

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

FRIENDSHIP HOME OF LINCOLN, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Friendship Home of Lincoln, Inc.
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Friendship Home of Lincoln, Inc. (a nonprofit organization) and wholly-owned subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Friendship Home of Lincoln, Inc. and wholly-owned subsidiary, as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. The supplementary schedules on pages 24 - 26 are provided for additional analysis and are also not a required part of the consolidated financial statements. The supplementary schedules on pages 24 - 26 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules on pages 24 - 26 and the 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 April 23, 2019, on our consideration of Friendship Home of Lincoln, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Friendship Home of Lincoln, Inc.'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 Home of Lincoln, Inc.'s internal control over financial reporting and compliance.

Dana J Cole + Company, LLP

Lincoln, Nebraska
April 23, 2019

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	ASSETS	
	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	769,015	629,658
Grants receivable	312,256	442,521
Prepaid expenses	16,222	22,154
Pledges receivable (Note 5)	200,553	125,012
Total current assets	<u>1,298,046</u>	<u>1,219,345</u>
 PROPERTY AND EQUIPMENT, at cost		
Land	86,905	86,905
Building and improvements	1,940,806	1,948,066
Equipment	149,400	149,386
	<u>2,177,111</u>	<u>2,184,357</u>
Less accumulated depreciation	<u>(1,214,320)</u>	<u>(1,207,014)</u>
Total property and equipment, at cost	<u>962,791</u>	<u>977,343</u>
 OTHER ASSETS		
Pledges receivable (Note 5)	212,727	187,764
Restricted cash	188,679	63,562
Investments (Note 3)	1,653,278	1,695,572
Total other assets	<u>2,054,684</u>	<u>1,946,898</u>
 TOTAL ASSETS	 <u><u>4,315,521</u></u>	 <u><u>4,143,586</u></u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	30,863	29,538
Vacation leave payable	97,895	84,370
Other accrued liabilities	21,006	15,733
Unearned income	262,667	255,985
Total current liabilities	<u>412,431</u>	<u>385,626</u>
 NET ASSETS		
Net assets without donor restrictions		
Undesignated	386,744	334,196
Net investment in property and equipment	862,791	877,343
Designated	404,956	307,814
Net assets with donor restrictions		
Restricted by purpose or time	1,954,042	1,944,050
Restricted by perpetuity	294,557	294,557
Total net assets	<u>3,903,090</u>	<u>3,757,960</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>4,315,521</u></u>	 <u><u>4,143,586</u></u>

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions	1,308,454	49,661	1,358,115	1,167,344	44,881	1,212,225
Federal financial assistance	925,512	24,032	949,544	718,082	1,403	719,485
Other governmental grants	366,961	728	367,689	358,585	5,492	364,077
Allocations	128,062		128,062	127,530		127,530
Other grants	332,703		332,703	259,465	847	260,312
Program fees	3,269		3,269	2,050		2,050
Investment return	(12,811)	(7,081)	(19,892)	27,480	153,151	180,631
Other income	3,200		3,200	8,488		8,488
	3,055,350	67,340	3,122,690	2,669,024	205,774	2,874,798
Net assets released from restrictions						
Satisfaction of program restrictions	57,348	(57,348)		173,491	(173,491)	
Total revenue, gains, and other support	3,112,698	9,992	3,122,690	2,842,515	32,283	2,874,798
EXPENSES						
Program services						
Emergency shelter	1,922,905		1,922,905	1,908,647		1,908,647
Transitional shelter	424,956		424,956	200,965		200,965
Supporting services						
Management and general	360,196		360,196	334,823		334,823
Fundraising	269,503		269,503	203,614		203,614
Total expenses	2,977,560		2,977,560	2,648,049		2,648,049
CHANGE IN NET ASSETS	135,138	9,992	145,130	194,466	32,283	226,749
NET ASSETS, beginning of year	1,519,353	2,238,607	3,757,960	1,324,887	2,206,324	3,531,211
NET ASSETS, end of year	1,654,491	2,248,599	3,903,090	1,519,353	2,238,607	3,757,960

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018					2017				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total
EXPENSES										
Salaries	921,640	236,073	213,905	117,721	1,489,339	1,007,736	88,866	188,702	77,367	1,362,671
Employee benefits and payroll taxes	204,923	52,227	50,729	16,315	324,194	238,421	15,644	44,816	11,913	310,794
Supplies	196,656	10,183	6,966	13,092	226,897	146,657	3,267	5,300	10,543	165,767
Food	37,876	1,450		1,296	40,622	30,294	2,973		72	33,339
Occupancy	208,407	92,535	3,608	17,122	321,672	170,554	58,157	2,975	894	232,580
Printing and publications	1,900		211	32,465	34,576	1,175		131	25,781	27,087
Telephone	45,173	10,515	5,602	114	61,404	35,711	3,757	11,308	601	51,377
Travel	18,692	6,728	785	368	26,573	9,195	8,301	772	754	19,022
Postage	3,665		407	13,528	17,600	3,613		400	13,219	17,232
Direct aid	103,999	8,186			112,185	91,525	8,311		225	100,061
Conferences	22,148	2,728	5,537	18,104	48,517	26,533	5,278	6,633	15,310	53,754
Professional fees	40,454	64	58,803	36,696	136,017	36,146	60	60,552	44,379	141,137
Rental and equipment maintenance	5,073		577	115	5,765	5,057		575	115	5,747
Dues and subscriptions	3,250				3,250	2,931				2,931
Insurance	47,026	2,833	5,666	1,133	56,658	44,526	5,006	5,365	1,072	55,969
Awards	375		163		538	678		569	24	1,271
Miscellaneous	16		70		86	59				59
Loss on disposal of assets	1,839	43	214	43	2,139					
	<u>1,863,112</u>	<u>423,565</u>	<u>353,243</u>	<u>268,112</u>	<u>2,908,032</u>	<u>1,850,811</u>	<u>199,620</u>	<u>328,098</u>	<u>202,269</u>	<u>2,580,798</u>
Depreciation	<u>59,793</u>	<u>1,391</u>	<u>6,953</u>	<u>1,391</u>	<u>69,528</u>	<u>57,836</u>	<u>1,345</u>	<u>6,725</u>	<u>1,345</u>	<u>67,251</u>
TOTAL EXPENSES	<u>1,922,905</u>	<u>424,956</u>	<u>360,196</u>	<u>269,503</u>	<u>2,977,560</u>	<u>1,908,647</u>	<u>200,965</u>	<u>334,823</u>	<u>203,614</u>	<u>2,648,049</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>145,130</u>	<u>226,749</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,528	67,251
In-kind property and equipment additions		(4,855)
Loss on disposal of assets	2,139	
Unrealized gain on investments	70,357	(49,257)
Realized gain on investments	(6,470)	(89,197)
(Increase) decrease in operating assets:		
Accounts receivable		25,293
Grants receivable	130,265	19,087
Prepaid expenses	5,932	(7,626)
Pledges receivable	(100,504)	(22,276)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	20,123	6,719
Unearned income	6,682	6,154
Total adjustments	<u>198,052</u>	<u>(48,707)</u>
Net cash provided by operating activities	<u>343,182</u>	<u>178,042</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	217,695	310,840
Purchases of investments	(239,288)	(186,552)
Payments for property and equipment	<u>(57,115)</u>	<u>(23,558)</u>
Net cash provided by (used in) investing activities	<u>(78,708)</u>	<u>100,730</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	264,474	278,772
CASH AND CASH EQUIVALENTS, beginning of year	<u>693,220</u>	<u>414,448</u>
CASH AND CASH EQUIVALENTS, end of year	<u>957,694</u>	<u>693,220</u>
COMPONENTS OF CASH		
Cash and cash equivalents	769,015	629,658
Restricted cash	<u>188,679</u>	<u>63,562</u>
	<u>957,694</u>	<u>693,220</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Friendship Home of Lincoln, Inc. (Friendship Home) is a nonprofit corporation organized to provide emergency shelter for abused women and children. Friendship Home is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Nebraska law. Friendship Home is classified by the Internal Revenue Service as other than a private foundation.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Friendship Home of Lincoln, Inc., and its wholly-owned limited liability company which was formed during the year end December 31, 2018. All significant inter-company transactions and balances have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Classes of Net Assets

The consolidated financial statements report amounts by class of net assets.

Net assets without donor restrictions are currently available for operating purposes under the direction of the Board, designated by the Board for specific use or invested in property and equipment.

Net assets with donor restrictions are stipulated by donors for specific operating purposes, for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

Contributions

The Organization utilizes FASB ASC 958-605, *Accounting for Contributions Received and Made*. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. It is the policy of the Organization to capitalize equipment with a value of \$1,000 or greater.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 3 to 39 years.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization utilizes FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. FASB ASC 958-320 sets standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Subsidiary is organized as a limited liability company for the exclusive benefit of the Organization and wholly-owned by the Organization.

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs of the Organization are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

Effective January 1, 2018, the Organization adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as provide information regarding liquidity, financial performance, and cash flows. The provisions of ASU 2016-14 that significantly change the Organization's financial statements are as follows:

- Revises the net assets classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes;
- Enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions; and
- Requires quantitative and qualitative disclosures on liquidity and the availability of resources to fund operations.

The financial statements for the year ended December 31, 2017, have been retroactively restated for the effects of the adoption of ASU 2016-14, which resulted in temporarily and permanently restricted net assets being reported as net assets with donor restrictions, and unrestricted net assets being reported as net assets without donor restrictions. There was no change in total net assets, nor was there an effect on the change in net assets in the accompanying statements of activities for the year ended December 31, 2017.

NOTE 2. PROPERTY AND EQUIPMENT

The major classes of property and equipment in service at December 31, 2018 and 2017, are as follows:

	2018	2017
Land	86,905	86,905
Building and improvements	1,940,806	1,948,066
Equipment	149,400	149,386
	<u>2,177,111</u>	<u>2,184,357</u>
Less accumulated depreciation	<u>(1,214,320)</u>	<u>(1,207,014)</u>
Net fixed assets	<u>962,791</u>	<u>977,343</u>

NOTE 3. INVESTMENTS

The Organization utilizes FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

As defined in FASB ASC 820-10, fair value is 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2018, at fair value on a recurring basis.

	2018			
	Total	Level 1	Level 2	Level 3
Exchange Traded Funds				
Domestic Equity	320,967	320,967		
Foreign Equity	126,272	126,272		
Fixed Income Funds	343,759	343,759		
Equity Securities				
U.S. Companies	<u>862,280</u>	<u>862,280</u>		
Total	<u>1,653,278</u>	<u>1,653,278</u>		

The table below presents the balances of assets measured at December 31, 2017, at fair value on a recurring basis.

	2017			
	Total	Level 1	Level 2	Level 3
Exchange Traded Funds				
Domestic Equity	352,702	352,702		
Foreign Equity	131,581	131,581		
Fixed Income Funds	339,132	339,132		
Equity Securities				
U.S. Companies	<u>872,157</u>	<u>872,157</u>		
Total	<u>1,695,572</u>	<u>1,695,572</u>		

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 marketable securities at December 31, 2018 and 2017, are as follows:

	2018		
	Cost	Unrealized Gain (Loss)	Market Value
Exchange Traded Funds	382,685	64,554	447,239
Fixed Income Funds	351,435	(7,676)	343,759
Equity Securities	<u>577,352</u>	<u>284,928</u>	<u>862,280</u>
Total	<u>1,311,472</u>	<u>341,806</u>	<u>1,653,278</u>

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

	2017		
	Cost	Unrealized Gain (Loss)	Market Value
Exchange Traded Funds	368,277	116,006	484,283
Fixed Income Funds	341,369	(2,237)	339,132
Equity Securities	<u>573,764</u>	<u>298,393</u>	<u>872,157</u>
Total	<u>1,283,410</u>	<u>412,162</u>	<u>1,695,572</u>

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

A summary of return on investments consists of the following for the years ended December 31, 2018 and 2017, respectively:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	3,750	40,245	43,995
Realized gains	946	5,524	6,470
Unrealized losses	<u>(17,507)</u>	<u>(52,850)</u>	<u>(70,357)</u>
	<u>(12,811)</u>	<u>(7,081)</u>	<u>(19,892)</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	2,679	39,498	42,177
Realized gains	2,317	86,880	89,197
Unrealized gains	<u>22,484</u>	<u>26,773</u>	<u>49,257</u>
	<u>27,480</u>	<u>153,151</u>	<u>180,631</u>

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. LEASES AND COMMITMENTS

As part of its Transitional Shelter and Single Family Emergency Shelter programs, the Organization obtains short-term residential leases for some of its clients. The Organization pays for units rented from Lincoln Housing Authority on an annual renewal agreement at various rates ranging from \$435 to \$730 per month. All of these leases are on a month-to-month basis for the clients.

The Organization leases a copier under an operating lease that calls for minimum monthly payments of \$188 per month. This lease expires in December 2022.

Beginning in October 2018, the Organization leases telephone equipment under an operating lease that calls for minimum monthly payments of \$951 per month. This lease expires September 2023.

Future minimum lease payments under the above agreements are as follows:

	Copier	Telephone
2019	2,256	11,410
2020	2,256	11,410
2021	2,256	11,410
2022	2,256	11,410
2023		8,558

NOTE 5. PLEDGES RECEIVABLE

Annually, the Organization initiates fundraising campaigns to fund their program services. The Organization has determined that discounting pledges receivable to their present value would have an immaterial effect on the financial statements as a whole and no such adjustment has been made to the financial records. The collection schedule of the pledges receivable at December 31, 2018, is as follows:

Receivable in less than one year	200,553
Receivable in one to four years	200,827
Receivable in five to eight years	<u>11,900</u>
	413,280
Less discounts to net present value at estimated representative rates	<u>- 0 -</u>
Net pledges receivable at December 31, 2018	<u><u>413,280</u></u>

NOTE 6. IN-KIND CONTRIBUTIONS

Friendship Home of Lincoln, Inc., has been operating various facilities in addition to the two main facilities. These additional facilities were made available by the Lincoln Housing Authority. Two of the seven facilities are made available rent-free and five of the facilities

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. IN-KIND CONTRIBUTIONS (Continued)

are rented by Friendship Home. In addition to these facilities, Friendship Home of Lincoln, Inc., also belongs to a program that makes available hotel and motel rooms rent-free on a night-by-night basis. The approximate fair market value of rent and maintenance for these facilities was \$16,220 for the years ending December 31, 2018 and 2017, respectively.

In addition, in-kind contributions were received as follows:

	2018	2017
Goods	241,548	208,106
Services	72,025	82,283

NOTE 7. DESIGNATED NET ASSETS

The Board of Directors has appropriated net assets without donor restrictions for the establishment of an operating reserve, building fund, and endowments as follows:

	2018	2017
Operating Reserve	117,082	151,652
Permanent endowment for operations	99,195	92,600
Nonpermanent endowment for operations	188,679	63,562
Building Fund	<u>862,791</u>	<u>877,343</u>
	<u>1,267,747</u>	<u>1,185,157</u>

NOTE 8. DONOR-DESIGNATED ENDOWMENTS

The Organization's endowments include a Special Donor Fund and other individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors 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 of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. DONOR-DESIGNATED ENDOWMENTS (Continued)

net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has a formal investment policy that was approved by the Board of Directors effective November 2010. The overall investment objective of the policy is to provide long term appreciation of capital and limit risk through diversification. At December 31, 2018, the endowments were held in exchange traded funds and fixed income funds and the investments of the Special Donor Fund are invested in equity securities.

Spending Policy

The Organization implemented a formal spending policy in 2017.

Friendship Home established the following spending policy with regard to the use of available investment accounts, subject to donor restriction:

Up to 4% of the total market value of the available funds may be distributed annually based upon a 3-year rolling average of market values of the investment accounts as of December 31, the fiscal year of the Friendship Home.

The spending policy is based on a percentage of portfolio assets using the smoothing term model, which provides a consistent withdrawal percentage in perpetuity.

Endowment net asset composition by type of fund as of December 31, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Board-restricted endowment funds	287,874		287,874
Donor-restricted endowment funds		<u>1,056,869</u>	<u>1,056,869</u>
Total	<u>287,874</u>	<u>1,056,869</u>	<u>1,344,743</u>

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. DONOR-DESIGNATED ENDOWMENTS (Continued)

Changes in endowment net assets as of December 31, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of year	156,162	1,066,980	1,223,142
Investment income (net)	6,712	24,089	30,801
Contributions	125,000		125,000
Amounts appropriated for expenditure	<u> </u>	<u>(34,200)</u>	<u>(34,200)</u>
Endowment net assets, end of year	<u>287,874</u>	<u>1,056,869</u>	<u>1,344,743</u>

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions restricted by purpose or time for December 31, 2018 and 2017, were:

	2018	2017
Building Fund	161,107	138,497
Contributions for future operations	388,189	359,201
Managed Fund for operations	542,434	573,929
Special Donor Fund for operations	<u>862,312</u>	<u>872,423</u>
	<u>1,954,042</u>	<u>1,944,050</u>

During 2006, the Special Donor Fund was increased by a donation which allows the Organization to use the income from the investments for operations but restricting the use of the principal until June of 2026. The principal is invested in equity securities (See Note 3) in the amount of \$862,312 and \$872,423 at December 31, 2018 and 2017, respectively.

Net assets with donor restrictions restricted in perpetuity for December 31, 2018 and 2017, were:

	2018	2017
Permanent endowments for operations	194,557	194,557
Building Fund	<u>100,000</u>	<u>100,000</u>
	<u>294,557</u>	<u>294,557</u>

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

When the Organization constructed their shelter building the City loaned funds and accordingly noted that should the Organization no longer use the property for emergency shelter services or should the property be sold, \$100,000 would be due back to the City. The Organization has recorded the \$100,000 as permanently restricted net assets on the statement of financial position.

NOTE 10. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	769,015
Grants receivable	312,256
Pledges receivable	200,553
Restricted cash	188,679
Investments	<u>1,653,278</u>
Total financial assets available within one year	<u>3,123,781</u>
Less amounts restricted by donors	(2,248,599)
Less amounts unavailable to management without Board of Directors' approval	<u>(404,956)</u>
Total financial assets available to management for general expenditure within one year	<u><u>470,226</u></u>

NOTE 11. RETIREMENT PLAN

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers regular scheduled employees of the Organization. The Organization contributes up to 6% of employee contributions for qualified employees to the plan based on years of service. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code. Plan expenses were \$28,416 and \$46,421 for the years ended December 31, 2018 and 2017, respectively. In the prior year, the Organization discovered that it had undercontributed retirement dating back to 2006. The cumulative amount of the missed contributions was \$24,055, which is included in 2017 plan expense.

NOTE 12. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of receivables with a variety of grantors and others. Such credit risk is considered by management to be limited due to the Organization's broad grantor's financial resources.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. LINCOLN COMMUNITY FOUNDATION ENDOWMENTS

The Organization has been named the beneficiary in two endowment funds held and managed by the Lincoln Community Foundation of which the Organization is entitled to receive annual distributions in November of each year. The total distributions received from these endowment funds during the year ended December 31, 2018 and 2017, was \$14,193 and \$13,220, respectively.

NOTE 14. GRANTS RECEIVABLE

Approximately 49% of grants receivable at December 31, 2018, and 73% of grants receivable at December 31, 2017, was from one of the Organization's grantors.

NOTE 15. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 23, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Transitional Housing Assistance	2014-WH-AX-006	16.736	70,443
Transitional Housing Assistance	2017-WH-AX-0032	16.736	37,413
Pass-Through Program From:			
Nebraska Commission on Law Enforcement and Criminal Justice			
Crime Victim Assistance			
Strength-Centered Transitions	17-VA-0281	16.575	68,519
One Time Funding: Technology/Shelter	17-VA-259	16.575	37,708
Domestic Violence Shelter	15-VA-0953	16.575	423,659
Domestic Violence Shelter	17-VA-0259	16.575	183,157
			<u>713,043</u>
Family Violence Council			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders		16.590	<u>9,470</u>
Total U.S. Department of Justice			<u>830,369</u>
<u>U.S. Department of Housing and Urban Development</u>			
Continuum of Care Program	NE0105L7D021701	14.267	53,272
Pass-Through Programs From:			
Nebraska Homeless Assistance Program and City of Lincoln, Urban Development Department			
Emergency Shelter Grants Program		14.231	<u>3,989</u>
Total U.S. Department of Housing and Urban Development			<u>57,261</u>

FRIENDSHIP HOME OF LINCOLN, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Programs From:			
Community Action Program for Lancaster and Saunders County Emergency Food Program		97.024	<u>4,500</u>
<u>Department of Homeland Security</u>			
Nebraska Department of Health and Human Services Family Violence Prevention and Services		93.671	<u>57,230</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>949,360</u></u>

The accompanying notes are an integral part of this schedule.

FRIENDSHIP HOME OF LINCOLN, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Friendship Home of Lincoln, Inc., under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Friendship Home of Lincoln, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Friendship Home of Lincoln, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, Friendship Home of Lincoln, Inc., provided no federal awards to subrecipients.

NOTE 4. INDIRECT COST RATE

Friendship Home of Lincoln, Inc., has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

FRIENDSHIP HOME OF LINCOLN, INC.
 OPERATING FUND
 SCHEDULES OF FUNCTIONAL EXPENSES
 YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018					2017				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total
EXPENSES										
Salaries	921,640	236,073	213,905	117,721	1,489,339	1,007,736	88,866	188,702	77,367	1,362,671
Employee benefits and payroll taxes	204,923	52,227	50,729	16,315	324,194	238,421	15,644	44,816	11,913	310,794
Supplies	196,656	10,183	6,966	13,092	226,897	146,657	3,267	5,300	10,543	165,767
Food	37,876	1,450		1,296	40,622	30,294	2,973		72	33,339
Occupancy	202,807	92,535	3,608	17,122	316,072	164,154	58,157	2,975	894	226,180
Printing and publications	1,900		211	32,465	34,576	1,175		131	25,781	27,087
Telephone	45,173	10,515	5,602	114	61,404	35,711	3,757	11,308	601	51,377
Travel	18,692	6,728	785	368	26,573	9,195	8,301	772	754	19,022
Postage	3,665		407	13,528	17,600	3,613		400	13,219	17,232
Direct aid	103,999	8,186			112,185	91,525	8,311		225	100,061
Conferences	22,148	2,728	5,537	18,104	48,517	26,533	5,278	6,633	15,310	53,754
Professional fees	40,454	64	58,747	36,696	135,961	36,146	60	60,512	44,379	141,097
Rental and equipment maintenance	5,073		577	115	5,765	5,057		575	115	5,747
Dues and subscriptions	3,250				3,250	2,931				2,931
Insurance	47,026	2,833	5,666	1,133	56,658	44,526	5,006	5,365	1,072	55,969
Awards	375		163		538	678		569	24	1,271
Miscellaneous	16				16	59				59
TOTAL EXPENSES	<u>1,855,673</u>	<u>423,522</u>	<u>352,903</u>	<u>268,069</u>	<u>2,900,167</u>	<u>1,844,411</u>	<u>199,620</u>	<u>328,058</u>	<u>202,269</u>	<u>2,574,358</u>

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018					2017				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total
BUILDING FUND										
EXPENSES										
Occupancy	5,600				5,600	6,400				6,400
Professional fees			40		40			40		40
Miscellaneous			70		70					
Loss on disposal of assets	1,839	43	214	43	2,139					
Depreciation	59,793	1,391	6,953	1,391	69,528	57,836	1,345	6,725	1,345	67,251
TOTAL EXPENSES	<u>67,232</u>	<u>1,434</u>	<u>7,277</u>	<u>1,434</u>	<u>77,377</u>	<u>64,236</u>	<u>1,345</u>	<u>6,765</u>	<u>1,345</u>	<u>73,691</u>
SPECIAL DONOR FUND										
EXPENSES										
Professional fees			16		16					
ENDOWMENT FUND - RESTRICTED										
EXPENSES										
Professional fees										

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF ACTIVITIES - UNITED WAY AND JBC FUNDED PROGRAMS
YEAR ENDED DECEMBER 31, 2018

REVENUES	
United Way allocations	<u>128,062</u>
EXPENSES	
Salaries	73,274
Employee benefits and payroll taxes	16,292
Supplies	2,997
Food	2,191
Occupancy	16,124
Printing and publications	151
Telephone	3,591
Travel	1,486
Postage	291
Direct aid	2,603
Conferences	1,517
Professional fees	3,113
Rental and equipment maintenance	403
Dues and subscriptions	258
Insurance	3,739
Awards	30
Miscellaneous	2
Total expenses	<u>128,062</u>
REVENUES OVER (UNDER) EXPENSES	<u><u>- 0 -</u></u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Friendship Home of Lincoln, Inc.
Lincoln, Nebraska

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 Home of Lincoln, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, 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, and have issued our report thereon dated April 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Friendship Home of Lincoln, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friendship Home of Lincoln, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Friendship Home of Lincoln, Inc.'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 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.

Dana J Cole + Company, LLP

Lincoln, Nebraska
April 23, 2019



**DANA F. COLE
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Friendship Home of Lincoln, Inc.
Lincoln, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Friendship Home of Lincoln, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Friendship Home of Lincoln, Inc.'s major federal programs for the year ended December 31, 2018. Friendship Home of Lincoln, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Friendship Home of Lincoln, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Friendship Home of Lincoln, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Friendship Home of Lincoln, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Friendship Home of Lincoln, Inc., 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, 2018.

Report on Internal Control over Compliance

Management of Friendship Home of Lincoln, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Friendship Home of Lincoln, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Friendship Home of Lincoln, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dana J Cole + Company, LLP

Lincoln, Nebraska
April 23, 2019

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

SECTION I. SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: Yes No

Significant deficiencies identified that are not considered to be material weaknesses: Yes None reported

Noncompliance matter to the financial statements disclosed: Yes No

Federal Awards

Internal control over major programs:

Material weakness identified: Yes No

Significant deficiencies identified that are not considered to be material weaknesses: Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a): Yes No

Identification of Programs audited as Major Programs:

Crime Victim Assistance 16.575

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

Auditee qualified as a low-risk auditee: Yes No

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

SECTION II. FINANCIAL STATEMENT FINDING

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

FRIENDSHIP HOME OF LINCOLN, INC.
PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2018

There were no prior year audit findings and recommendations that required resolution by Friendship Home of Lincoln, Inc., for the year ended December 31, 2017.