

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021



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

FRIENDSHIP HOME OF LINCOLN, INC.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Friendship Home of Lincoln, Inc. (a nonprofit organization), and wholly-owned subsidiary, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friendship Home of Lincoln, Inc., and wholly-owned subsidiary, as of December 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friendship Home of Lincoln, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friendship Home of Lincoln Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were 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 26 - 28 are provided for additional analysis and are also not a required part of the consolidated financial statements. The supplementary schedules on pages 26 - 28 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 26 - 28 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 a report dated April 8, 2023, 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, 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 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
April 8, 2023

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	1,871,284	1,757,878
Grants receivable	775,892	691,090
Prepaid expenses	20,176	44,213
Pledges receivable (Note 5)	83,088	111,660
Total current assets	<u>2,750,440</u>	<u>2,604,841</u>
PROPERTY AND EQUIPMENT, at cost		
Land	86,905	86,905
Building and improvements	2,013,513	2,009,896
Equipment	105,243	149,209
	<u>2,205,661</u>	<u>2,246,010</u>
Less accumulated depreciation	<u>(1,374,803)</u>	<u>(1,398,543)</u>
Total property and equipment, at cost	<u>830,858</u>	<u>847,467</u>
OTHER ASSETS		
Pledges receivable (Note 5)	120,300	119,100
Restricted cash	245,156	244,356
Investments (Note 3)	2,459,688	2,399,307
Total other assets	<u>2,825,144</u>	<u>2,762,763</u>
TOTAL ASSETS	<u>6,406,442</u>	<u>6,215,071</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS	2022	2021
CURRENT LIABILITIES		
Accounts payable	33,098	36,669
Vacation leave payable	98,889	173,471
Other accrued liabilities	8,148	7,354
Unearned income	<u>166,015</u>	<u>187,664</u>
Total current liabilities	<u>306,150</u>	<u>405,158</u>
 NET ASSETS		
Net assets without donor restrictions		
Undesignated	510,574	248,084
Net investment in property and equipment	730,858	747,467
Designated	1,920,376	1,911,000
Net assets with donor restrictions		
Restricted by purpose or time	2,643,927	2,608,805
Restricted by perpetuity	<u>294,557</u>	<u>294,557</u>
Total net assets	<u>6,100,292</u>	<u>5,809,913</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>6,406,442</u></u>	 <u><u>6,215,071</u></u>

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions	1,472,851		1,472,851	1,778,879		1,778,879
Federal financial assistance	1,531,358		1,531,358	1,624,103		1,624,103
Other governmental grants	425,224		425,224	357,216		357,216
Allocations	107,086		107,086	111,470		111,470
Other grants	261,348	382,609	643,957	187,754	109,500	297,254
Program fees	2,919		2,919	3,029		3,029
Investment return	(50,898)	(195,100)	(245,998)	44,932	292,295	337,227
Other income	50,431		50,431	4,517		4,517
	<u>3,800,319</u>	<u>187,509</u>	<u>3,987,828</u>	<u>4,111,900</u>	<u>401,795</u>	<u>4,513,695</u>
Net assets released from restrictions						
Satisfaction of program restrictions	<u>152,387</u>	<u>(152,387)</u>		<u>330,686</u>	<u>(330,686)</u>	
Total revenue, gains, and other support	<u>3,952,706</u>	<u>35,122</u>	<u>3,987,828</u>	<u>4,442,586</u>	<u>71,109</u>	<u>4,513,695</u>
EXPENSES						
Program services						
Emergency shelter	2,079,435		2,079,435	2,392,351		2,392,351
Transitional shelter	603,076		603,076	503,785		503,785
Permanent shelter	290,331		290,331			
Supporting services						
Management and general	471,756		471,756	384,045		384,045
Fundraising	252,851		252,851	302,816		302,816
Total expenses	<u>3,697,449</u>		<u>3,697,449</u>	<u>3,582,997</u>		<u>3,582,997</u>
CHANGE IN NET ASSETS	255,257	35,122	290,379	859,589	71,109	930,698
NET ASSETS, beginning of year	<u>2,906,551</u>	<u>2,903,362</u>	<u>5,809,913</u>	<u>2,046,962</u>	<u>2,832,253</u>	<u>4,879,215</u>
NET ASSETS, end of year	<u>3,161,808</u>	<u>2,938,484</u>	<u>6,100,292</u>	<u>2,906,551</u>	<u>2,903,362</u>	<u>5,809,913</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022						2021				
	Program Services			Supporting Services			Program Services		Supporting Services		
	Emergency Shelter	Transitional Shelter	Permanent Shelter	Management and General	Fund-Raising	Total	Emergency Shelter	Transitional Shelter	Management and General	Fund-Raising	Total
EXPENSES											
Salaries	1,042,534	322,186	137,675	343,545	134,309	1,980,249	1,208,442	265,423	252,439	160,053	1,886,357
Employee benefits and payroll taxes	229,772	59,171	33,610	23,141	(1,327)	344,367	290,418	69,321	59,571	36,652	455,962
Supplies	178,479	10,312	1,200	5,217	731	195,939	209,923	3,129	7,630	2,601	223,283
Food	44,440	1,702			2,805	48,947	37,724	1,330			39,054
Occupancy	264,121	172,116	105,161	6,042	525	547,965	331,661	119,313	5,097	443	456,514
Printing and publications	283			32	46,188	46,503	1,804		201	24,941	26,946
Telephone	48,464	21,851	647	5,508	1,101	77,571	52,400	16,708	5,955	1,191	76,254
Travel	22,705	3,932	4,003	4	943	31,587	14,839	9,892	25	365	25,121
Postage	3,763			418	12,449	16,630	4,220		469	14,044	18,733
Direct aid	57,166	7,324	7,720			72,210	62,005	9,109			71,114
Conferences	1,082	58		2,237	1,610	4,987	17,367	4,343	137	12,743	34,590
Professional fees	57,006	110	44	70,870	50,584	178,614	45,827	97	38,426	46,569	130,919
Rental and equipment maintenance	6,320			1,287	111	7,718	4,192		476	95	4,763
Dues and subscriptions	4,396					4,396	4,005				4,005
Insurance	41,055	2,473		4,946	990	49,464	40,365	2,432	4,863	972	48,632
Awards	1,191			241	4	1,436	415				415
Miscellaneous	8,782	263	271	375	250	9,941	5,408	1,262	1,623	721	9,014
Loss on disposal of assets	6,706	156		780	156	7,798	2,018	47	235	47	2,347
	<u>2,018,265</u>	<u>601,654</u>	<u>290,331</u>	<u>464,643</u>	<u>251,429</u>	<u>3,626,322</u>	<u>2,333,033</u>	<u>502,406</u>	<u>377,147</u>	<u>301,437</u>	<u>3,514,023</u>
Depreciation	<u>61,170</u>	<u>1,422</u>		<u>7,113</u>	<u>1,422</u>	<u>71,127</u>	<u>59,318</u>	<u>1,379</u>	<u>6,898</u>	<u>1,379</u>	<u>68,974</u>
TOTAL EXPENSES	<u>2,079,435</u>	<u>603,076</u>	<u>290,331</u>	<u>471,756</u>	<u>252,851</u>	<u>3,697,449</u>	<u>2,392,351</u>	<u>503,785</u>	<u>384,045</u>	<u>302,816</u>	<u>3,582,997</u>

See accompanying notes to financial statements.

FRIENDSHIP HOME OF LINCOLN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>290,379</u>	<u>930,698</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	71,127	68,974
Loss on disposal of assets	7,798	2,347
Unrealized (gain) loss on investments	281,424	(197,129)
Realized (gain) loss on investments	20,175	(92,184)
(Increase) decrease in operating assets:		
Grants receivable	(84,802)	(114,425)
Prepaid expenses	24,037	(16,587)
Pledges receivable	27,372	36,425
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(77,359)	(4,462)
Unearned income	<u>(21,649)</u>	<u>10,606</u>
Total adjustments	<u>248,123</u>	<u>(306,435)</u>
Net cash provided by operating activities	<u>538,502</u>	<u>624,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	169,344	281,698
Purchases of investments	(531,324)	(279,159)
Payments for property and equipment	<u>(62,316)</u>	<u>(36,293)</u>
Net cash used in investing activities	<u>(424,296)</u>	<u>(33,754)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	114,206	590,509
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,002,234</u>	<u>1,411,725</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>2,116,440</u></u>	<u><u>2,002,234</u></u>
COMPONENTS OF CASH		
Cash and cash equivalents	1,871,284	1,757,878
Restricted cash	<u>245,156</u>	<u>244,356</u>
	<u><u>2,116,440</u></u>	<u><u>2,002,234</u></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) (the Organization), is a nonprofit corporation organized to provide emergency shelter for victims of domestic violence and their 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 (the Subsidiary) which was formed during the year ended 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.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classification (Continued)

Net Assets With Donor Restrictions (Continued)

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.

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.

Revenue With or Without Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purpose of property and equipment.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue With or Without Donor Restrictions (Continued)

Otherwise, donor restrictions on contributions of property and equipment of assets restricted for purchase of property or equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grant amounts awarded, but not received, are reported as receivables. Grant revenue is recognized in the period the grant is awarded, provided it is unconditional, and is recorded as revenue in net assets with or without donor restrictions, depending on the grantor's intent. Unrestricted grant program revenues represent grant dollars received which were either not restricted by the donor, or for which restrictions were met in the year received. Conditional grants are recognized as revenue is earned.

Investment earnings on contributions and grants are recorded based on donor restrictions, if any.

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.

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.

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 \$5,000 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 - 39 years.

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.

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.

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)

Leases

FASB Accounting Standards Update (ASU) 2016-02, Topic 842, *Leases*, was implemented in the current year. Under the standard, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as a variable lease expense (income) in the future period in which they are incurred.

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

ROU assets for finance leases are amortized on a straight-line basis over the lease term. Operating leases with fluctuating lease payments: For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset or liability for those leases. Lease payments for short-term leases are recognized on a straight-line basis.

NOTE 2. PROPERTY AND EQUIPMENT

The major classes of property and equipment in service at December 31, 2022 and 2021, are as follows:

	2022	2021
Land	86,905	86,905
Building and improvements	2,013,513	2,009,896
Equipment	105,243	149,209
	<u>2,205,661</u>	<u>2,246,010</u>
Less accumulated depreciation	(1,374,803)	(1,398,543)
Total property and equipment	<u>830,858</u>	<u>847,467</u>

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

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 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, 2022 and 2021, 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.

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

NOTE 3. INVESTMENTS (Continued)

Marketable Equity Securities (Continued)

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, 2022, at fair value on a recurring basis.

	2022			
	Total	Level 1	Level 2	Level 3
US Treasury Bills	410,573		410,573	
Exchange Traded Funds				
Domestic Equity	360,594	360,594		
Foreign Equity	109,480	109,480		
Mutual Funds				
Fixed Income Funds	474,386	474,386		
Equity Securities				
U.S. Companies	<u>1,104,655</u>	<u>1,104,655</u>		
Total	<u>2,459,688</u>	<u>2,049,115</u>	<u>410,573</u>	

The table below presents the balances of assets measured at December 31, 2021, at fair value on a recurring basis.

	2021			
	Total	Level 1	Level 2	Level 3
Exchange Traded Funds				
Domestic Equity	436,725	436,725		
Foreign Equity	162,181	162,181		
Mutual Funds				
Fixed Income Funds	560,498	560,498		
Equity Securities				
U.S. Companies	<u>1,239,903</u>	<u>1,239,903</u>		
Total	<u>2,399,307</u>	<u>2,399,307</u>		

Level 2 Measurements

Fair values for investments in debt securities are determined by reference to yield curves and quoted prices for similar securities.

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

NOTE 3. INVESTMENTS (Continued)

The carrying amounts, market value, unrealized gains, and unrealized losses at December 31, 2022 and 2021, are as follows:

	2022		
	Cost	Unrealized Gain (Loss)	Market Value
US Treasury Bills	406,646	3,927	410,573
Exchange Traded Funds	301,169	168,905	470,074
Fixed Income Funds	522,280	(47,894)	474,386
Equity Securities	623,012	481,643	1,104,655
Total	<u>1,853,107</u>	<u>606,581</u>	<u>2,459,688</u>
	2021		
	Cost	Unrealized Gain (Loss)	Market Value
Exchange Traded Funds	312,167	286,739	598,906
Fixed Income Funds	558,111	2,387	560,498
Equity Securities	641,024	598,879	1,239,903
Total	<u>1,511,302</u>	<u>888,005</u>	<u>2,399,307</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, 2022 and 2021, respectively:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income (losses)	9,105	46,496	55,601
Realized gains (losses)	208	(20,383)	(20,175)
Unrealized gains	<u>(60,211)</u>	<u>(221,213)</u>	<u>(281,424)</u>
	<u>(50,898)</u>	<u>(195,100)</u>	<u>(245,998)</u>

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

NOTE 3. INVESTMENTS (Continued)

	2021	
	Without Donor Restrictions	With Donor Restrictions
		Total
Investment income (losses)	5,416	47,914
Realized gains	20,341	92,184
Unrealized gains	19,175	197,129
	<u>44,932</u>	<u>337,227</u>

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 \$475 - \$750 per month. All of these leases are on a month-to-month basis for the clients.

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. This lease did not meet the criteria set by the Organization to be capitalized as an ROU asset.

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

	Telephone
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, 2022, is as follows:

Receivable in less than one year	83,088
Receivable in 1 - 4 years	118,000
Receivable in 5 - 7 years	<u>2,300</u>
Net pledges receivable at December 31, 2022	<u>203,388</u>

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

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 27 facilities are made available rent-free and 25 of the facilities are rented by Friendship Home. The approximate fair market value of rent and maintenance for these facilities was \$19,175 and \$17,222 for the years ending December 31, 2022 and 2021, respectively.

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

	2022	2021
Goods	198,157	217,337
Services	64,340	41,791

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:

	2022	2021
Operating reserve	1,493,486	1,410,519
Permanent endowment for operations	181,734	256,125
Nonpermanent endowment for operations	245,156	244,356
Building Fund	<u>730,858</u>	<u>747,467</u>
	<u><u>2,651,234</u></u>	<u><u>2,658,467</u></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

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

NOTE 8. DONOR-DESIGNATED ENDOWMENTS (Continued)

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, 2022, 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, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Board-restricted endowment funds	426,890		426,890
Donor-restricted endowment funds		1,300,265	1,300,265
Total	<u>426,890</u>	<u>1,300,265</u>	<u>1,727,155</u>

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

NOTE 8. DONOR-DESIGNATED ENDOWMENTS (Continued)

Spending Policy (Continued)

Changes in endowment net assets as of December 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of year	500,481	1,438,712	1,939,193
Investment income (net)	(73,591)	(99,447)	(173,038)
Amounts appropriated for expenditure	<u> </u>	<u>(39,000)</u>	<u>(39,000)</u>
Endowment net assets, end of year	<u>426,890</u>	<u>1,300,265</u>	<u>1,727,155</u>

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions restricted by purpose or time for December 31, 2022 and 2021, were:

	2022	2021
Building Fund	305,637	325,698
Contributions for future operations	610,812	294,253
Managed Fund for operations	621,770	744,699
Special Donor Fund for operations	<u>1,105,708</u>	<u>1,244,155</u>
	<u>2,643,927</u>	<u>2,608,805</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 \$1,105,708 and \$1,244,155 at December 31, 2022 and 2021, respectively.

Net assets with donor restrictions restricted in perpetuity for December 31, 2022 and 2021, were:

	2022	2021
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:

	2022	2021
Cash and cash equivalents	1,871,284	1,757,878
Grants receivable	775,892	691,090
Pledges receivable	83,088	111,660
Restricted cash	245,156	244,356
Investments	<u>2,459,688</u>	<u>2,399,307</u>
Total financial assets available within one year	<u>5,435,108</u>	<u>5,204,291</u>
Less amounts restricted by donors	(2,938,484)	(2,903,362)
Less amounts unavailable to management without Board of Directors' approval	<u>(1,920,376)</u>	<u>(1,911,000)</u>
Total financial assets available to management for general expenditure within one year	<u><u>576,248</u></u>	<u><u>389,929</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 \$42,305 and \$40,591 for the years ended December 31, 2022 and 2021, 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.

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

NOTE 12. CONCENTRATION OF CREDIT RISK (Continued)

The Organization maintains cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, the Organization's uninsured cash balances at financial institutions totaled \$316,997, with \$55,895 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 years ended December 31, 2022 and 2021, were \$14,847 and \$13,861, respectively.

NOTE 14. GRANTS RECEIVABLE

Approximately 71% of grants receivable at December 31, 2022, and 70% of grants receivable at December 31, 2021, was from one of the Organization's grantors.

NOTE 15. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 8, 2023, 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, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Transitional Housing Assistance	2017-WH-AX-0032	16.736	129,269
Pass-Through Program From:			
Nebraska Commission on Law Enforcement and Criminal Justice Crime Victim Assistance			
Strength-Centered Transitions	152-2021-VA4001	16.575	265,667
Domestic Violence Shelter	152-2020-VA1023	16.575	410,162
Domestic Violence Shelter	152-2022-VA1001	16.575	383,529
			<u>1,059,358</u>
Total U.S. Department of Justice			<u>1,188,627</u>
<u>U.S. Department of Housing and Urban Development</u>			
Continuum of Care Program	NE0105L7D021802	14.267	192,245
Pass-Through Programs From:			
Nebraska Homeless Assistance Program			
Emergency Shelter Grants Program		14.231	61,368
Matt Talbot Kitchen & Outreach			
Emergency Shelter Grants Program		14.231	9,500
			<u>70,868</u>
Total U.S. Department of Housing and Urban Development			<u>263,113</u>

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
<u>Department of Homeland Security</u>			
Nebraska Department of Health and Human Services			
Family Violence Prevention and Services		93.671	<u>75,416</u>
Total U.S. Department of Homeland Security			<u>75,416</u>
<u>Department of Health and Human Services</u>			
Nebraska Department of Health and Human Services			
Family Violence Prevention and Services		97.024	<u>4,205</u>
Total U.S. Department of Health and Human Services			<u>4,205</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>1,531,361</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, 2022

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, 2022. 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, 2022 AND 2021

	2022						2021				
	Program Services			Supporting Services			Program Services		Supporting Services		
	Emergency Shelter	Transitional Shelter	Permanent Shelter	Management and General	Fund-raising	Total	Emergency Shelter	Transitional Shelter	Management and General	Fund-raising	Total
EXPENSES											
Salaries	1,042,534	322,186	137,675	343,545	134,309	1,980,249	1,208,442	265,423	252,439	160,053	1,886,357
Employee benefits and payroll taxes	229,772	59,171	33,610	23,141	(1,327)	344,367	290,418	69,321	59,571	36,652	455,962
Supplies	178,479	10,312	1,200	5,217	731	195,939	209,923	3,129	7,630	2,601	223,283
Food	44,440	1,702			2,805	48,947	37,724	1,330			39,054
Occupancy	215,012	172,116	105,161	6042	525	498,856	331,661	119,313	5,097	443	456,514
Printing and publications	283			32	46,188	46,503	1,804		201	24,941	26,946
Telephone	48,464	21,851	647	5,508	1,101	77,571	52,400	16,708	5,955	1,191	76,254
Travel	22,705	3,932	4,003	4	943	31,587	14,839	9,892	25	365	25,121
Postage	3,763			418	12,449	16,630	4,220		469	14,044	18,733
Direct aid	57,166	7,324	7,720			72,210	62,005	9,109			71,114
Conferences	1,082	58		2,237	1,610	4,987	17,367	4,343	137	12,743	34,590
Professional fees	57,006	110	44	70,870	50,584	178,614	45,827	97	38,426	46,569	130,919
Rental and equipment maintenance	4,885			555	111	5,551	4,192		476	95	4,763
Dues and subscriptions	4,396					4,396	4,005				4,005
Insurance	41,055	2,473		4,946	990	49,464	40,365	2,432	4,863	972	48,632
Awards	1,191			241	4	1,436	415				415
Miscellaneous	3,321	263	271	375	250	4,480	5,408	1,262	1,623	721	9,014
TOTAL EXPENSES	<u>1,955,554</u>	<u>601,498</u>	<u>290,331</u>	<u>463,131</u>	<u>251,273</u>	<u>3,561,787</u>	<u>2,331,015</u>	<u>502,359</u>	<u>376,912</u>	<u>301,390</u>	<u>3,511,676</u>

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

BUILDING FUND

	2022					2021				
	Program Services		Supporting Services		Total	Program Services		Supporting Services		Total
	Emergency Shelter	Transitional Shelter	Management and General	Fund-raising		Emergency Shelter	Transitional Shelter	Management and General	Fund-raising	
EXPENSES										
Occupancy	49,109				49,109					
Rental and equipment maintenance	1,435		732		2,167					
Miscellaneous	5,461				5,461					
Loss on disposal of assets	6,706	156	780	156	7,798	2,018	47	235	47	2,347
Depreciation	<u>61,170</u>	<u>1,422</u>	<u>7,113</u>	<u>1,422</u>	<u>71,127</u>	<u>59,318</u>	<u>1,379</u>	<u>6,898</u>	<u>1,379</u>	<u>68,974</u>
TOTAL EXPENSES	<u>123,881</u>	<u>1,578</u>	<u>8,625</u>	<u>1,578</u>	<u>135,662</u>	<u>61,336</u>	<u>1,426</u>	<u>7,133</u>	<u>1,426</u>	<u>71,321</u>

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF ACTIVITIES - UNITED WAY
YEAR ENDED DECEMBER 31, 2022

REVENUES	
United Way allocations	<u>107,086</u>
EXPENSES	
Salaries	63,525
Employee benefits and payroll taxes	14,282
Supplies	953
Food	1,971
Occupancy	12,987
Printing and publications	17
Telephone	2,953
Travel	1,384
Postage	229
Direct aid	2,252
Conferences	66
Professional fees	3,399
Rental and equipment maintenance	298
Dues and subscriptions	268
Insurance	<u>2,502</u>
Total expenses	<u>107,086</u>
REVENUES OVER EXPENSES	<u><u>- 0 -</u></u>



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

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

To the Board of Directors
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, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 8, 2023.

Report on 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 Friendship Home of Lincoln, Inc.'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.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Friendship Home of Lincoln, Inc.'s, internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska
April 8, 2023



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on 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, 2022. Friendship Home of Lincoln, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Friendship 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Friendship Home of Lincoln, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Friendship Home of Lincoln, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Friendship Home of Lincoln, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Friendship Home of Lincoln, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Friendship Home of Lincoln, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Dana F Cole + Company, LLP

Lincoln, Nebraska
April 8, 2023

FRIENDSHIP HOME OF LINCOLN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

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

Any audit findings disclosed that are
required to be reported in accord-
ance 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, 2022

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, 2022

There were no prior year audit findings and recommendations that required resolution by Friendship Home of Lincoln, Inc., for the year ended December 31, 2021.