



Friendship House
A Way Home

Friendship House, Incorporated and Subsidiary

Consolidated Financial Statements
Year Ended December 31, 2022



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

CONTENTS

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>	14
<i>Consolidating Statement of Activities</i>	15



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, 2022, 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, 2022, 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.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, Friendship House, Incorporated and Subsidiary adopted ASU 2016-02, Leases (Topic 842). Our opinion is not modified with respect to that matter.

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 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 are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Friendship House, Incorporated and Subsidiary's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BBD, LLP

Philadelphia, Pennsylvania
April 27, 2023

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022 with comparative totals for 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,123,790	\$ 940,387
Restricted cash	37,359	48,891
Contributions receivable	46,257	55,681
Grants receivable	-	427,507
Total current assets	<u>1,207,406</u>	<u>1,472,466</u>
NONCURRENT ASSETS		
Right-of-use assets, net	42,977	68,109
Property and equipment, net	1,306,527	794,292
Total noncurrent assets	<u>1,349,504</u>	<u>862,401</u>
Total assets	<u>\$ 2,556,910</u>	<u>\$ 2,334,867</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Cash held for clients	\$ 37,359	\$ 48,891
Accounts payable	14,948	18,980
Current portion of:		
Operating lease liabilities	19,431	25,132
Total current liabilities	<u>71,738</u>	<u>93,003</u>
NONCURRENT LIABILITIES		
Operating lease liabilities, net of current portion	23,546	42,977
Total liabilities	<u>95,284</u>	<u>135,980</u>
NET ASSETS		
Without donor restrictions	2,294,369	2,103,206
With donor restrictions	167,257	95,681
Total net assets	<u>2,461,626</u>	<u>2,198,887</u>
Total liabilities and net assets	<u>\$ 2,556,910</u>	<u>\$ 2,334,867</u>

See accompanying notes

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2022 with comparative totals for 2021

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUE AND SUPPORT				
Contributions				
Corporations	\$ 164,166	\$ -	\$ 164,166	\$ 115,334
Churches/community organizations	527,315	-	527,315	461,645
Individuals	755,850	46,257	802,107	631,112
In-kind	148,700	-	148,700	132,996
Grants				
Government	235,849	-	235,849	1,678,618
Foundations	369,057	121,000	490,057	211,700
Program fees	78,273	-	78,273	81,264
Fundraising events	221,347	-	221,347	197,968
Other	55,686	-	55,686	20,341
Gain on sale of property	59,986	-	59,986	-
Net assets released from restrictions	95,681	(95,681)	-	-
Total revenue and support	<u>2,711,910</u>	<u>71,576</u>	<u>2,783,486</u>	<u>3,530,978</u>
EXPENSES				
Program services				
Day ministries	762,137	-	762,137	358,497
Transitional housing	591,616	-	591,616	489,477
Clothing bank	284,789	-	284,789	187,357
Financial assistance	364,588	-	364,588	265,208
Code purple	228,605	-	228,605	1,741,582
Total program services	<u>2,231,735</u>	<u>-</u>	<u>2,231,735</u>	<u>3,042,121</u>
Supporting services				
Management and general	264,154	-	264,154	163,025
Fundraising	24,858	-	24,858	25,751
Total supporting services	<u>289,012</u>	<u>-</u>	<u>289,012</u>	<u>188,776</u>
Total expenses	<u>2,520,747</u>	<u>-</u>	<u>2,520,747</u>	<u>3,230,897</u>
CHANGE IN NET ASSETS	191,163	71,576	262,739	300,081
NET ASSETS				
Beginning of year	<u>2,103,206</u>	<u>95,681</u>	<u>2,198,887</u>	<u>1,898,806</u>
End of year	<u>\$ 2,294,369</u>	<u>\$ 167,257</u>	<u>\$ 2,461,626</u>	<u>\$ 2,198,887</u>

See accompanying notes

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022 with comparative totals for 2021

	Program Services					Supporting Services		Totals	
	Day Ministries	Transitional Housing	Clothing Bank	Financial Assistance	Code Purple	Management and General	Fund Raising	2022	2021
Salaries and wages	\$ 382,513	\$ 275,382	\$ 194,943	\$ -	\$ 91,851	\$ 102,050	\$ 19,951	\$ 1,066,690	\$ 1,304,064
Payroll taxes	36,438	20,884	14,761	-	7,609	9,416	1,526	90,634	95,662
Employee benefits	40,420	42,534	13,474	-	-	40,420	-	136,848	134,358
Total personnel expenses	459,371	338,800	223,178	-	99,460	151,886	21,477	1,294,172	1,534,084
Advertising	-	-	-	-	-	-	-	-	210
Depreciation	319	60,855	15,880	-	-	1,096	-	78,150	72,773
Financial assistance	164,097	17,358	17,887	364,588	2,847	302	-	567,079	399,550
Food	-	-	-	-	122,781	-	-	122,781	755,347
Insurance	13,782	9,128	3,043	-	2,359	9,128	-	37,440	65,011
Maintenance	5,017	19,332	865	-	-	730	-	25,944	20,710
Miscellaneous	181	947	25	-	561	747	1,187	3,648	11,339
Postage	1,822	39	-	-	-	3,348	-	5,209	5,526
Printing	957	-	33	-	-	19,158	120	20,268	12,834
Professional services	-	591	-	-	-	17,206	-	17,797	11,494
Rent	85,538	72,000	9,279	-	-	14,400	-	181,217	163,225
Security	85	4,804	288	-	-	553	-	5,730	9,326
Supplies	12,660	19,815	4,882	-	527	40,468	2,074	80,426	96,777
Telephone	18,283	15,305	3,106	-	70	5,088	-	41,852	39,254
Travel	25	115	288	-	-	44	-	472	210
Utilities	-	32,527	6,035	-	-	-	-	38,562	33,227
Total non-personnel expenses	302,766	252,816	61,611	364,588	129,145	112,268	3,381	1,226,575	1,696,813
Total expenses	\$ 762,137	\$ 591,616	\$ 284,789	\$ 364,588	\$ 228,605	\$ 264,154	\$ 24,858	\$ 2,520,747	\$ 3,230,897

See accompanying notes

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2022 with comparative totals for 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 262,739	\$ 300,081
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	78,150	72,773
Gain on sale of property	(59,986)	-
Decrease (increase) in		
Contributions receivable	9,424	4,106
Grants receivable	427,507	(427,507)
Increase (decrease) in		
Cash held for clients	(11,532)	11,158
Accounts payable	(4,032)	18,980
Net cash provided by (used for) operating activities	<u>702,270</u>	<u>(20,409)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(606,370)	-
Sale of property and equipment	75,971	-
Net cash provided by (used for) investing activities	<u>(530,399)</u>	<u>-</u>
Net increase (decrease) in cash and restricted cash	171,871	(20,409)
CASH AND RESTRICTED CASH		
Beginning of year	<u>989,278</u>	<u>1,009,687</u>
End of year	<u>\$ 1,161,149</u>	<u>\$ 989,278</u>

See accompanying notes

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

(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. Company operations ceased following program activities in February of 2022. FH Code Purple is expected to be completely and formally closed out during 2023.

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 2022 and 2021, 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, 2022

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, 2021, 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, 2022

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 2023. 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 and grants 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 and grants whose restrictions are satisfied in the same period are reported as without donor restrictions.

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

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.

Fundraising Event Revenue and Expenses

Fundraising event revenue and expenses are recognized during the period in which the related event occurs.

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.

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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 expense advertising costs as incurred.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance (collectively, Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. This guidance was effective for the Organization in fiscal year 2022, with early application permitted. The Organization adopted this standard using the retroactive approach. The results for 2022 and 2021 reporting periods are presented under Topic 842.

(3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 2,201,305	\$ 1,687,735
Furniture and equipment	184,842	178,260
Leasehold improvements	<u>58,331</u>	<u>58,331</u>
	2,444,478	1,924,326
Less accumulated depreciation	<u>(1,137,951)</u>	<u>(1,130,034)</u>
	<u>\$ 1,306,527</u>	<u>\$ 794,292</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 and the amounts that are available within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,123,790	\$ 940,387
Grants receivable	-	427,507
Contributions receivable	<u>46,257</u>	<u>55,681</u>
Total financial assets	1,170,047	1,423,575
Less amounts with donor restrictions	<u>(121,000)</u>	<u>(40,000)</u>
Financial assets available within one year	<u>\$ 1,049,047</u>	<u>\$ 1,383,575</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.

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

(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>2022</u>	<u>2021</u>
Cash	\$1,123,790	\$940,387
Restricted cash	<u>37,359</u>	<u>48,891</u>
	<u>\$1,161,149</u>	<u>\$989,278</u>

(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, 2022 and 2021 and the Friendship House did not utilize the line of credit during 2022 and 2021.

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2022 consisted of the following:

	<u>Balance</u> <u>December 31, 2021</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2022</u>
<u>Purpose restrictions</u>				
Clothing Bank capacity building project	\$40,000	\$ 50,000	\$40,000	\$ 50,000
Financial assistance	-	71,000	-	71,000
<u>Time restrictions</u>				
Contributions receivable	<u>55,681</u>	<u>46,257</u>	<u>55,681</u>	<u>46,257</u>
	<u>\$95,681</u>	<u>\$167,257</u>	<u>\$95,681</u>	<u>\$167,257</u>

(8) IN-KIND CONTRIBUTIONS

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

	<u>2022</u>	<u>2021</u>
Day ministries	\$ 69,500	48,000
Transitional housing	72,000	78,996
Clothing bank	7,200	-
Management and general	<u>-</u>	<u>6,000</u>
	<u>\$148,700</u>	<u>\$132,996</u>

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

(9) LEASES

Friendship House has entered into various noncancelable operating leases for occupancy of office space and additional space for transitional housing. The components of lease costs were as follows for the year ended December 31, 2022:

Operating lease costs	\$25,132
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As of December 31, 2022, the maturities of Friendship House's lease liabilities were as follows:

Year ending December 31,

2023	\$20,400
2024	20,400
2025	3,600
Less: imputed interest	<u>(1,423)</u>
Present value of minimum lease payments	<u>\$42,977</u>

The weighted average remaining lease term and weighted average discount rate were as follows as of December 31, 2022:

Weighted average remaining lease term (in years)	2.13
Weighted average discount rate	2.75%

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2022 that required recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022 with comparative totals for 2021

	<u>Friendship House</u>	<u>FH Code Purple</u>	<u>Consolidating Eliminations</u>	<u>2022 Consolidated Total</u>	<u>2021 Consolidated Total</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 1,123,790	\$ -	\$ -	\$ 1,123,790	\$ 940,387
Restricted cash	37,359	-	-	37,359	48,891
Contributions receivable	46,257	-	-	46,257	55,681
Grants receivable	-	-	-	-	427,507
Total current assets	<u>1,207,406</u>	<u>-</u>	<u>-</u>	<u>1,207,406</u>	<u>1,472,466</u>
NONCURRENT ASSETS					
Operating right-of-use assets, net	42,977	-	-	42,977	68,109
Property and equipment, net	1,306,527	-	-	1,306,527	794,292
Total noncurrent assets	<u>1,349,504</u>	<u>-</u>	<u>-</u>	<u>1,349,504</u>	<u>862,401</u>
Total assets	<u>\$ 2,556,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,556,910</u>	<u>\$ 2,334,867</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Cash held for clients	\$ 37,359	\$ -	\$ -	\$ 37,359	\$ 48,891
Accounts payable	14,948	-	-	14,948	18,980
Current portion of:					
Operating lease liabilities	19,431	-	-	19,431	25,132
Total current liabilities	<u>71,738</u>	<u>-</u>	<u>-</u>	<u>71,738</u>	<u>93,003</u>
NONCURRENT LIABILITIES					
Operating lease liabilities, net of current	23,546	-	-	23,546	42,977
Total liabilities	<u>95,284</u>	<u>-</u>	<u>-</u>	<u>95,284</u>	<u>135,980</u>
NET ASSETS					
Without donor restrictions	2,294,369	-	-	2,294,369	2,103,206
With donor restrictions	167,257	-	-	167,257	95,681
Total net assets	<u>2,461,626</u>	<u>-</u>	<u>-</u>	<u>2,461,626</u>	<u>2,198,887</u>
Total liabilities and net assets	<u>\$ 2,556,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,556,910</u>	<u>\$ 2,334,867</u>

FRIENDSHIP HOUSE, INCORPORATED AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2022 with comparative totals for 2021

	Friendship House			FH Code Purple			Consolidating Eliminations	2022 Consolidated Total	2021 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE AND SUPPORT									
Contributions									
Corporations	\$ 164,166	\$ -	\$ 164,166	\$ -	\$ -	\$ -	\$ -	\$ 164,166	\$ 115,334
Churches/community organizations	527,315	-	527,315	-	-	-	-	527,315	461,645
Individuals	755,850	46,257	802,107	-	-	-	-	802,107	631,112
In-kind	148,700	-	148,700	-	-	-	-	148,700	132,996
Grants									
Government	-	-	-	235,849	-	235,849	-	235,849	1,678,618
Foundation	369,057	121,000	490,057	-	-	-	-	490,057	211,700
Program fees	78,273	-	78,273	-	-	-	-	78,273	81,264
Fundraising events	221,347	-	221,347	-	-	-	-	221,347	197,968
Administrative fees	23,550	-	23,550	-	-	-	(23,550)	-	-
Other	55,686	-	55,686	-	-	-	-	55,686	20,341
Gain on sale of property	59,986	-	59,986	-	-	-	-	59,986	-
Net assets released from restrictions	95,681	(95,681)	-	-	-	-	-	-	-
Total revenue and support	<u>2,499,611</u>	<u>71,576</u>	<u>2,571,187</u>	<u>235,849</u>	<u>-</u>	<u>235,849</u>	<u>(23,550)</u>	<u>2,783,486</u>	<u>3,530,978</u>
EXPENSES									
Program services									
Day ministries	762,137	-	762,137	-	-	-	-	762,137	358,497
Transitional housing	591,616	-	591,616	-	-	-	-	591,616	489,477
Clothing bank	284,789	-	284,789	-	-	-	-	284,789	187,357
Code purple	-	-	-	252,155	-	252,155	(23,550)	228,605	1,741,582
Financial assistance	364,588	-	364,588	-	-	-	-	364,588	265,208
Total program services	<u>2,003,130</u>	<u>-</u>	<u>2,003,130</u>	<u>252,155</u>	<u>-</u>	<u>252,155</u>	<u>\$ (23,550)</u>	<u>2,231,735</u>	<u>3,042,121</u>
Supporting services									
Management and general	264,154	-	264,154	-	-	-	-	264,154	163,025
Fundraising	24,858	-	24,858	-	-	-	-	24,858	25,751
Total supporting services	<u>289,012</u>	<u>-</u>	<u>289,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,012</u>	<u>188,776</u>
Total expenses	<u>2,292,142</u>	<u>-</u>	<u>2,292,142</u>	<u>252,155</u>	<u>-</u>	<u>252,155</u>	<u>(23,550)</u>	<u>2,520,747</u>	<u>3,230,897</u>
CHANGE IN NET ASSETS	207,469	71,576	279,045	(16,306)	-	(16,306)	-	262,739	300,081
NET ASSETS									
Beginning of year	2,086,900	95,681	2,182,581	16,306	-	16,306	-	2,198,887	1,898,806
End of year	<u>\$ 2,294,369</u>	<u>\$ 167,257</u>	<u>\$ 2,461,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,461,626</u>	<u>\$ 2,198,887</u>