

FRIENDSHIP SERVICE CENTER, INC.

Independent Auditors' Report

Financial Statements

**Reports in Accordance with
*Government Auditing Standards***

**Reports in Accordance with the
State Single Audit Act**

**Reports in Accordance with
Uniform Guidance**

June 30, 2023 and 2022



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

FRIENDSHIP SERVICE CENTER, INC.

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June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friendship Service Center, Inc.

Opinion

We have audited the accompanying financial statements of Friendship Service Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friendship Service Center, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friendship Service Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 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 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 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 Service Center, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friendship Service Center, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, 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* and the State Single Audit Act, are presented for purposes of additional analysis, and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the 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 November 14, 2023, on our consideration of Friendship Service Center, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Friendship Service Center, 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 Service Center, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut
November 14, 2023

FRIENDSHIP SERVICE CENTER, INC.

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and restricted cash	\$ 736,938	\$ 732,596
Accounts receivable, net	224,850	60,170
Prepaid expenses	394	113,942
Total current assets	962,182	906,708
Noncurrent assets:		
Investments	1,485,534	1,436,208
Property and equipment, net	10,379,553	11,248,281
Financing right-of-use asset	458,979	-
Escrow - deposit	276,251	221,867
Total noncurrent assets	12,600,317	12,906,356
Total assets	\$ 13,562,499	\$ 13,813,064
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 271,199	\$ 170,686
Current portion of financing lease obligations	28,459	24,351
Security deposit	30,356	30,146
Funds held for the benefit of clients	89,639	56,314
Total current liabilities	419,653	281,497
Noncurrent liabilities:		
Financing lease obligations, net of current portion	447,878	448,750
Mortgage payable	6,866,395	6,866,395
Total noncurrent liabilities	7,314,273	7,315,145
Total liabilities	7,733,926	7,596,642
Net assets:		
Without donor restrictions:		
Operating	847,239	871,429
Board designated	1,485,534	1,436,208
Property and equipment (net of debt)	3,495,800	3,908,785
Total net assets without donor restrictions	5,828,573	6,216,422
Total liabilities and net assets	\$ 13,562,499	\$ 13,813,064

The accompanying notes are an integral part of the financial statements.

FRIENDSHIP SERVICE CENTER, INC.

Statements of Activities

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Revenues and support		
Grants from governmental agencies	\$ 3,536,451	\$ 2,827,857
Contributions and other grants	363,034	288,416
Program fees	61,458	19,589
Net investment income	23,178	1,865
Rental income	6,000	36,268
Total revenues and support	<u>3,990,121</u>	<u>3,173,995</u>
Expenses		
Program services	4,001,066	3,234,770
Management and general	426,120	349,533
Fundraising	66,863	28,462
Total expenses	<u>4,494,049</u>	<u>3,612,765</u>
Change in net assets before other changes	(503,928)	(438,770)
Change in realized and unrealized gain/(loss) on investments	<u>116,079</u>	<u>(145,335)</u>
Change in net assets	(387,849)	(584,105)
Net assets - beginning of year	<u>6,216,422</u>	<u>6,800,527</u>
Net assets - end of year	<u>\$ 5,828,573</u>	<u>\$ 6,216,422</u>

The accompanying notes are an integral part of the financial statements.

FRIENDSHIP SERVICE CENTER, INC.

Statements of Functional Expenses

For the years ended June 30, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,606,725	\$ 262,501	\$ 40,504	\$ 1,909,730	\$ 1,202,092	\$ 226,675	\$ 17,325	\$ 1,446,092
Fringe benefits	244,028	17,483	7,518	269,029	202,925	44,629	1,878	249,432
Total salaries and fringe benefits	1,850,753	279,984	48,022	2,178,759	1,405,017	271,304	19,203	1,695,524
Maintenance and repairs	614,374	21,464	693	636,528	427,084	-	2,046	429,130
Direct client support	361,621	-	-	361,622	296,294	-	-	296,294
Utilities	193,413	20,369	856	214,638	170,976	1,736	250	172,962
Supplies and materials	190,010	376	2,369	192,757	152,941	-	-	152,941
Contracted services	175,205	15,258	6,332	196,795	178,973	8,900	4,668	192,541
Insurance	88,403	8,112	92	96,607	82,933	693	-	83,626
Real estate tax	32,794	-	-	32,794	32,772	-	-	32,772
Other	57,483	41,734	8,499	107,716	16,847	56,820	2,295	75,962
	3,564,056	387,297	66,863	4,018,216	2,763,837	339,453	28,462	3,131,752
Total expenses before depreciation and amortization								
Amortization	25,174	2,236	-	27,410	-	-	-	-
Depreciation	411,836	36,587	-	448,423	470,933	10,080	-	481,013
	\$ 4,001,066	\$ 426,120	\$ 66,863	\$ 4,494,049	\$ 3,234,770	\$ 349,533	\$ 28,462	\$ 3,612,765

The accompanying notes are an integral part of the financial statements.

FRIENDSHIP SERVICE CENTER, INC.

Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (387,849)	\$ (584,105)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Amortization	27,410	-
Depreciation	448,423	481,013
Change in realized and unrealized (gain)/loss on investments	(116,079)	145,335
Interest expense on financing leases	33,545	-
Change in operating assets and liabilities:		
Accounts receivable	(164,680)	35,312
Prepaid expenses	113,548	(93,938)
Accounts payable and accrued expenses	100,513	(94,799)
Security deposit	210	(2,536)
Funds held for the benefit of clients	33,325	(19,190)
Net change in cash from operating activities	88,366	(132,908)
Cash flows from investing activities		
Proceeds from sales of investments	89,931	76,542
Purchases of investments	(23,178)	(1,865)
Withdrawals/(deposits) to reserves held by lender, net	(54,384)	22,601
Purchase of property and equipment	(38,674)	(25,053)
Net change in cash from investing activities	(26,305)	72,225
Cash flows from financing activities		
Payments for financing leases	(57,719)	(23,176)
Net change in cash from financing activities	(57,719)	(23,176)
Net change in cash	4,342	(83,859)
Cash and restricted cash, beginning of year	732,596	816,455
Cash and restricted cash, end of year	\$ 736,938	\$ 732,596
Cash paid for interest	\$ 31,366	\$ 31,155
Noncash financing lease right-of-use asset	\$ 458,979	\$ -

The accompanying notes are an integral part of the financial statements.

FRIENDSHIP SERVICE CENTER, INC.

Notes to the Financial Statements

June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The mission of Friendship Service Center, Inc. (the Agency) is that, with collaboration, our work is love made visible through supportive services and partnership with people experiencing or at risk of homelessness. Since 1968, Friendship Service Center has been a place where the hungry are fed, the homeless are sheltered, and everyone is welcome. The Agency provides a continuum of services for men, women, and children who are at risk or experiencing homelessness in Central Connecticut (New Britain, Bristol, Berlin, Southington, Plainville).

Four buildings are owned and operated by the Agency: The Virginia C. Davis Friendship Service Center Building (Davis Building) located at 241-249 Arch Street, The American Savings Foundation Building (Foundation Building) located at 85 Arch Street, the Ellen Perkins Simpson Building (Simpson Building) located at 57-61 Arch Street, and the Howey House Building located at 180 North Street (Howey House).

Renovated in 1992, the Davis Building began operations shortly thereafter. The Davis Building houses the Emergency Shelter, Transitional Living Program, Community Kitchen, PEAK Program (scattered site permanent supportive housing) and staff offices.

Purchased by the Agency in 2000, the Vega Building (as it was then known) at 57-61 Arch Street was renovated, opened, and renamed the Simpson Building in 2010. The Simpson Building houses 9 project-based permanent supportive housing apartments, Arch Street Housing (“ASH”), on the second and third floors. The first floor houses the Hope Connection Center which was opened in 2023 and is a one-stop triage center for people in the community who are experiencing or at risk of homelessness.

The Agency purchased 85 Arch Street in 2005, demolished the building in 2008, and erected a new structure which was completed in 2010. This building is now known as the Foundation Building. The Foundation Building houses the one case manager for ASH, Emergency Needs Program, SOAR (assistance in obtaining social security benefits), administrative offices, staff offices, a computer resource room for client use, a Conference/Board Room and 12 project based permanent supportive housing apartments, ASH.

The Simpson and Foundation Buildings were renovated and built, respectively, through the Next Steps State Program with funding from the Connecticut Housing Finance Authority, the United States Department of Housing and Urban Development and private funds raised through a capital campaign and are now known collectively as Arch Street Housing and utilized primarily as permanent supportive housing.

Howey House was completed in July 2018 providing 11 units of supportive housing with both subsidies and case management for chronically homeless and disabled individuals, with a focus on youth (18-25) and veterans. Also in the building are staff offices, a conference room, and common living areas.

In February of 2023, our Hope Connection Center (HCC) opened. HCC is a drop-in center for people at risk of or experiencing homelessness in Central CT at 61 Arch St, New Britain. The project is a community partnership with a number of agencies in the region to offer leveraged services like financial literacy, substance use recovery support, mental health, and employment, supplementing the resources HCC offers, such as showers and laundry.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency, and changes therein, are classified and reported as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

With donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. The Agency has not recorded any net assets with donor restrictions as of June 30, 2023 and 2022.

Income Tax Status – The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) for the U.S. Internal Revenue Code. The Agency has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Restricted Cash – Restricted cash consists of funds held for the benefit of clients. The balance in restricted cash was \$89,639 and \$56,314, as of June 30, 2023 and 2022, respectively.

Investments – The Agency carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position.

Fair Value – The Agency follows ASC 820, *Fair Value Measurements and Disclosures*. The Agency has characterized its financial assets into a three-level fair value hierarchy, based on the priority of the inputs used to value these assets. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial assets and liabilities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the financial asset. Financial assets recorded in the statements of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1 - Values are based on unadjusted quoted prices for identical asset or liabilities in an active market that the Agency has the ability to access.

Level 2 - Values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the assets or liabilities such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the assumptions market participants would use in pricing the assets.

The investments consist of equity mutual funds, money market funds, and the Community Foundation of Greater New Britain (“CFGNB”) endowment fund. The fair value measurements and levels within the fair value hierarchy of those measurements for the equity mutual funds and money market funds are reported at their fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. These funds are considered Level 1.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The CFGNB endowment fund is valued at the daily closing price as reported by the fund. Mutual funds held by the custodian are open-end mutual funds that are registered with the Securities and Exchange Commission. These are required to publish their daily net asset value (“NAV”) and to transact at that price.

Unrealized gains and losses are included in the statements of activities.

Grants from governmental agencies – The Agency receives grant and contract funding from various federal and state governments to provide a variety of program services to the public based on certain performance requirements included in the agreement, and the incurrence of allowable qualifying expenses and other requirements. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are therefore accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Revenues for services and support fees are recognized as services are performed. The Agency had unexpended contributions and grants of approximately \$120,000 and \$-0-, as of June 30, 2023 and 2022, respectively, that have not been recognized pending fulfillment of conditions associated with the awards.

Contributions and other grants – Contributions are defined as voluntary, nonreciprocal transfers. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions that are received and released in the same period are presented without donor restrictions. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

Donated Materials and Services – At times, the Agency receives donated food, materials, and volunteer assistance from various sources. For donated food, materials and services where no objective basis of valuation exists for all such items and hours, they are not reflected in the accompanying financial statements.

Program Fees and Rental Income – Program fees and rental income are recognized ratably over the period the services are provided on a straight-line basis. The proceeds from program fees and rental income are recognized when the performance obligation is satisfied in the form of goods, services or benefits related to the programs being provided. Deposits, advances and upfront payments are contract liabilities and are recorded as deferred revenue upon receipt. Contract assets for unbilled services and receivables for billed unpaid services are included in accounts receivable.

Functional Expenses – Expenses are charged to programs based on direct expenses incurred. Any program expenses not directly chargeable are allocated to programs based on direct program employee hours to total employee hours or direct program square footage to total square footage, whichever is appropriate. The Agency’s general approach to cost allocations is as follows: allowable direct costs are charged directly to programs, grants, activity, etc. Payroll and benefit expenses are charged directly to the various programs; if these costs benefit more than one program they are allocated based on the ratio of each program’s salaries to the total of the selected program’s salaries. Allocations for utilities and building expenses are based on the number of employees in each location.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment – Acquisitions or donations of fixed assets are recorded at cost or their fair market value at the date of the gift. Depreciation is provided for over the estimated useful lives of the assets on a straight-line basis.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	27 – 40 years
Equipment and furnishings	3 – 10 years

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events – In preparing these financial statements, management has evaluated subsequent events through November 14, 2023, which represents the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF ASSETS

The Agency’s financial assets available for general expenditure within one year of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and restricted cash	\$ 736,938	\$ 732,596
Investments	1,485,534	1,436,208
Accounts receivable, net	<u>224,850</u>	<u>60,170</u>
	2,447,322	2,228,974
Less amounts designated by the Board:		
	<u>1,411,257</u>	<u>1,364,398</u>
	<u>\$ 1,036,065</u>	<u>\$ 864,576</u>

As part of its liquidity management, the Agency structures its financial assets to be available as general expenditures, liabilities and other obligations become due.

With the Board of Directors’ approval, between 4-6% of the average investment balance over the past three years can be withdrawn and used for operations on an annual basis. The amount withdrawn from the endowment was \$89,931 and \$76,542 for the years ended June 30, 2023 and 2022, respectively.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Agency maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash.

NOTE 4 – INVESTMENTS – FAIR VALUE MEASUREMENTS

Investments consist of the following as of June 30:

	Fair Value Amounts (Level 1)	
	2023	2022
Equity mutual funds	\$ 1,434,456	\$ 1,376,374
Money market funds	42,575	52,072
CFGNB endowment fund	8,503	7,762
Total	<u>\$ 1,485,534</u>	<u>\$ 1,436,208</u>

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of June 30:

	2023	2022
Land	\$ 295,911	\$ 295,911
Building and improvements	15,575,548	15,575,548
Equipment and furnishings	324,713	829,509
	16,196,172	16,700,968
Less: accumulated depreciation	<u>5,816,619</u>	<u>5,452,687</u>
Property and equipment, net	<u>\$ 10,379,553</u>	<u>\$ 11,248,281</u>

NOTE 6 – MORTGAGE PAYABLE AND ESCROW DEPOSITS

On May 29, 2009, the Agency executed a promissory note for \$6,866,395, payable to the Connecticut Housing Finance Authority (“CHFA”). The mortgage proceeds were used to construct a three story facility consisting of approximately 20,457 square feet, at 85 Arch Street New Britain, CT (completed August 2010) and to renovate a 19,788 square foot building at 57-61 Arch Street New Britain, CT (completed June 2010). The entire project sits on two lots totaling .538 acres and consists of fourteen one-bedroom units, three two-bedroom units, four three-bedroom units, some common spaces, administrative and program staff offices, and the Hope Connection Center on the first floor of 57-61 Arch Street.

Interest shall accrue at 4% per annum on the principal advanced. No payments of interest or principal are due and payable during the term of the loan until maturity except for annual payments of interest or principal which may be payable from surplus cash (as defined by CHFA) from the project. For the years ended June 30, 2023 and 2022 these payments were \$-0-. Pursuant to the terms of the loan, there are circumstances under which the loan and accrued interest would be forgiven at maturity. The mortgage maturity date is August 1, 2040. Since the Agency is not required to pay the accrued interest, it has not been included in the accompanying financial statements. At June 30, 2023 and 2022, the amount of accrued interest, was \$3,506,607 and \$3,367,519, respectively. At June 30, 2023 and 2022, the mortgage balance was \$6,866,395.

NOTE 6 – MORTGAGE PAYABLE AND ESCROW DEPOSITS (CONTINUED)

The Agency has deposited in escrow with CHFA for the years ended June 30, 2023 and 2022, \$276,251 and \$221,867, respectively. The escrow funds are to be held as satisfaction of the taxes, insurance, replacement reserves, operating reserves, and working capital deposit requirements.

NOTE 7 – LEASE COMMITMENTS

The Agency leases solar panels on several of its buildings through 2035. The obligations under the financing leases have been recorded in the accompanying financial statements at the present value of future minimum lease payments, at a discounted rate of 6.35%.

The right-of-use assets and lease liabilities are as follows as of June 30,:

	<u>2023</u>
Financing lease right-of-use assets	<u>\$ 458,979</u>
Financing lease liabilities	<u>\$ 476,337</u>

The lease costs are as follows for the year ended June 30,:

	<u>2023</u>
Financing lease cost:	
Interest expense	\$ 33,545
Amortization of right-of-use assets	<u>27,410</u>
	<u>\$ 60,955</u>

The following table summarizes the supplemental cash flow information for the years ended June 30,:

	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities	
Financing cash flows from financing leases	<u>\$ 57,719</u>
Right-of-use assets obtained in exchange for lease liabilities	
Financing leases	<u>\$ 535,279</u>

The following table summarizes the weighted-average remaining lease term and weighted-average discount rate for the years ending June 30,:

	<u>2023</u>
Weighted-average remaining lease term in years	
Financing leases	<u>12</u>
Weighted-average discount rate	
Financing leases	<u>6.35%</u>

NOTE 7 – LEASE COMMITMENTS (CONTINUED)

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30,:

2024	\$ 58,262
2025	58,262
2026	58,262
2027	58,262
2028	58,262
Thereafter	<u>314,459</u>
Total	605,769
Less interest	<u>(129,432)</u>
Present value of lease liabilities	<u>\$ 476,337</u>

NOTE 8 – BOARD DESIGNATED NET ASSETS

On October 7, 1993, the Board of Directors of the Agency created an endowment fund, and during the year ended June 30, 1998, a Board of Trustees was created to manage the endowment fund. All endowment fund assets have been classified as net assets without donor restrictions.

The reconciliation of the Agency's endowment assets is as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 1,436,208	\$ 1,656,220
Interest and dividend income	36,820	25,651
Realized gain on investments	26,048	107,528
Unrealized gains/(losses)	90,031	(252,863)
Investment expenses	(13,642)	(23,786)
Appropriation for expenditures	<u>(89,931)</u>	<u>(76,542)</u>
Balance at year end	<u>\$ 1,485,534</u>	<u>\$ 1,436,208</u>

NOTE 9 – RETIREMENT PLAN

The Agency amended its a 401(k) retirement plan during the year ended June 30, 2023 to include a 3% employer match. All employees are eligible for this plan. The pension expense was \$6,192 and \$-0- for the years ended June 30, 2023 and 2022, respectively.

NOTE 10 – CONCENTRATION OF REVENUE

For the years ended June 30, 2023 and 2022, approximately 89% of the Agency's funding came from government grants.

NOTE 11 – CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions can result in the return of funds to grantors. The Agency’s contract with the Connecticut Department of Mental Health and Addiction Services (“DMHAS”) requires a portion of the Agency’s operating surplus to be returned to DMHAS unless DMHAS agrees to apply the funds to a future period.

The State of Connecticut Department of Housing has restricted the use on the properties located at 241-249 Arch Street and 180 North Street in New Britain, Connecticut, via a lien. These liens will remain on the properties in perpetuity to ensure that the Agency operates the programs specified under the grant terms.

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 of
Friendship Service Center, Inc.

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 financial statements of Friendship Service Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Friendship Service Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Service Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Friendship Service Center, 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 Service Center, Inc.'s 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 Service Center, 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 Service Center, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut
November 14, 2023

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

To the Board of Directors of
Friendship Service Center, Inc.

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Friendship Service Center, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on Friendship Service Center, Inc.'s major state programs for the year ended June 30, 2023. Friendship Service Center, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Friendship Service Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state programs for the year ended June 30, 2023.

Basis for Opinion on the Major State 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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Friendship Service Center, 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 Service Center, 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 Service Center, Inc.'s state programs.

Auditors' 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 Service Center, 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 State Single Audit Act 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 Service Center, Inc.'s compliance with the requirements of the major state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit Act, 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 Service Center, 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 Service Center, 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 State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of Friendship Service Center, 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.

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 state 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 state 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 state 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 Auditors' 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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut
November 14, 2023

FRIENDSHIP SERVICE CENTER, INC.

Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2023

<u>State Grantor / Pass-through Grantor / Program Title</u>	<u>State Grant Program CORE-CT Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
Department of Housing:			
Rental Assistance Program (RAP)	11000-DOH46920-16149-1200905	\$ -	\$ 208,757
Emergency Shelter Services (ESS)	11000-DOH46920-16149-1200901	-	621,597
ESS Cost of Living Adjustment	12060-DOH46920-16149-90756		9,137
		<u>-</u>	<u>839,491</u>
Department of Mental Health and Addiction Services:			
Housing Supports and Services	11000-MHA53000-12035	-	305,425
Managed Service System	11000-MHA53000-12157	-	59,023
Mental Health Service Grants	11000-MHA53000-16053		7,196
Grants for Substance Use Services	11000-MHA53000-16003	-	389
Total Department of Mental Health and Addiction Services		<u>-</u>	<u>372,033</u>
Department of Emergency Services and Public Protections:			
Nonprofit Security Grant Program (CT-NSGP)	11000-DPS32000-43758	-	43,560
		<u>-</u>	<u>43,560</u>
Total State Financial Assistance		<u>\$ -</u>	<u>\$ 1,255,084</u>

See note to the Schedule of Expenditures of State Financial Assistance.

FRIENDSHIP SERVICE CENTER, INC.

Note to the Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of Friendship Service Center, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2023. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including Arch Street Housing and the SOAR program.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Friendship Service Center, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Friendship Service Center, Inc. recognizes grants to the extent that eligible grant costs are incurred. Expenditures are recorded on the accrual basis.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

FRIENDSHIP SERVICE CENTER, INC.

Schedule of State Findings and Questioned Costs

For the year ended June 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' opinion issued:	<i>Unmodified</i>	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> none reported
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

State Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> none reported
Type of auditors' opinion issued on compliance for major programs:	<i>Unmodified</i>	
Any audit findings disclosed that are required to be reported in accordance with section 4-236-24 of the regulations to the State Single Audit Act?	___ yes	<u>X</u> no

Identification of Major Programs

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Core-CT Program	Expenditures
Department of Housing:		
Rental Assistance Program (RAP)	11000-DOH46920-16149-1200905	\$ 208,757
Emergency Shelter Services (ESS)	11000-DOH46920-16149-1200901	\$ 621,597
Department of Mental Health and Addiction Services:		
Housing Supports and Services	11000-MHA53000-12035	\$ 305,425
Managed Service System	11000-MHA53000-12157	\$ 59,023
Dollar threshold to distinguish between type A and type B programs:		\$ 200,000

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

To the Board of Directors of
Friendship Service Center, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Friendship Service Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Friendship Service Center, Inc.'s major federal program for the year ended June 30, 2023. Friendship Service Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs.

In our opinion, Friendship Service Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Friendship Service Center, 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 the major federal program. Our audit does not provide a legal determination of Friendship Service Center, 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 Service Center, Inc.'s federal programs.

Auditors' 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 Service Center, 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 Service Center, Inc.'s compliance with the requirements of the 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 Service Center, 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 Service Center, 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 Service Center, 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.

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 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 Auditors' 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.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
November 14, 2023

FRIENDSHIP SERVICE CENTER, INC.

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through to Subrecipients	Expenditures
Department of Veterans Affairs			
VA Homeless Providers Grant and Per Diem Program	64.024	\$ -	\$ 229,523
Department of Health and Human Services			
Passed through State of Connecticut - DMHAS			
Social Services Block Grant	93.667	-	23,760
Passed through State of Connecticut - DOH			
Social Services Block Grant	93.667	-	166,512
Total Social Services Block Grant		-	190,272
Passed through State of Connecticut - DMHAS			
Substance Abuse Block Grant	93.959	-	112,633
Block Grants for Community Mental Health Services	93.958	-	61,026
Total Department of Health and Human Services		-	363,931
Department of Housing and Urban Development			
Continuum of Care Program	14.267	-	938,940
Passed through State of Connecticut - DOH			
Continuum of Care Program	14.267	-	69,168
Total Continuum of Care Program		-	1,008,108
Passed through Journey Home			
Emergency Solutions Grant Program	14.231	-	277,271
Passed through City of New Britain			
Emergency Solutions Grant Program	14.231	-	85,874
Total Emergency Solutions Grant Program		-	363,145
Passed through State of Connecticut - DOH			
Home Investment Partnerships Program	14.239	-	117,366
Passed through Journey Home			
Section 8 Housing Choice Vouchers	14.871	-	73,009
Passed through City of New Britain			
Community Development Block Grants	14.218	-	18,000
Total Department of Housing and Urban Development		-	1,579,628
Department of the Treasury			
Passed through State of Connecticut - DMHAS			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	-	17,964
Passed through State of Connecticut - DOH			
Passed through United Way			
COVID-19 - Coronavirus Relief Fund	21.019	-	63,821
Total COVID-19 - Coronavirus Relief Fund		-	81,785
Total Department of the Treasury		-	81,785
Total Expenditures of Federal Awards		\$ -	\$ 2,254,867

See accompanying notes to the Schedule of Expenditures of Federal Awards

FRIENDSHIP SERVICE CENTER, INC.

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Friendship Service Center, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the 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”). Because the schedule presents only a selected portion of the operations of Friendship Service Center, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Friendship Service Center, 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. Friendship Service Center, Inc. has not elected the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

FRIENDSHIP SERVICE CENTER, INC.

Schedule of Federal Findings and Questioned Costs

For the year ended June 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X 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) of Uniform Guidance?

_____ yes X no

Identification of Major Programs

Name of Federal Program or Cluster	Federal Assistance Listing Number
<i>VA Homeless Providers Grant and Per Diem Program</i>	64.024
<i>Emergency Solutions Grant Program</i>	14.231
Dollar threshold to distinguish between type A and type B programs	<u> \$ 750,000</u>

Auditee qualified as low risk auditee? X yes _____ no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

Headquarters

280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com