

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018



DANA F. COLE
& COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

FRIENDSHIP HOME OF LINCOLN, INC.
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**DANA F. COLE
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 and 2018, 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, 2019 and 2018, 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.

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 25 - 27 are provided for additional analysis and are also not a required part of the consolidated financial statements. The supplementary schedules on pages 25 - 27 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 25 - 27 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 May 12, 2020, 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 F. Cole + Company, LLP

Lincoln, Nebraska
May 12, 2020

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	ASSETS		2019	2018
CURRENT ASSETS				
Cash and cash equivalents			933,380	769,015
Grants receivable			340,485	312,256
Prepaid expenses			42,416	16,222
Pledges receivable (Note 5)			124,787	200,553
Total current assets			<u>1,441,068</u>	<u>1,298,046</u>
PROPERTY AND EQUIPMENT, at cost				
Land			86,905	86,905
Building and improvements			1,960,306	1,940,806
Equipment			150,325	149,400
			<u>2,197,536</u>	<u>2,177,111</u>
Less accumulated depreciation			<u>(1,279,646)</u>	<u>(1,214,320)</u>
Total property and equipment, at cost			<u>917,890</u>	<u>962,791</u>
OTHER ASSETS				
Pledges receivable (Note 5)			209,547	212,727
Restricted cash			204,082	188,679
Investments (Note 3)			2,039,840	1,653,278
Total other assets			<u>2,453,469</u>	<u>2,054,684</u>
TOTAL ASSETS			<u><u>4,812,427</u></u>	<u><u>4,315,521</u></u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	25,994	30,863
Vacation leave payable	119,584	97,895
Other accrued liabilities	5,588	21,006
Unearned income	181,214	262,667
Total current liabilities	<u>332,380</u>	<u>412,431</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	462,104	386,744
Net investment in property and equipment	817,890	862,791
Designated	545,768	404,956
Net assets with donor restrictions		
Restricted by purpose or time	2,359,728	1,954,042
Restricted by perpetuity	294,557	294,557
Total net assets	<u>4,480,047</u>	<u>3,903,090</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>4,812,427</u></u>	<u><u>4,315,521</u></u>

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions	1,370,566	82,440	1,453,006	1,308,454	49,661	1,358,115
Federal financial assistance	1,105,751		1,105,751	925,512	24,032	949,544
Other governmental grants	361,669		361,669	366,961	728	367,689
Allocations	123,119		123,119	128,062		128,062
Other grants	389,231		389,231	332,703		332,703
Program fees	3,707		3,707	3,269		3,269
Investment return	45,939	360,398	406,337	(12,811)	(7,081)	(19,892)
Other income	1,746		1,746	3,200		3,200
	3,401,728	442,838	3,844,566	3,055,350	67,340	3,122,690
Net assets released from restrictions						
Satisfaction of program restrictions	37,152	(37,152)		57,348	(57,348)	
Total revenue, gains, and other support	3,438,880	405,686	3,844,566	3,112,698	9,992	3,122,690
EXPENSES						
Program services						
Emergency shelter	2,118,688		2,118,688	1,922,905		1,922,905
Transitional shelter	501,698		501,698	424,956		424,956
Supporting services						
Management and general	349,572		349,572	360,196		360,196
Fundraising	297,651		297,651	269,503		269,503
Total expenses	3,267,609		3,267,609	2,977,560		2,977,560
CHANGE IN NET ASSETS	171,271	405,686	576,957	135,138	9,992	145,130
NET ASSETS, beginning of year	1,654,491	2,248,599	3,903,090	1,519,353	2,238,607	3,757,960
NET ASSETS, end of year	1,825,762	2,654,285	4,480,047	1,654,491	2,248,599	3,903,090

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019					2018				
	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	1,044,440	250,006	219,190	133,235	1,646,871	921,640	236,073	213,905	117,721	1,489,339
Employee benefits and payroll taxes	231,837	59,527	49,838	20,831	362,033	204,923	52,227	50,729	16,315	324,194
Supplies	228,129	3,424	5,811	6,479	243,843	196,656	10,183	6,966	13,092	226,897
Food	31,818	1,371		2,351	35,540	37,876	1,450		1,296	40,622
Occupancy	238,945	146,909	5,176	1,035	392,065	208,407	92,535	3,608	17,122	321,672
Printing and publications	1,795		200	25,025	27,020	1,900		211	32,465	34,576
Telephone	46,558	17,083	3,616	1,206	68,463	45,173	10,515	5,602	114	61,404
Travel	18,113	12,076	946	1,268	32,403	18,692	6,728	785	368	26,573
Postage	4,055		450	13,177	17,682	3,665		407	13,528	17,600
Direct aid	92,656	5,048			97,704	103,999	8,186			112,185
Conferences	23,837	2,147	5,838	18,581	50,403	22,148	2,728	5,537	18,104	48,517
Professional fees	44,887	70	44,563	71,921	161,441	40,454	64	58,803	36,696	136,017
Rental and equipment maintenance	4,458		507	101	5,066	5,073		577	115	5,765
Dues and subscriptions	3,359				3,359	3,250				3,250
Insurance	44,136	2,659	5,318	1,063	53,176	47,026	2,833	5,666	1,133	56,658
Awards	427		95		522	375		163		538
Miscellaneous			1,136		1,136	16		70		86
Loss on disposal of assets	160	4	18	4	186	1,839	43	214	43	2,139
	<u>2,059,610</u>	<u>500,324</u>	<u>342,702</u>	<u>296,277</u>	<u>3,198,913</u>	<u>1,863,112</u>	<u>423,565</u>	<u>353,243</u>	<u>268,112</u>	<u>2,908,032</u>
Depreciation	59,078	1,374	6,870	1,374	68,696	59,793	1,391	6,953	1,391	69,528
TOTAL EXPENSES	<u>2,118,688</u>	<u>501,698</u>	<u>349,572</u>	<u>297,651</u>	<u>3,267,609</u>	<u>1,922,905</u>	<u>424,956</u>	<u>360,196</u>	<u>269,503</u>	<u>2,977,560</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>576,957</u>	<u>145,130</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,696	69,528
Loss on disposal of assets	186	2,139
Unrealized (gain) loss on investments	(241,715)	70,357
Realized gain on investments	(117,600)	(6,470)
(Increase) decrease in operating assets:		
Grants receivable	(28,229)	130,265
Prepaid expenses	(26,194)	5,932
Pledges receivable	78,946	(100,504)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,402	20,123
Unearned income	(81,453)	6,682
Total adjustments	<u>(345,961)</u>	<u>198,052</u>
Net cash provided by operating activities	<u>230,996</u>	<u>343,182</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	570,565	217,695
Purchases of investments	(597,812)	(239,288)
Payments for property and equipment	<u>(23,981)</u>	<u>(57,115)</u>
Net cash used in investing activities	<u>(51,228)</u>	<u>(78,708)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	179,768	264,474
CASH AND CASH EQUIVALENTS, beginning of year	<u>957,694</u>	<u>693,220</u>
CASH AND CASH EQUIVALENTS, end of year	<u>1,137,462</u>	<u>957,694</u>
COMPONENTS OF CASH		
Cash and cash equivalents	933,380	769,015
Restricted cash	<u>204,082</u>	<u>188,679</u>
	<u>1,137,462</u>	<u>957,694</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.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The provisions of ASU No. 2014-09 apply to exchange transactions with customers that are bound by contracts or similar arrangements and establish a performance obligation approach to revenue recognition. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for annual reporting periods beginning after December 15, 2018, and permits the use of either a full retrospective or a modified retrospective approach.

The Organization adopted the new standard on January 1, 2019, using the modified retrospective method. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. The adoption of the ASU No. 2014-09 did not have an impact on the Organization's financial statements. Therefore, no cumulative adjustment was recognized in net assets upon adoption.

Also, in 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (ASC Topic 606 - *Revenue Recognition*). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. ASU 2018-08 was implemented on a modified prospective basis. Therefore, in 2019, the new standard was applied to agreements that were either not completed as of January 1, 2019, or entered into after January 1, 2019. The 2018 financial statements were not restated and continue to be reported under the accounting standards in effect in that period. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Net Asset Classification

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for specific use or invested in property and equipment.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2. PROPERTY AND EQUIPMENT

The major classes of property and equipment in service at December 31, 2019 and 2018, are as follows:

	2019	2018
Land	86,905	86,905
Building and improvements	1,960,306	1,940,806
Equipment	<u>150,325</u>	<u>149,400</u>
	2,197,536	2,177,111
Less accumulated depreciation	<u>(1,279,646)</u>	<u>(1,214,320)</u>
Net fixed assets	<u><u>917,890</u></u>	<u><u>962,791</u></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.

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

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

NOTE 3. INVESTMENTS (Continued)

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, 2019 and 2018, 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.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2019, at fair value on a recurring basis.

	2019			
	Total	Level 1	Level 2	Level 3
Exchange Traded Funds				
Domestic Equity	418,784	418,784		
Foreign Equity	139,313	139,313		
Fixed Income Funds	388,704	388,704		
Equity Securities				
U.S. Companies	1,093,039	1,093,039		
Total	2,039,840	2,039,840		

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

NOTE 3. INVESTMENTS (Continued)

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	862,280	862,280		
Total	<u>1,653,278</u>	<u>1,653,278</u>		

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 marketable securities at December 31, 2019 and 2018, are as follows:

	2019		
	Cost	Unrealized Gain (Loss)	Market Value
Exchange Traded Funds	385,168	172,929	558,097
Fixed Income Funds	384,571	4,133	388,704
Equity Securities	686,580	406,459	1,093,039
Total	<u>1,456,319</u>	<u>583,521</u>	<u>2,039,840</u>
	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	577,352	284,928	862,280
Total	<u>1,311,472</u>	<u>341,806</u>	<u>1,653,278</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

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

NOTE 3. INVESTMENTS (Continued)

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, 2019 and 2018, respectively:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	5,874	41,148	47,022
Realized gains	2,511	115,089	117,600
Unrealized gains	37,554	204,161	241,715
	45,939	360,398	406,337
	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	(17,507)	(52,850)	(70,357)
	(12,811)	(7,081)	(19,892)

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 leased telephone equipment under an operating lease that calls for minimum monthly payments of \$951 per month. This lease expires September 2023.

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

NOTE 4. LEASES AND COMMITMENTS (Continued)

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

	Copier	Telephone
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, 2019, is as follows:

Receivable in less than one year	124,787
Receivable in one to four years	198,027
Receivable in five to seven years	<u>11,520</u>
	334,334
Less discounts to net present value at estimated representative rates	<u>- 0 -</u>
Net pledges receivable at December 31, 2019	<u><u>334,334</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 25 facilities are made available rent-free and 23 of the facilities are rented by Friendship Home. The approximate fair market value of rent and maintenance for these facilities was \$16,920 and \$16,220 for the years ending December 31, 2019 and 2018, respectively.

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

	2019	2018
Goods	261,532	241,548
Services	53,176	72,025

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

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:

	2019	2018
Operating reserve	187,795	117,082
Permanent endowment for operations	153,891	99,195
Nonpermanent endowment for operations	204,082	188,679
Building Fund	817,890	862,791
	1,363,658	1,267,747

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 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, 2019, 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.

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

NOTE 8. DONOR-DESIGNATED ENDOWMENTS (Continued)

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, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Board-restricted endowment funds	357,973		357,973
Donor-restricted endowment funds		<u>1,287,654</u>	<u>1,287,654</u>
Total	<u>357,973</u>	<u>1,287,654</u>	<u>1,645,627</u>

Changes in endowment net assets as of December 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of year	287,874	1,056,869	1,344,743
Investment income (net)	35,099	263,985	299,084
Contributions	35,000		35,000
Amounts appropriated for expenditure		<u>(33,200)</u>	<u>(33,200)</u>
Endowment net assets, end of year	<u>357,973</u>	<u>1,287,654</u>	<u>1,645,627</u>

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

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions restricted by purpose or time for December 31, 2019 and 2018, were:

	2019	2018
Building Fund	177,588	161,107
Contributions for future operations	450,979	388,189
Managed Fund for operations	638,064	542,434
Special Donor Fund for operations	1,093,097	862,312
	<u>2,359,728</u>	<u>1,954,042</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 \$1,093,097 and \$862,312 at December 31, 2019 and 2018, respectively.

Net assets with donor restrictions restricted in perpetuity for December 31, 2019 and 2018, were:

	2019	2018
Permanent endowments for operations	194,557	194,557
Building Fund	100,000	100,000
	<u>294,557</u>	<u>294,557</u>

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:

	2019	2018
Cash and cash equivalents	933,380	769,015
Grants receivable	340,485	312,256
Pledges receivable	124,787	200,553
Restricted cash	204,082	188,679
Investments	2,039,840	1,653,278
	<u>3,642,574</u>	<u>3,123,781</u>
Total financial assets available within one year	<u>3,642,574</u>	<u>3,123,781</u>

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

NOTE 10. LIQUIDITY AND AVAILABILITY (Continued)

	2019	2018
Less amounts restricted by donors	(2,654,285)	(2,248,599)
Less amounts unavailable to management without Board of Directors' approval	<u>(545,768)</u>	<u>(404,956)</u>
Total financial assets available to management for general expenditure within one year	<u><u>442,521</u></u>	<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 \$32,875 and \$28,416 for the years ended December 31, 2019 and 2018, respectively.

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 grantors' financial resources.

The Organization maintains cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, the Organization's uninsured cash balances at one financial institution totaled \$37,727, with \$52,845 in outstanding checks.

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, 2019 and 2018, was \$14,239 and \$14,193, respectively.

NOTE 14. GRANTS RECEIVABLE

Approximately 62% of grants receivable at December 31, 2019, and 49% of grants receivable at December 31, 2018, was from one of the Organization's grantors.

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

NOTE 15. SUBSEQUENT EVENTS

As a result of the spread of the Coronavirus (COVID-19), economic uncertainties have arisen which may negatively affect the financial position, results of operation, and cash flows of the Organization. The dollar amount of any decline in revenue related to COVID-19 is not known at the time of issuance of the financial statements.

The Organization applied for, and received in April 2020, a SBA loan in the amount of \$368,400 under the Paycheck Protection Program. Principal and interest payments will be deferred for six months and the entire balance or portion of the loan balance will be forgiven if the proceeds are used, within eight weeks from receipt, primarily for payroll, employee benefits, and other allowable expenses. The loan bears interest at 1% per annum and matures in April 2022.

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 12, 2020, 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, 2019

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	2017-WH-AX-0032	16.736	106,360
Pass-Through Program From:			
Nebraska Commission on Law Enforcement and Criminal Justice			
Crime Victim Assistance			
Strength-Centered Transitions	17-VA-0281	16.575	163,879
Domestic Violence Shelter	152-2020-VA1023	16.575	171,484
Domestic Violence Shelter	17-VA-0259	16.575	354,857
Domestic Violence Shelter	152-2020-VA1023	16.575	156,592
			846,812
Family Violence Council			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders		16.590	7,219
Total U.S. Department of Justice			960,391
<u>U.S. Department of Housing and Urban Development</u>			
Continuum of Care Program	NE0105L7D021701	14.267	75,880
Continuum of Care Program	NE0105L7D021802	14.267	8,353
Total U.S. Department of Housing and Urban Development			84,233
<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	4,310

FRIENDSHIP HOME OF LINCOLN, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<u>Department of Homeland Security</u>			
Nebraska Department of Health and Human Services Family Violence Prevention and Services		93.671	<u>56,817</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>1,105,751</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, 2019

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, 2019. 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 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, 2019 AND 2018

	2019					2018				
	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	1,044,440	250,006	219,190	133,235	1,646,871	921,640	236,073	213,905	117,721	1,489,339
Employee benefits and payroll taxes	231,837	59,527	49,838	20,831	362,033	204,923	52,227	50,729	16,315	324,194
Supplies	228,129	3,424	5,811	6,479	243,843	196,656	10,183	6,966	13,092	226,897
Food	31,818	1,371		2,351	35,540	37,876	1,450		1,296	40,622
Occupancy	231,726	146,909	5,176	1,035	384,846	202,807	92,535	3,608	17,122	316,072
Printing and publications	1,795		200	25,025	27,020	1,900		211	32,465	34,576
Telephone	46,558	17,083	3,616	1,206	68,463	45,173	10,515	5,602	114	61,404
Travel	18,113	12,076	946	1,268	32,403	18,692	6,728	785	368	26,573
Postage	4,055		450	13,177	17,682	3,665		407	13,528	17,600
Direct aid	92,656	5,048			97,704	103,999	8,186			112,185
Conferences	23,837	2,147	5,838	18,581	50,403	22,148	2,728	5,537	18,104	48,517
Professional fees	44,887	70	44,501	71,921	161,379	40,454	64	58,747	36,696	135,961
Rental and equipment maintenance	4,458		507	101	5,066	5,073		577	115	5,765
Dues and subscriptions	3,359				3,359	3,250				3,250
Insurance	44,136	2,659	5,318	1,063	53,176	47,026	2,833	5,666	1,133	56,658
Awards	427		95		522	375		163		538
Miscellaneous			1,136		1,136	16				16
TOTAL EXPENSES	2,052,231	500,320	342,622	296,273	3,191,446	1,855,673	423,522	352,903	268,069	2,900,167

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019					2018				
	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	7,219				7,219	5,600				5,600
Professional fees			40		40			40		40
Miscellaneous								70		70
Loss on disposal of assets	160	4	18	4	186	1,839	43	214	43	2,139
Depreciation	<u>59,078</u>	<u>1,374</u>	<u>6,870</u>	<u>1,374</u>	<u>68,696</u>	<u>59,793</u>	<u>1,391</u>	<u>6,953</u>	<u>1,391</u>	<u>69,528</u>
TOTAL EXPENSES	<u>66,457</u>	<u>1,378</u>	<u>6,928</u>	<u>1,378</u>	<u>76,141</u>	<u>67,232</u>	<u>1,434</u>	<u>7,277</u>	<u>1,434</u>	<u>77,377</u>
SPECIAL DONOR FUND										
EXPENSES										
Professional fees			<u>22</u>		<u>22</u>			<u>16</u>		<u>16</u>
ENDOWMENT FUND - RESTRICTED										
EXPENSES										
Professional fees										

FRIENDSHIP HOME OF LINCOLN, INC.
 SCHEDULE OF ACTIVITIES - UNITED WAY AND JBC FUNDED PROGRAMS
 YEAR ENDED DECEMBER 31, 2019

REVENUES	
United Way allocations	<u>123,119</u>
EXPENSES	
Salaries	71,864
Employee benefits and payroll taxes	15,952
Supplies	1,576
Food	1,792
Occupancy	15,944
Printing and publications	124
Telephone	3,204
Travel	1,246
Postage	279
Direct aid	3,015
Conferences	1,431
Professional fees	3,089
Rental and equipment maintenance	307
Dues and subscriptions	230
Insurance	3,037
Awards	29
Total expenses	<u>123,119</u>
REVENUES OVER (UNDER) EXPENSES	<u><u>- 0 -</u></u>



**DANA F. COLE
& COMPANY_{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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, 2019, 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 May 12, 2020.

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 F Cole + Company, LLP

Lincoln, Nebraska
May 12, 2020



**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, 2019. 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, 2019.

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
May 12, 2020

FRIENDSHIP HOME OF LINCOLN, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2019

SECTION I. SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance matter to the financial statements disclosed:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness identified:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

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, 2019

There were no prior year audit findings and recommendations that required resolution by Friendship Home of Lincoln, Inc., for the year ended December 31, 2018.