



## Friendship House, Incorporated and Subsidiary

Consolidated Financial Statements  
Year Ended December 31, 2021



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

215/567-7770 | [bbdcpa.com](http://bbdcpa.com)

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## CONTENTS

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INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
<i>Consolidated Statement of Financial Position</i>	4
<i>Consolidated Statement of Activities</i>	5
<i>Consolidated Statement of Functional Expenses</i>	6
<i>Consolidated Statement of Cash Flows</i>	7
<i>Notes to Consolidated Financial Statements</i>	8
SUPPLEMENTAL INFORMATION	
<i>Consolidating Statement of Financial Position</i>	13
<i>Consolidating Statement of Activities</i>	14
SINGLE AUDIT	
<i>Schedule of Expenditures of Federal Awards</i>	15
<i>Notes to Schedule of Expenditures of Federal Awards</i>	16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	19
<i>Schedule of Findings and Questioned Costs</i>	21

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## INDEPENDENT AUDITOR'S REPORT

**Board of Trustees  
Friendship House, Incorporated and Subsidiary  
Wilmington, Delaware**

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Friendship House, Incorporated and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Friendship House, Incorporated and Subsidiary as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Friendship House, Incorporated and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friendship House, Incorporated and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 House, Incorporated and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friendship House, Incorporated and Subsidiary'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 Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements and accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated 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 June 30, 2022, on our consideration of Friendship House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary's internal control over financial reporting and compliance.

**Summarized Comparative Information**

We previously reviewed the Friendship House, Incorporated and Subsidiary's 2020 consolidated financial statements and in our conclusion dated April 6, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the reviewed consolidated financial statements from which it has been derived.

**BBD, LLP**

**Philadelphia, Pennsylvania  
June 30, 2022**

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021 with comparative totals for 2020

	<b>2021</b>	<b>2020</b>
	<b><u>Audited</u></b>	<b><u>Reviewed</u></b>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash	\$ 940,387	\$ 971,954
Restricted cash	48,891	37,733
Contributions receivable	55,681	59,787
Grants receivable	427,507	-
Property and equipment, net	<u>794,292</u>	<u>867,065</u>
<b>Total assets</b>	<b><u>\$ 2,266,758</u></b>	<b><u>\$ 1,936,539</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Cash held for clients	\$ 48,891	\$ 37,733
Accounts payable	<u>18,980</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>67,871</u></b>	<b><u>37,733</u></b>
<b>NET ASSETS</b>		
Without donor restrictions	2,103,206	1,779,019
With donor restrictions	<u>95,681</u>	<u>119,787</u>
<b>Total net assets</b>	<b><u>2,198,887</u></b>	<b><u>1,898,806</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 2,266,758</u></b>	<b><u>\$ 1,936,539</u></b>

See accompanying notes

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2021 with comparative totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021 Audited	2020 Reviewed
<b>REVENUE AND SUPPORT</b>				
Contributions				
Corporations	\$ 115,334	\$ -	\$ 115,334	\$ 167,964
Churches/community organizations	461,645	-	461,645	288,025
Individuals	575,431	55,681	631,112	562,075
In-kind	132,996	-	132,996	132,996
Grants				
Government	1,678,618	-	1,678,618	27,306
Foundations	171,700	40,000	211,700	395,175
Program fees	81,264	-	81,264	62,283
Fundraising events	197,968	-	197,968	191,231
Other	20,341	-	20,341	16,042
Net assets released from restrictions	119,787	(119,787)	-	-
<b>Total revenue and support</b>	<u>3,555,084</u>	<u>(24,106)</u>	<u>3,530,978</u>	<u>1,843,097</u>
<b>EXPENSES</b>				
<b>Program services</b>				
Day ministries	358,497	-	358,497	459,067
Transitional housing	489,477	-	489,477	569,202
Clothing bank	187,357	-	187,357	156,297
Financial assistance	265,208	-	265,208	16,866
Code purple	1,741,582	-	1,741,582	289,204
<b>Total program services</b>	<u>3,042,121</u>	<u>-</u>	<u>3,042,121</u>	<u>1,490,636</u>
<b>Supporting services</b>				
Management and general	163,025	-	163,025	170,886
Fundraising	25,751	-	25,751	21,868
<b>Total supporting services</b>	<u>188,776</u>	<u>-</u>	<u>188,776</u>	<u>192,754</u>
<b>Total expenses</b>	<u>3,230,897</u>	<u>-</u>	<u>3,230,897</u>	<u>1,683,390</u>
<b>CHANGE IN NET ASSETS</b>	324,187	(24,106)	300,081	159,707
<b>NET ASSETS</b>				
Beginning of year	<u>1,779,019</u>	<u>119,787</u>	<u>1,898,806</u>	<u>1,739,099</u>
<b>End of year</b>	<u>\$ 2,103,206</u>	<u>\$ 95,681</u>	<u>\$ 2,198,887</u>	<u>\$ 1,898,806</u>

See accompanying notes

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021 with comparative totals for 2020

	Program Services					Supporting Services		Totals	
	Day Ministries	Transitional Housing	Clothing Bank	Financial Assistance	Code Purple	Management and General	Fund Raising	2021 Audited	2020 Reviewed
Salaries and wages	\$ 214,976	\$ 186,490	\$ 117,604	\$ -	\$ 714,754	\$ 59,802	\$ 10,438	\$ 1,304,064	\$ 753,848
Payroll taxes	12,999	13,101	8,246	-	56,383	4,202	731	95,662	59,454
Employee benefits	24,617	33,502	13,541	-	43,417	18,858	423	134,358	114,588
<b>Total personnel expenses</b>	<u>252,592</u>	<u>233,093</u>	<u>139,391</u>	<u>-</u>	<u>814,554</u>	<u>82,862</u>	<u>11,592</u>	<u>1,534,084</u>	<u>927,890</u>
Advertising	-	-	-	-	210	-	-	210	-
Depreciation	319	58,026	11,016	-	-	3,412	-	72,773	73,015
Financial assistance	5,591	1,330	12,386	265,182	114,540	521	-	399,550	299,703
Food	-	-	-	-	755,347	-	-	755,347	-
Insurance	4,800	14,400	2,000	-	37,675	6,136	-	65,011	31,306
Maintenance	1,000	13,792	5,000	-	-	918	-	20,710	18,618
Miscellaneous	322	62	110	26	2,210	8,609	-	11,339	5,036
Postage	59	33	-	-	-	5,434	-	5,526	3,689
Printing	143	-	420	-	1,798	8,742	1,731	12,834	14,439
Professional services	-	28	-	-	1,000	10,466	-	11,494	7,173
Rent	60,003	87,396	1,426	-	-	14,400	-	163,225	160,657
Security	-	8,158	514	-	-	654	-	9,326	4,746
Supplies	19,010	28,901	6,758	-	13,074	16,606	12,428	96,777	75,455
Telephone	14,658	16,193	2,964	-	1,174	4,265	-	39,254	28,007
Travel	-	60	150	-	-	-	-	210	310
Utilities	-	28,005	5,222	-	-	-	-	33,227	33,346
<b>Total non-personnel expenses</b>	<u>105,905</u>	<u>256,384</u>	<u>47,966</u>	<u>265,208</u>	<u>927,028</u>	<u>80,163</u>	<u>14,159</u>	<u>1,696,813</u>	<u>755,500</u>
<b>Total expenses</b>	<u>\$ 358,497</u>	<u>\$ 489,477</u>	<u>\$ 187,357</u>	<u>\$ 265,208</u>	<u>\$ 1,741,582</u>	<u>\$ 163,025</u>	<u>\$ 25,751</u>	<u>\$ 3,230,897</u>	<u>\$ 1,683,390</u>

See accompanying notes

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2021 with comparative totals for 2020

	<b>2021</b>	<b>2020</b>
	<b><u>Audited</u></b>	<b><u>Reviewed</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 300,081	\$ 159,707
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	72,773	73,015
Decrease (increase) in		
Contributions receivable	4,106	(32,615)
Grants receivable	(427,507)	-
Increase (decrease) in		
Cash held for clients	11,158	(24,470)
Accounts payable	<u>18,980</u>	<u>-</u>
<b>Net cash provided by (used for) operating activities</b>	<u>(20,409)</u>	<u>175,637</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>-</u>	<u>(130,825)</u>
<b>Net increase (decrease) in cash and restricted cash</b>	(20,409)	44,812
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	<u>1,009,687</u>	<u>964,875</u>
<b>End of year</b>	<u>\$ 989,278</u>	<u>\$ 1,009,687</u>

See accompanying notes

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

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### (1) NATURE OF OPERATIONS

Friendship House, Incorporated ("**Friendship House**") is a non-profit corporation committed to making a difference in the lives of the homeless people of Delaware through the traditional spiritual ministries of hospitality, education, empowerment and community. Friendship House is a coalition of over one hundred churches and faith-based communities that serve as a sanctuary and a stepping-stone for those in need.

FH Code Purple, LLC ("**FH Code Purple**") was formed in 2020 as a Delaware nonprofit limited liability company. Friendship House is the sole member of FH Code Purple. The purpose of FH Code Purple is to provide emergency winter shelter in collaboration with the State of Delaware and New Castle County, Delaware.

Friendship House programs and activities include:

#### **Day Ministries**

Provides food and beverage including a weekly Sunday breakfast, restrooms, phones, mail and message services, consultations, referrals and on-site empowerment programs.

#### **Transitional Housing**

Twelve halfway houses (six for men, six for women and children) providing a supportive, secure environment for motivated individuals committed to addressing their unresolved spiritual, social and economic issues.

#### **Clothing Bank**

Collects and distributes clothing to needy individuals.

#### **Financial Assistance**

Provides limited financial assistance to disenfranchised clients primarily for identification cards, certifications, transportation, housing, medical expenses and debt reduction.

In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic resulting in disruptions and restrictions on Friendship House and FH Code Purple's programs. During 2021 and 2020, Friendship House and FH Code Purple received specific government assistance through the Coronavirus Aid, Relief and Economic Security Act ("**CARES Act**") to provide funding for existing and temporary programs. As a result, Friendship House and FH Code Purple recognized contribution and grant revenue and related expenses in the accompanying consolidated financial statements that will not be recurring.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Friendship House and FH Code Purple ("**Friendship House and Subsidiary**"). All significant inter-organization balances and transactions have been eliminated.

#### **Basis of Accounting**

The consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

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### **Basis of Presentation**

Friendship House and Subsidiary reports information regarding their financial position and activities according to the following classes of net assets:

#### ***Without donor restrictions***

Net assets that are not subject to donor-imposed restrictions.

#### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of Friendship House and Subsidiary and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

This category also includes net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of Friendship House and Subsidiary.

### **Summarized Prior-Year Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("**GAAP**"). Accordingly, such information should be read in conjunction with the Friendship House and Subsidiary's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

### **Accounting Estimates**

In preparing the consolidated financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Fair Value Measurements**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of Friendship House and Subsidiary. Unobservable inputs reflect Friendship House and Subsidiary's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Friendship House and Subsidiary has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect Friendship House and Subsidiary's own assumptions.

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

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### **Concentration of Credit Risk**

Financial instruments that potentially subject Friendship House and Subsidiary to concentration of credit risk consist of cash and contributions and grants receivable. Friendship House and Subsidiary maintain their cash at high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Contributions and grants receivable were collected in 2022. The fair value of the contributions and grants receivable was estimated based upon Level 2 inputs.

### **Property and Equipment**

Friendship House and Subsidiary capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are carried at cost if purchased or at the approximate fair value at the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations as incurred.

### **Contributions and Grants**

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as without donor restrictions.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Friendship House and Subsidiary receive significant amounts of time from volunteers who perform various functions without compensation. The financial statements do not reflect the value of these contributed services since the services do not meet the criteria for recognition.

Government grant revenue is recognized as expenses are incurred.

For the year ended December 31, 2021, Friendship House and Subsidiary received 48% of its total revenue and support under contracts with New Castle County, Delaware and the City of Wilmington, Delaware.

### **Program Fees**

Friendship House and Subsidiary recognize revenue from program fees during the year in which the related service is provided. All amounts received prior to the period for which it pertains is recognized as deferred revenue.

### **Contributed Facilities**

Contributed facilities are recorded at their estimated fair value and are recognized and included as in-kind contributions and rent expense in the statements of activities and functional expenses.

### **Functional Allocation of Expenses**

The costs of Friendship House and Subsidiary's program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Salaries and benefits are allocated to functional areas based on estimates of time and effort. Certain general and administrative costs that benefit multiple functional areas have been allocated based on management's best estimates.

### **Income Taxes**

Friendship House and Subsidiary are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not required to file any tax returns. As a result, no provision or liability for income taxes is included in the accompanying financial statements.

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# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

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Friendship House and Subsidiary have adopted an accounting standard regarding uncertain tax positions. The standard prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. Friendship House and Subsidiary believe that they had no uncertain tax positions as defined in the standard.

### Advertising Costs

Friendship House and Subsidiary expenses advertising costs as incurred.

### (3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 1,687,735	\$ 1,687,735
Furniture and equipment	178,260	178,260
Leasehold improvements	<u>58,331</u>	<u>58,331</u>
	1,924,326	1,924,326
Less accumulated depreciation	<u>(1,130,034)</u>	<u>(1,057,261)</u>
	<u>\$ 794,292</u>	<u>\$ 867,065</u>

### (4) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects Friendship House and Subsidiary's financial assets as of the statement of financial position date. All amounts are available within one year of the statement of financial position date.

	<u>2021</u>	<u>2020</u>
Cash	\$940,387	\$ 971,954
Contributions receivable	<u>55,681</u>	<u>59,787</u>
Total financial assets	996,068	1,031,741
Less amounts with donor restrictions	<u>(40,000)</u>	<u>(60,000)</u>
Financial assets available within one year	<u>\$956,068</u>	<u>\$ 971,741</u>

### Liquidity Management

The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. Friendship House and Subsidiary's has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In order to manage any liquidity deficiencies or unanticipated liquidity needs, Friendship House has a \$100,000 line of credit.

### (5) CASH AND RESTRICTED CASH

The following provides a reconciliation of cash and restricted cash reported on the statement of financial position to amounts shown on the statement of cash flows.

	<u>2021</u>	<u>2020</u>
Cash	\$940,387	\$ 971,954
Restricted cash	<u>48,891</u>	<u>37,733</u>
	<u>\$989,278</u>	<u>\$1,009,687</u>

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# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

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### (6) LINE OF CREDIT

Friendship House has a \$100,000 revolving line of credit with a bank. Advances under the credit line bear interest at the bank's prime rate plus 0.75% and are secured by substantially all of Friendship House's assets. There were no advances outstanding at December 31, 2021 and 2020 and the Friendship House did not utilize the line of credit during 2021 and 2020.

### (7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020 consisted of the following:

	<u>Balance</u> <u>December 31, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 30, 2021</u>
<b><u>Purpose restrictions</u></b>				
Clothing Bank capacity building project	\$ 60,000	\$40,000	\$ (60,000)	\$40,000
<b><u>Time restrictions</u></b>				
Contributions receivable	<u>59,787</u>	<u>55,681</u>	<u>(59,787)</u>	<u>55,681</u>
	<u>\$119,787</u>	<u>\$95,681</u>	<u>\$(119,787)</u>	<u>\$95,681</u>

### (8) LEASES

Friendship House receives donated office space as well as facilities and space in several other locations for use in its programs under various lease arrangements which have been recorded in the following programs as follows:

	<u>2021</u>	<u>2020</u>
Day ministries	\$ 48,000	\$ 48,000
Transitional housing	78,996	78,996
Management and general	<u>6,000</u>	<u>6,000</u>
	<u>\$132,996</u>	<u>\$132,996</u>

In April 2018, Friendship House renewed its lease for an office location in Wilmington, Delaware that expired March 31, 2021 and automatically renews annually for one year on a year to year basis. Rent expense for this location, including Friendship House's share of operating expenses, was \$30,229 for 2021 and \$27,661 for 2020.

### (9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2022, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2021 that required recognition or disclosure in the financial statements.

## **SUPPLEMENTAL INFORMATION**

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021 with comparative totals for 2020

	<u>Friendship House</u>	<u>FH Code Purple</u>	<u>Consolidating Eliminations</u>	<u>2021 Audited Consolidated Total</u>	<u>2020 Reviewed Consolidated Total</u>
<b>ASSETS</b>					
<b>ASSETS</b>					
Cash	\$ 835,780	\$ 104,607	\$ -	\$ 940,387	\$ 971,954
Restricted cash	48,891	-	-	48,891	37,733
Due from FH Code Purple	515,808	-	(515,808)	-	-
Contributions receivable	55,681	-	-	55,681	59,787
Grants receivable	-	427,507	-	427,507	-
Property and equipment, net	<u>794,292</u>	<u>-</u>	<u>-</u>	<u>794,292</u>	<u>867,065</u>
<b>Total assets</b>	<b><u>\$ 2,250,452</u></b>	<b><u>\$ 532,114</u></b>	<b><u>\$ (515,808)</u></b>	<b><u>\$ 2,266,758</u></b>	<b><u>\$ 1,936,539</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Cash held for clients	\$ 48,891	\$ -	\$ -	\$ 48,891	\$ 37,733
Accounts payable	18,980	-	-	18,980	-
Due to Friendship House	<u>-</u>	<u>515,808</u>	<u>(515,808)</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>67,871</u></b>	<b><u>515,808</u></b>	<b><u>(515,808)</u></b>	<b><u>67,871</u></b>	<b><u>37,733</u></b>
<b>NET ASSETS</b>					
Without donor restrictions	2,086,900	16,306	-	2,103,206	1,779,019
With donor restrictions	<u>95,681</u>	<u>-</u>	<u>-</u>	<u>95,681</u>	<u>119,787</u>
<b>Total net assets</b>	<b><u>2,182,581</u></b>	<b><u>16,306</u></b>	<b><u>-</u></b>	<b><u>2,198,887</u></b>	<b><u>1,898,806</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 2,250,452</u></b>	<b><u>\$ 532,114</u></b>	<b><u>\$ (515,808)</u></b>	<b><u>\$ 2,266,758</u></b>	<b><u>\$ 1,936,539</u></b>

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2021 with comparative totals for 2020

	Friendship House			FH Code Purple			Consolidating Eliminations	2021	2020
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Audited Consolidated Total	Reviewed Consolidated Total
<b>REVENUE AND SUPPORT</b>									
Contributions									
Corporations	\$ 115,334	\$ -	\$ 115,334	\$ -	\$ -	\$ -	\$ -	\$ 115,334	\$ 167,964
Churches/community organizations	460,645	-	460,645	1,000	-	1,000	-	461,645	288,025
Individuals	565,731	55,681	621,412	9,700	-	9,700	-	631,112	562,075
In-kind	132,996	-	132,996	-	-	-	-	132,996	132,996
Grants									
Government	-	-	-	1,678,618	-	1,678,618	-	1,678,618	27,306
Foundation	153,750	40,000	193,750	17,950	-	17,950	-	211,700	395,175
Program fees	81,264	-	81,264	-	-	-	-	81,264	62,283
Fundraising events	197,968	-	197,968	-	-	-	-	197,968	191,231
Administrative fees	143,475	-	143,475	-	-	-	(143,475)	-	-
Other	20,341	-	20,341	-	-	-	-	20,341	16,042
Net assets released from restrictions	119,787	(119,787)	-	-	-	-	-	-	-
<b>Total revenue and support</b>	<u>1,991,291</u>	<u>(24,106)</u>	<u>1,967,185</u>	<u>1,707,268</u>	<u>-</u>	<u>1,707,268</u>	<u>(143,475)</u>	<u>3,530,978</u>	<u>1,843,097</u>
<b>EXPENSES</b>									
<b>Program services</b>									
Day ministries	358,497	-	358,497	-	-	-	-	358,497	459,067
Transitional housing	489,477	-	489,477	-	-	-	-	489,477	569,202
Clothing bank	187,357	-	187,357	-	-	-	-	187,357	156,297
Code purple	154,928	-	154,928	1,730,129	-	1,730,129	(143,475)	1,741,582	16,866
Financial assistance	265,208	-	265,208	-	-	-	-	265,208	289,204
<b>Total program services</b>	<u>1,455,467</u>	<u>-</u>	<u>1,455,467</u>	<u>1,730,129</u>	<u>-</u>	<u>1,730,129</u>	<u>(143,475)</u>	<u>3,042,121</u>	<u>1,490,636</u>
<b>Supporting services</b>									
Management and general	163,025	-	163,025	-	-	-	-	163,025	170,886
Fundraising	25,751	-	25,751	-	-	-	-	25,751	21,868
<b>Total supporting services</b>	<u>188,776</u>	<u>-</u>	<u>188,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,776</u>	<u>192,754</u>
<b>Total expenses</b>	<u>1,644,243</u>	<u>-</u>	<u>1,644,243</u>	<u>1,730,129</u>	<u>-</u>	<u>1,730,129</u>	<u>(143,475)</u>	<u>3,230,897</u>	<u>1,683,390</u>
<b>CHANGE IN NET ASSETS</b>	347,048	(24,106)	322,942	(22,861)	-	(22,861)	-	300,081	159,707
<b>NET ASSETS</b>									
Beginning of year	<u>1,739,852</u>	<u>119,787</u>	<u>1,859,639</u>	<u>39,167</u>	<u>-</u>	<u>39,167</u>	<u>-</u>	<u>1,898,806</u>	<u>1,739,099</u>
<b>End of year</b>	<u>\$ 2,086,900</u>	<u>\$ 95,681</u>	<u>\$ 2,182,581</u>	<u>\$ 16,306</u>	<u>\$ -</u>	<u>\$ 16,306</u>	<u>\$ -</u>	<u>\$ 2,198,887</u>	<u>\$ 1,898,806</u>

**SINGLE AUDIT**

**FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended December 31, 2021**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue January 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2021</u>	<u>Pass-through to Subrecipients</u>
<b>U.S. Department of Treasury</b>											
<b><u>Passed through New Castle County</u></b>											
Coronavirus Relief Fund	I	21.019	101186	11/25/20 - 02/28/22	\$ 1,670,068	\$ 979,406	\$ -	\$ 1,406,913	\$ 1,406,913	\$ 427,507	\$ -
<b>U.S. Department of Housing and Urban Development</b>											
<b><u>Passed through the City of Wilmington</u></b>											
Community Development Block Grant	I	14.218	12382	01/03/21 - 06/30/22	300,000	<u>271,705</u>	<u>-</u>	<u>271,705</u>	<u>271,705</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>						<b><u>\$ 1,251,111</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,678,618</u></b>	<b><u>\$ 1,678,618</u></b>	<b><u>\$ 427,507</u></b>	<b><u>\$ -</u></b>

**Source Codes**

D - Direct Funding

I - Indirect Funding

# **FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**December 31, 2021**

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### **(1) FEDERAL EXPENDITURES**

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

### **(2) BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

### **(3) INDIRECT COSTS**

Friendship House, Incorporated and Subsidiary have elected not to use the 10-percent de minimis indirect cost rate as allowed under 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**

**Board of Trustees  
Friendship House, Incorporated and Subsidiary  
Wilmington, Delaware**

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 consolidated financial statements of Friendship House, Incorporated (a nonprofit organization), which comprise the consolidated statement of financial position as of and for the year ended December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year ended, and the related notes to the consolidated financial statements, which and have issued our report thereon dated June 30, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered Friendship House, Incorporated and Subsidiary'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friendship House, Incorporated and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Friendship House, Incorporated and Subsidiary'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 consolidated 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.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Friendship House, Incorporated and Subsidiary's consolidated 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.

**BBD, LLP**

**Philadelphia, Pennsylvania  
June 30, 2022**



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

**Board of Trustees  
Friendship House, Incorporated and Subsidiary  
Wilmington, Delaware**

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

We have audited Friendship House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary's major federal programs for the year ended December 31, 2021. Friendship House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary 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 December 31, 2021.

### ***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 House, Incorporated and Subsidiary 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 House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary'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 House, Incorporated and Subsidiary'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.

**BBD, LLP**

**Philadelphia, Pennsylvania  
June 30, 2022**

# FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2021

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### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Friendship House, Incorporated and Subsidiary were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements of Friendship House, Incorporated and Subsidiary are reported in the 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*.
3. No instances of noncompliance material to the consolidated financial statements of Friendship House, Incorporated and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Friendship House, Incorporated and Subsidiary expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was:  

Coronavirus Relief Fund – CFDA Number 21.019
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Friendship House, Incorporated and Subsidiary did not qualify as a low-risk auditee.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None