. 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, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Friendship Place reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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 90 days or less at the time of purchase.

Restricted Cash

Restricted cash consists of deposits held by Friendship Place on behalf of clients that lease space through Friendship Place. Restricted cash totaled \$181,201 and \$188,980 at September 30, 2023 and 2022, respectively, and is included in cash and cash equivalents in the accompanying statements of financial position.

Accounts Receivable

Accounts receivable primarily represent amounts due from program operations and are recorded at net realizable value. Friendship Place writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based on management's best estimate of the outstanding uncollectible accounts. At September 30, 2023 and 2022, management deems all accounts receivable to be fully collectible, and no allowance for uncollectible accounts was established.

Grants Receivable

Grants receivable consist mainly of amounts to be reimbursed to Friendship Place for expenses incurred under its agreements with the U.S. Department of Veterans Affairs and the U.S. Department of Housing and Urban Development. The entire amount is expected to be collected within one year, and is recorded at net realizable value. At September 30, 2023 and 2022, management deems all grants receivable to be fully collectible, and no allowance for uncollectible accounts was established.

Contributions Receivable

Contributions receivable represent unconditional promises to be paid in future periods and are recorded at net present value. Contributions due in more than one year are discounted to present value based on management's estimate of the risk-adjusted rate of return.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable (continued)

Friendship Place provides an allowance for doubtful contributions 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.

Investments

Investments are recorded at fair value based on quoted market prices. All interests and dividends, and realized and unrealized gains and losses, net of investment management fees, are reported in net investment return in the accompanying statements of activities.

Property and Equipment

Property and equipment acquisitions with a cost in excess of \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the individual assets, which range from three to 27.5 years. Leasehold improvements are stated at cost, and are amortized using the straight-line method over the shorter of their estimated useful lives or the term of the lease. Repairs and maintenance costs are expensed as incurred.

Operating Leases

Friendship Place determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, which represent Friendship Place's right to use an underlying asset for the lease term, and lease liabilities represent Friendship Place's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As Friendship Place's leases do not provide an implicit rate, Friendship Place used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. Friendship Place's lease terms may include options to extend or terminate the lease when it is reasonably certain that Friendship Place will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions and Foundation Grants

Friendship Place recognizes contributions and grants when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Federal Grants

A portion of Friendship Place's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Friendship Place has incurred expenditures in compliance with specific grant provisions. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the accompanying statements of financial position.

Fee for Service Contract Income

Fee for service income is recognized as revenue when services are performed, which is when the sole performance obligation is satisfied.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred.

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.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications have no effect on the change in net assets previously reported.

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. The update requires a lessee to recognize an ROU 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 for Friendship Place's fiscal year ended September 30, 2023. Friendship Place adopted ASC 842 during the year ended September 30, 2023, and adjusted the presentation in the financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

Subsequent Events

In preparing these financial statements, Friendship Place has evaluated events and transactions for potential recognition or disclosure through March 27, 2024, the date the financial statements were available to be issued.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

3. Liquidity and Availability

Friendship Place strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. As part of this liquidity management, Friendship Place invests cash in excess of daily requirements in various cash equivalents and investments. As described in Note 8 to the financial statements, Friendship Place also has a committed line of credit in the amount of \$700,000, which it could draw upon in the event of an unanticipated liquidity need. There was no outstanding balance on this line of credit at both September 30, 2023 and 2022.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at September 30:

	2023	2022
Cash and cash equivalents	\$ 2,363,115	\$ 5,948,500
Accounts receivable	348	348
Grants receivable	1,387,035	1,554,272
Contributions receivable, net	306,763	544,855
Investments	3,491,900	-
Total financial assets	7,549,161	8,047,975
Less: restricted by donors	(1,650,455)	(2,045,520)
Total available for general expenditures	<u>\$ 5,898,706</u>	<u>\$ 6,002,455</u>

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject Friendship Place to significant concentrations of credit risk consist of cash and cash equivalents, and investments. Friendship Place maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). Friendship Place has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC 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, 2023 and 2022

4. Concentrations of Risk (continued)

Revenue and Receivable Risk

During the years ended September 30, 2023 and 2022, 50% and 37%, respectively, of Friendship Place's revenue and support was provided by federal grants. Any significant reduction in revenue and support may significantly impact Friendship Place's financial position and operations. Friendship Place was owed \$604,905 and \$352,922 from federal donors, which accounted for 44% and 23% of grants receivable at September 30, 2023 and 2022, respectively.

5. Investments and Fair Value Measurements

Net investment return consist of the following for the years ended September 30:

	2023	2022
Interest and dividend income	\$ 91,946	\$ 6,117
Unrealized gain	30,168	-
Less: investment management fees	(7,501)	-
Total investment return, net	<u>\$ 114,613</u>	<u>\$ 6,117</u>

Friendship Place follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Friendship Place recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

5. Investments and Fair Value Measurements (continued)

In general, and where applicable, Friendship Place uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. When quoted market prices for similar assets are available in markets that are not active, securities are classified within Level 2 of the valuation hierarchy. Level 2 includes U.S. Treasuries.

The following table presents Friendship Place's fair value hierarchy for those investments measured on a recurring basis at September 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 34,393	\$ -	\$ -	\$ 34,393
Exchange-traded funds	939,828	-	-	939,828
Fixed income:				
U.S Treasuries	-	2,517,679	-	2,517,679
Total investments	\$ 974,221	\$ 2,517,679	\$ -	\$ 3,491,900

Friendship Place did not have investments at September 30, 2022.

6. Contributions Receivable

Contributions receivable are promised as follows at September 30:

	2023	2022
Due in one year or less	\$ 168,087	\$ 166,000
Due in one to five years	279,821	486,330
Total contributions receivable	447,908	652,330
Less: allowance for doubtful accounts	(89,582)	(65,233)
Less: present value discount (2% - 5%)	(51,563)	(42,242)
Contributions receivable, net	\$ 306,763	\$ 544,855

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

7. Property and Equipment

Property and equipment consists of the following at September 30:

	2023	2022
Land	\$ 95,225	\$ 95,225
Buildings	380,902	380,902
Building improvements	637,962	609,913
Condominium	526,835	526,835
Leasehold improvements	10,404	10,404
Equipment, furniture, and fixtures	73,317	45,311
Automobiles	132,315	132,315
Total property and equipment	1,856,960	1,800,905
Less: accumulated depreciation	(847,567)	(780,341)
Property and equipment, net	<u>\$ 1,009,393</u>	<u>\$ 1,020,564</u>

During the year ended September 30, 2022, Friendship Place received a donation of real property consisting of a condominium to be used to house a veteran served by Friendship Place's Veterans' Program. The appraised value at the time of donation (after closing costs) amounted to \$526,835 and is included in property and equipment in the accompanying statements of financial position. The same donor also established a donor-restricted Military Veterans' Assistance Fund ("the Fund") in conjunction with this gift. Refer to Note 10 for further information on this endowment.

8. Line of Credit

In August 2021, Friendship Place secured a revolving line of credit with Presidential Bank in the amount of \$700,000, payable on demand. Amounts borrowed under this agreement will be charged .50% per annum above the Wall Street Journal Program Rate; however, the rate will not fall below 3.75%. The line is collateralized by the assets of Friendship Place. There was no outstanding balance on this line of credit at both September 30, 2023 and 2022.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

9. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at September 30:

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Homeless and residential	\$ 417,043	\$ 677,083
Youth programs	328,296	233,932
Professional development	26,111	44,342
Client education	-	9,427
Homeless Veterans Initiative	565,657	530,785
Time restricted	306,763	544,855
Endowment – Military Veterans’ Assistance Fund	<u>6,585</u>	<u>5,096</u>
Total net assets with donor restrictions	<u>\$ 1,650,455</u>	<u>\$ 2,045,520</u>

10. Endowment

In connection with the condominium gift in 2022, the donor established a fund for other restricted activities related to veterans’ services (the “Fund”). An initial and subsequent contributions of \$5,096 and \$1,493 were made, representing the corpus of the gift. Since the Fund is effectively perpetual, it is technically treated as endowment under accounting principles accepted in the United States. Friendship Place has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary. Friendship Place follows a conservative investment policy for the endowment fund that attempts to preserve fully the original corpus and optimize returns. Changes in the Fund following the initial and subsequent contributions are not material. During the year ended September 30, 2022, Friendship Place received a \$5,096 donor-restricted contribution to establish the Fund to be held in perpetuity, the earnings, along with a percentage of the Fund’s balance at the beginning of the previous fiscal year, can be used in accordance with the donors’ intent.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

10. Endowment (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor, or UPMIFA, requires Friendship Place to retain as funds of perpetual duration. Deficiencies result from unfavorable market fluctuations that occurred after the investment of restricted contributions. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. As of September 30, 2023 and 2022, there were no such deficiencies.

11. Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries, payroll taxes, employee benefits, pension expense, conference and workshops, dues and subscriptions, occupancy, postage and printing, professional fees, supplies, telephone, internet, and cable, and travel, which are allocated on the basis of estimates of time and effort.

12. Commitments and Contingencies

Operating Leases

In October 2016, Friendship Place entered into an agreement to lease office space at Bladensburg Road, NE under the terms of an operating lease that commenced on October 11, 2016 and expired on October 11, 2021. The terms of the lease included fixed base rental payments of \$12,288 due monthly, with annual escalations of 3%. The lease expired in fiscal year 2022 and was not renewed.

In March 2019, Friendship Place entered into an agreement to lease office space at 1140 3rd Street, NE under the terms of an operating lease that commenced on March 1, 2019 and expired on March 31, 2022. The terms of the lease included incentives in the form of a half-month rental abatement of the first month's payment. The terms of the lease included fixed base rental payments of \$12,648 due monthly, with annual escalations of 4%. The lease expired in fiscal year 2022 and was not renewed.

In December 2021, Friendship Place entered into an agreement to lease office space at 1436 U Street, NW under the terms of an operating lease that commenced on January 1, 2022 and is set to expire on December 31, 2026. The terms of the lease include fixed base rental payments of \$28,720 due monthly, with annual escalations of 3%.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

12. Commitments and Contingencies (continued)

Operating Leases (continued)

In April 2022, Friendship Place entered into an agreement to lease office space at 8957 Edmonston Road under the terms of an operating lease that commenced on July 1, 2022 and expired on June 30, 2023. The terms of the lease included fixed base rental payments of \$1,320 due monthly. In May 2023, Friendship Place entered into another one-year lease for office space at 8957 Edmonston Road, with an expiration date of June 30, 2024. The terms of the lease include fixed base rental payments of \$1,400 due monthly.

In August 2022, Friendship Place entered into an agreement to lease office space at 1020 North Fairfax Street under the terms of an operating lease that commenced on October 1, 2022 and is set to expire on September 30, 2028. The terms of the lease include fixed base rental payments of \$3,050 due monthly, with annual escalations of 4%.

The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as deferred rent in the accompanying statements of financial position at September 30, 2022 under ASC 840.

Rent expenses under these leases totaled \$508,363 and \$486,291 for the years ended September 30, 2023 and 2022, respectively, which is included in occupancy expenses in the statements of functional expenses.

Friendship Place also leases certain office equipment under operating leases expiring through January 2026.

Supplemental qualitative information related to the operating leases are as follows:

Lease cost		
Operating leases cost	\$	425,345
Cash paid for amounts included in the measurement of lease liabilities –		
operating cash flows from operating leases	\$	416,708
ROU assets obtained in exchange for new operating lease liabilities	\$	1,766,826
Weighted-average remaining lease term for operating leases (in years)		3.3
Weighted-average discount rate for operating leases		4.18%

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

12. Commitments and Contingencies (continued)

Operating Leases (continued)

Maturities of the lease liabilities under the operating leases are as follows for the years ending September 30:

2024	\$	422,104
2025		431,178
2026		428,333
2027		139,791
2028		3,710
		<hr/>
Total minimum lease payments		1,425,116
Less: discount to present value at 4.18%		(15,037)
		<hr/>
Present value of operating lease liabilities	\$	<u>1,410,079</u>

Federal 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.

13. Retirement Plan

Friendship Place maintains a 403(b) annuity retirement plan for its employees. Friendship Place may make a discretionary employer matching contribution up to a specified dollar amount or percentage of a participating employee's compensation, as determined by the Board of Directors. Employees must complete 12 consecutive months of service and must have worked at least 20 hours a week, or 1,000 hours during the year, to be eligible for the matching contribution. During the years ended September 30, 2023 and 2022, Friendship Place matched 5% of compensation and pension expense totaling \$156,443 and \$145,232, respectively.

Friendship Place

Notes to Financial Statements
September 30, 2023 and 2022

14. 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 Internal Revenue Code (IRC). For the years ended September 30, 2023 and 2022, 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 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 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, 2023; 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 March 27, 2024.

Report on 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”) as a basis for designing 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.

Report on Internal Control over Financial Reporting (continued)

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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 organization’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.

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

Vienna, Virginia
March 27, 2024

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 of
Friendship Place

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Friendship Place’s compliance with the types of compliance requirements identified as subject to audit 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, 2023. Friendship Place’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Friendship Place and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Friendship Place’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Friendship Place's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Friendship Place's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Friendship Place's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Friendship Place's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Friendship Place's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Friendship Place's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

Vienna, Virginia
March 27, 2024

Friendship Place

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Veterans Affairs				
VA Supportive Services for Veteran Families Program	64.033	n/a	\$ -	\$ 7,448,287
Total U.S. Department of Veterans Affairs			-	7,448,287
U.S. Department of Housing and Urban Development				
<i>Pass-Through from the Community Partnership for the Prevention of Homelessness:</i>				
Supportive Housing Program	14.235	DC0005L3G002215	-	302,171
Continuum of Care Program	14.267	DC0100L3G002004	-	219,610
Total U.S. Department of Housing and Urban Development			-	521,781
U.S. Department of Labor				
Homeless Veterans Reintegration Program	17.805	n/a	-	265,855
Total U.S. Department of Labor			-	265,855
U.S. Department of Health and Human Services				
Medical Assistance Program	93.778	n/a	-	2,063,134
Total U.S. Department of Health and Human Services			-	2,063,134
U.S. Department of Treasury				
<i>Pass-Through from the Department of Employment Services – DC Government:</i>				
Jobs First DC Pilot Program	21.027	DOES-JFDC-2022-01	-	165,018
Total U.S. Department of Treasury			-	165,018
Total Expenditures of Federal Awards			\$ -	\$ 10,464,075

Friendship Place

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2023

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, 2023. 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 in the SEFA 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 expenditures are not allowable or are limited as to reimbursement.

3. **Indirect Cost Rate**

Friendship Place has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Friendship Place

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2023

Section I – Summary of Auditor’s 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 programs:

- 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 programs: 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 programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster Title</u>
64.033	VA Supportive Services for Veteran Families Program
93.778	Medical Assistance 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, 2023

Section II – Findings – Financial Statement Audit

There were no financial statement findings reported during the 2023 audit.

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings or questioned costs over major federal awards reported during the 2023 audit.

Friendship Place

Corrective Action Plan For the Year Ended September 30, 2023

There were no findings for the year ended September 30, 2023, and therefore, a corrective action plan was not needed.

Friendship Place

Schedule of Prior Audit Findings For the Year Ended September 30, 2023

There were no findings or questioned costs reported for the year ended September 30, 2022 audit.