FRIENDSHIP SHELTER, INC.
FINANCIAL STATEMENTS

DECEMBER 31, 2022

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Guzman & Gray

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friendship Shelter, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Friendship Shelter, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Friendship Shelter, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Friendship Shelter, 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 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 the Friendship Shelter, 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 the Friendship Shelter, 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 the Friendship Shelter, 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 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* 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated

Supplementary Information(Continued)

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2023 on our consideration of the Friendship Shelter, 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 the Friendship Shelter, 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 the Friendship Shelter, Inc.'s internal control over financial reporting and compliance.

Guzman & Gray

Guzman & Gray, CPAs
Long Beach, CA
July 18, 2023

FRIENDSHIP SHELTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,242,590
Investments	33,570
Receivables	1,260,232
Prepaid expenses	19,997
Total Current Assets	2,556,389
OTHER ASSETS	
Property, furniture and equipment, net	1,697,785
Loan costs, net	74,068
Deposits and other assets	159,161
Right of use asset	1,096,436
Total Other Assets	3,027,450
TOTAL ASSETS	$ 5,583,839

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 487,520
Deferred revenue	67,362
Operating lease liability	530,358
Total Current Liabilities	1,085,240
LONG-TERM LIABILITIES	
Accrued interest	374,528
Notes payable, net of debt discount	1,753,007
Operating lease liability	614,390
Total Long-Term Liabilities	2,741,925
Total Liabilities	3,827,165
NET ASSETS	
Without Donor Restriction	1,666,674
With Donor Restriction	90,000
Total Net Assets	1,756,674
TOTAL LIABILITIES AND NET ASSETS	$ 5,583,839

See independent auditors' report and accompanying notes to consolidated financial statements.

FRIENDSHIP SHELTER, INC
CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Government, foundation and other private grants and contracts	$ 7,499,921	$ 170,500	$ 7,670,421
Contributions	879,606	-	879,606
Special events, net	207,248	-	207,248
Program income	410,413	-	410,413
In-kind services	18,000	-	18,000
In-kind materials	22,524	-	22,524
Investment return, net	13,586	-	13,586
	9,051,298	170,500	9,221,798
Net assets released from restriction	173,000	(173,000)	-
TOTAL REVENUE AND SUPPORT	9,224,298	(2,500)	9,221,798
EXPENSES			
Program services	8,458,972	-	8,458,972
Support Services			
General and administrative	859,356	-	859,356
Fundraising	213,485	-	213,485
TOTAL EXPENSES	9,531,813	-	9,531,813
CHANGE IN NET ASSETS	(307,515)	(2,500)	(310,015)
NET ASSETS, BEGINNING OF YEAR	1,974,189	92,500	2,066,689
NET ASSETS, END OF YEAR	$ 1,666,674	$ 90,000	$ 1,756,674

See independent auditors' report and accompanying notes to consolidated financial statements.

FRIENDSHIP SHELTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

		Support Services			
	Program Services	Management and General	Fundraising	Cost of Direct Donor Benefit	Total Expenses
Salaries and benefits	$ 4,140,502	$ 463,260	$ 123,917	$ -	$ 4,727,679
Apartment rent	1,497,325	-	-	-	1,497,325
Depreciation and amortization	192,769	8,032	-	-	200,801
Repairs and maintenance	158,015	-	-	-	158,015
Client services	1,155,816	-	-	-	1,155,816
Utilities	180,347	20,039	-	-	200,386
Property management	17,921	-	-	-	17,921
Development expense	-	-	60,150	35,965	96,115
Workers' compensation	103,849	2,780	942	-	107,571
Land lease	79,002	-	-	-	79,002
Transportation	102,903	-	-	-	102,903
Donated material	22,524	-	-	-	22,524
Donated services	18,000	-	-	-	18,000
Training	70,600	-	-	-	70,600
Cleaning	72,629	-	-	-	72,629
MHSA services fees	7,440	-	-	-	7,440
Interest	53,143	-	-	-	53,143
Licenses and permits	800	2,228	-	-	3,028
Dues and subscriptions	28,439	26,251	-	-	54,690
Insurance	80,813	7,183	1,796	-	89,792
Professional fees	-	84,021	-	-	84,021
Office lease	9,279	64,952	18,558	-	92,789
Office expense	21,734	86,935	-	-	108,669
Recruitment	14,937	1,494	166	-	16,597
House supplies and equipment	91,854	-	-	-	91,854
Telephone	58,222	24,952	-	-	83,174
Property taxes	36,118	-	-	-	36,118
Bank and merchant fees	-	9,729	-	-	9,729
Postage	1,646	1,646	-	-	3,292
Equipment rental	7,162	801	214	-	8,177
Information technology	56,302	6,299	1,685	-	64,286
Commissions	2,737	306	82	-	3,125
Outside services	147,720	-	-	-	147,720
Payroll fees	-	27,536	-	-	27,536
Right of use lease expense	28,424	20,912	5,975	-	55,311
	8,458,972	859,356	213,485	35,965	9,567,778
Less: cost of direct benefits to donors	-	-	-	(35,965)	(35,965)
	$ 8,458,972	$ 859,356	$ 213,485	$ -	$ 9,531,813

See independent auditors' report and accompanying notes to consolidated financial statements.

FRIENDSHIP SHELTER, INC
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (310,015)
Adjusted to reconcile decrease in net assets to net cash and cash equivalents used for operating activities:	
Depreciation and amortization	200,801
Unrealized loss on investments	1,139
Right of use lease expense	55,311
(Increase) decrease in operating assets	
Receivables	220,377
Prepaid expenses	24,731
Deposits and other assets	(9,313)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	129,652
Deferred revenue	43,816
Security deposits	(3,400)
Accrued interest	53,143
Net cash provided by operating activities	406,242
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(43,001)
Reinvestments	(92)
Net unemployment insurance trust	961
Net cash used in investing activities	(42,132)
NET INCREASE IN CASH AND CASH EQUIVALENTS	364,110
BEGINNING CASH AND CASH EQUIVALENTS	878,480
ENDING CASH AND CASH EQUIVALENTS	$ 1,242,590
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid	NONE
Income taxes paid	NONE

See independent auditors' report and accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION

Friendship Shelter, Inc. ("FSI") was incorporated on January 20, 1987 as a not-for-profit public benefit corporation. FSI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California state income taxes under Section 23701(d) of the California Revenue and Taxation Code.

In 2014, FSI formed a wholly owned subsidiary, Henderson House, LLC ("HH"), to hold the assets of the Henderson House property and related borrowings to improve the Henderson House (see Note 5). FSI and HH are collectively referred to herein as the "Organization."

The Organization is based in Laguna Beach, California and provides shelter services for homeless individuals as well as housing and supportive services for disabled individuals who were previously homeless. A board of directors comprised of volunteer members governs the Organization.

The Organization is primarily funded by a diverse mix of public funds, foundation grants, fundraising events and gifts from individual donors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of FSI and HH. Intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting
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 ("GAAP").

Presentation of Net Assets
Net assets, revenue, and support 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 that are not subject to donor-imposed stipulations. These assets are available to support the Organization's general activities and operations at the discretion of the Board of Directors.

Net assets with donor restrictions
Net assets 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 such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation of Net Assets (Continued)

Net assets released from restrictions
Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors.

Use of Estimates
The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates embodied in these consolidated financial statements include the collectability of receivables, the valuation of investments, the recoverability of long-lived assets, unemployment self-funding liability and the allocation of expenses to program services, general and administrative expenses and fundraising expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents:
Temporary, short-term and highly liquid investments that mature in less than three months from the date they are acquired are classified as cash and cash equivalents.

Investments
Investments consist of an investment pool which is carried at fair value and a general unallocated fund from an insurance company.

Donated investments are recorded at fair value at the date of donation and thereafter carried at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is shown in the consolidated statements of activities.

Receivables
Receivables are primarily due from private and public granting agencies under grants and contracts. The Organization determines an allowance for uncollectible receivables based on historical experience. The Organization considers all receivables to be currently collectible. Accordingly, no allowance for doubtful accounts is recorded.

Property, Furniture and Equipment
Property, furniture and equipment are stated at cost. Contributed property, furniture, and equipment are recorded at estimated fair value at the time of contribution. Significant additions or improvements that extend asset lives are capitalized; normal maintenance and repair costs are expensed as incurred. Expenditures for property, furniture and equipment that are not in use by the end of the fiscal year are accumulated and capitalized as construction in progress. Once items in construction in progress have been placed in service they are capitalized to the appropriate asset categories and depreciated. The Organization capitalizes interest costs as part of the historical cost of acquiring assets it constructs using debt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Furniture and Equipment (Continued)

Depreciation and amortization on buildings and improvements is computed over 29.5 years using the straight-line method with regard to the facility in Laguna Beach and over 27.5 years with regard to the facilities in San Clemente. Depreciation on the furniture and equipment is provided over estimated useful lives of three or four years using the straight-line method.

Debt Issuance Costs

In connection with executing the California Housing Finance Agency MHSA promissory note (see Note 6), the Organization incurred debt issuance costs of $29,500 during 2015, which were recorded as an offset to the corresponding MHSA note payable in the accompanying consolidated statement of financial position and are being amortized over the term of the promissory note. During 2022, $1,475 was amortized and included as depreciation and amortization expense in the accompanying consolidated statement of functional expenses.

Long-Lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset group may not be recoverable. In accordance with FASB Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-55, Impairment or Disposal of Long-Lived Assets, the evaluations address the estimated recoverability of the assets' carrying value. When the carrying value of an asset exceeds estimated recoverability, an impairment is recorded to reduce the carrying value to fair value. No impairments were required to be recorded during the year ended December 31, 2022.

Revenue Recognition

Grants and Contributions

The Organization recognizes contributions when cash, securities, other assets, or unconditional promise to give are received. Grants and contributions that are not restricted by the grantor or donor are reported as increases in net assets without donor restrictions. Grantor or donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with grantor or donor restrictions are reclassified to net assets without donor restrictions. Grants and donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Legacies and Bequests

Legacies and bequests can be either conditional or unconditional. Conditional gifts are dependent upon the occurrence of a future event. Unconditional gifts are not restricted and are irrevocable. The gift is not irrevocable if the donor can cancel the gift sometime in the future. Unconditional irrevocable gifts are recognized as revenue when received. Conditional gifts are not recognized until the conditions on which they depend have occurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Special Events

Special events are organized to raise contributions to support the Organization's activities. The participants of these events are offered something of value for a sum that exceeds the costs of the benefits provided to the participants. The difference between the amount paid by the donor and the fair value of the benefit received by the donor is considered a contribution. The items of value given to the donor are referred to as "cost of direct benefits to donors." These are the actual costs of the items and services furnished to the donor to attend the special event. The cost of direct benefit to donors is presented as a line item deducted from gross special events revenue in the accompanying consolidated statement of activities.

Program Income

Program income relates to: emergency shelter, housing navigation, housing stabilization, disability income navigation and supportive services for Orange County's system of care, all of which are recognized in the period in which services are rendered.

Contributed Services and Materials

Contributed services are recorded at the estimated fair value at the time the services were performed. Only those contributed services that are a significant and an integral part of the efforts of the Organization and would have to be performed by professional salaried personnel if the services had not been contributed are included in the consolidated financial statements.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the resident facilities that are not recorded. The Organization receives more than 5,000 of these volunteer hours each year.

Contributed materials are recorded at their estimated fair value at the date of receipt.

Paycheck Protection Program

The Organization has adopted policies to recognize its Paycheck Protection Program ("PPP") loan as revenue after requirements for loan forgiveness, established by the Small Business Administration ("SBA"), have been satisfied. These requirements are discussed in Note 8.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs and expenditures have been allocated among the programs and support services benefitted. Salaries, payroll taxes, and employee benefits are allocated based on time and effort. Other costs such as office supplies, telephone, and postage are allocated based on estimated usage.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

FSI is a public charity that has obtained an exemption from Federal income taxes and California state income taxes. Accordingly, no provision has been made for Federal or California state income taxes in the accompanying consolidated financial statements. FSI is subject, however, to Federal and California state income taxes on net unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the year ended December 31, 2022, FSI had no unrelated business income.

HH is a limited liability company that is taxed under sections of the Federal and California tax law which provide that, in lieu of federal corporation income taxes and the normal state corporation income taxes, the member separately accounts for HH's items of income, deductions, losses and credits. Therefore, these consolidated financial statements do not include any provision for HH's Federal corporation income taxes. A minimum state income tax has been provided for California.

The Organization annually evaluates tax positions as part of the preparation of its exempt tax return. This process includes an analysis of whether tax positions the Organization takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position under current accounting guidance. The Organization believes its tax positions are appropriate based on current facts and circumstances. The Organization's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. At December 31, 2022, the Organization did not have any unrecognized tax benefits. The Organization is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2019.

Recently Issued Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07 (the "Update"), Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU aims to increase transparency of contributed nonfinancial assets, commonly known as gifts-in-kind, through enhancement to presentation and disclosures. Not-for-Profit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and to disclose the disaggregation of the amount contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. Each category is subject to certain additional disclosures. The Update should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of the Update on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of FASB ASC 842

Effective January 1, 2022, the Organization adopted FASB ASC 842, Leases. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things allowed the Organization to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of operating lease right-of-use-asset of $923,108 and operating lease liability of $946,450 at January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the Company's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Company's statement of activities or cash flows.

NOTE 3 – FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal market, or in the absence of a principal market, the most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Accounting guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs in priority that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities;

Level 2—Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, credit risks, and default rates) or other inputs that are principally derived from or corroborated by observable market data by correlation or by other means; and

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization currently holds its investments in a long-term investment pool and a general unallocated fund from a trust company.

In the long-term investment pool, funds are invested to provide safety through diversification in a portfolio of common stocks, bonds, mutual funds, alternative investments and cash equivalents. The fair value of the Organization's investments in its long-term investment pool is based partially upon unobservable inputs that are significant to the fair value of the investments, as estimated by the investment manager using generally accepted valuation methodologies.

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Investments in the general unallocated fund from a trust company represent an account that the Organization maintains with Unemployment Services Trust related to its unemployment self-funding arrangement. The account funds are pooled with other client accounts and invested in accordance with the third party's investment policies. The Organization has no ability to direct this investment in any specific manner and has no visibility to the individual components of its account.

Both of these investments have been classified within Level 3 of the valuation hierarchy.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, January 1, 2022	$	42,577
Deposits		20,668
Payments/expenses		(26,647)
Investment Expense		(1,981)
Unrealized loss		(1,139)
Interest income		92
Balance, December 31, 2022	$	33,570

NOTE 4 – PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture, and equipment consists of the following at December 31, 2022:

Land	$	347,690
Buildings and improvements		3,461,933
Furniture and equipment		273,502
		4,083,125
Less accumulated depreciation and amortization		(2,385,340)
	$	1,697,785

For the year ended December 31, 2022, depreciation expense was $200,801.

NOTE 5 – LOAN COSTS

The Organization entered into a Capitalized Operating Subsidy Reserve Agreement (the 'Agreement") with the California Housing Finance Agency. The loan costs related to the Agreement totaled $113,951, and is amortized using the straight-line method over twenty years. The total accumulated amortization is $39,883 at December 31, 2022. The net loan costs at December 31, 2022 totaled $74,068.

NOTE 6 – DEFERRED REVENUE

Funding of projects received in advance is deferred and recognized over the periods to which the funding relates. Deferred revenue totaled $67,362 at December 31, 2022.

NOTE 7 – NOTES PAYABLE

Notes payable consists of the following at December 31, 2022:

Note payable to California Housing Finance Agency	1,771,442
Less: unamortized debt issuance costs	(18,435)
	1,753,007
Less current portion	-
	1,753,007

The Organization has a note payable to the California Housing Finance Agency ("CHFA") that is secured by a deed of trust. The terms of the note require annual payments of principal and interest from 100% of the development's residual receipts. The Organization had no residual receipts during the year ended December 31, 2022. The interest rate is 3% and the note matures on June 1, 2035. For the year ended December 31, 2022, interest expense under the CHFA note totaled $53,143. Accrued interest at December 31, 2022 was $374,528.

In addition, the CHFA note contains certain covenants. The Organization believes it was in compliance with all loan covenants at December 31, 2022.

The CHFA note's regulatory agreement requires establishing and maintaining various reserve accounts, including an operating expense reserve, a replacement reserve, and a capitalized operating subsidy reserve. At December 31, 2022, the Organization maintained a $30,959 operating expense reserve and a $72,118 replacement reserve in deposits and other assets. No other reserves were required as of December 31, 2022.

NOTE 8 – SPECIAL EVENTS, NET

Special events, net include revenue and expenses from events sponsored and managed by the Organization. Income and expenses from special events for the year ended December 31, 2022 are as follows:

Revenues	$ 243,213
Expenses	(35,965)
	$ 207,248

NOTE 9 –RELATED PARTY TRANSACTIONS

Various board members make contributions to the Organization through donations, fundraising events, professional services and volunteer time. For the year ended December 31, 2022, the Organization received cash contributions from board members totaling $99,685, which are included in Contributions in the accompanying consolidated statement of activities.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Leasing Activities

The Organization leases land in Laguna Beach, California, on which a shelter facility is located under a lease that expires in 2061. The lease requires monthly payments of $7,000 beginning July 1, 2022. The lease provides that the real property be appraised every five years. The annual rent is then adjusted to 8% of the appraised value. The last appraisal was performed in April 2022. The minimum lease commitment based on the current lease amount is $84,000 annually.

The Organization's office lease was renewed in August 1, 2021 and will end on July 31, 2026, with monthly rental payments ranging from $9,518 to $10,714. The Organization was only required to pay half their monthly rent from April through September 2022.

During 2019, the Organization entered into a new apartment master lease for program use through April 2024 (as amended in April 2020). The lease automatically renews annually thereafter, with monthly rental payments based on revenues derived from renting the units after deducting operating expenses (as defined), with an estimate of $7,080. As there are no minimum lease payments, this lease is not included below.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Leasing Activities (Continued)

The following summarizes the line items in the statement of financial position which includes amounts for operating lease at December 31, 2022:

Operating lease right-of-use assets	$ 1,096,436
Lease liability, current portion	$ 530,358
Lease liability, non-current portion	614,390
Total operating lease liabilities	$ 1,144,748

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2022:

Weighted Average Remaining Lease Term	
Operating lease	3.03 years
Weighted Average Discount Rate	
Operating lease	2.12%

The maturities of lease liabilities are as follows at December 31, 2022:

Year Ending December 31,	
2023	$ 553,594
2024	219,052
2025	211,748
2026	158,996
2027	42,000
Total lease payments	1,185,390
Less: Interest	(40,642)
Present value of lease liabilities	$ 1,144,748

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Leasing Activities (Continued)

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2022:

Operating lease cost	$ 371,030
Variable lease cost	25,155
Total lease cost	$ 396,185

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 338,953
Lease assets obtained in exchange for lease obligations:	
Operating leases	$ 318,598

The Organization leases residential apartments to tenants under non-cancelable operating leases for one-year terms. The following is a schedule of future minimum rental payments for short-term leases at December 31, 2022:

Year Ended December 31,	
2023	$ 657,794

Line of Credit

The Organization has two lines of credit agreement with two financial institution with borrowing availability up to $75,000 each. The Company has no borrowings outstanding at December 31, 2022. Borrowings under the line of credit are unsecured and bear interest at 1.41% and 1.81%.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Guarantees and Indemnities

The Organization has made certain indemnities, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The Organization indemnifies its directors, officers, employees and agents, as permitted under the laws of the State of California. In connection with its land and office leases, the Organization has indemnified its lessor for certain claims arising from the use of the land. In connection with the CHFA note, the Organization has indemnified the lender for all claims arising from the occupancy or construction of Henderson House and other matters. The duration of the indemnities varies, and is generally tied to the life of the respective agreement. These indemnities do not provide for any limitation of the maximum potential future payments the Organization could be obligated to make. Historically, the Organization has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities in the accompanying consolidated statement of financial position.

Unemployment Insurance

The Organization has elected to self-fund its California unemployment claims. Using a third-party actuarial expert, the Organization has a reserve of $8,711 at December 31, 2022, related to its estimated future liability for these claims based on past claims experience, actual claims filed and estimated future claims.

NOTE 11 – CONCENTRATION, RISKS, AND UNCERTAINTIES

Concentration

Certain of the Organization’s services are governed by contracts with governmental and private agencies. All such contracts to which the Organization currently is a party are for fixed terms and expire at the end of those terms. At December 31, 2022, three of the Organization’s grantors accounted for approximately 38% of receivables. For the year ended December 31, 2022, two of the Organization’s grantors accounted for approximately 26% of total revenue and support.

Risks and Uncertainties

The Organization maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000 per owner. Management believes that it has invested in high credit, quality institutions for which the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

There can be no assurances that the Organization will be able to obtain future contracts as deemed necessary by management. The loss of some of the current contracts or the inability to obtain future contracts could cause the Organization to curtail or discontinue certain programs. Failure of the Organization to comply with applicable contract and regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties which could have an adverse effect on the Organization’s consolidated financial position and activities.

NOTE 12 – LIQUIDITY AND AVAILABILITY

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for major events and a concentration of grant payments and individual contributions received near calendar year-end. As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization maintains two lines of credit with a financial institution with borrowing availability up to $75,000 each that may be drawn upon as needed during the year to manage cash flow and is then repaid in full by the end of the fiscal year.

The Organization employs a risk-based operating reserve policy mandated by its Board and used to preserve a responsible and adequate cash reserve that ensures organizational stability while avoiding unnecessary stockpiling of cash simply to hit arbitrary goals based on a percentage of budget. The policy establishes and designates an amount sufficient to maintain ongoing operations at any point in time based on an established formula that assesses the most likely risks of interruption of major funding streams, the mitigating factors in place (such as insurance policies) in each case, the likely short- and long-term response the Organization would take, and the time needed to responsibly sunset activities that might end in the case of permanent funding loss. This dynamic system is reviewed and adjusted in response to internal and external changes. Performance against the policy is reviewed by the Board's finance committee on a monthly basis.

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2022 because of contractual or donor-imposed restrictions:

Total financial assets:	
Cash and cash equivalents	$ 1,242,590
Investments	33,570
Receivables	1,260,232
Financial assets, at year end	2,536,392
Less:	
Deferred revenue	(67,362)
Donor-imposed restrictions	(90,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,379,030

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated events and transactions that would require recognition or disclosure through July 18, 2023, which was the date the consolidated financial statements were available to be issued.

On February 15, 2023, the Organization received a business loan for $500,000 to be used strictly in the event of an emergency.

On May 15, 2023, the Organization purchased a building located in San Clemente, California for $3,190,000.

SUPPLEMENTARY INFORMATION

FRIENDSHIP SHELTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Awards Expenditures
U.S Department of Housing and Urban Development		
HUD - Continuum of Care		
PSH CA1119L9D022008 - 12/1/21 – 11/30/22	14.267	577,325
PSH CA1119L9D022109 - 12/1/22 – 11/30/23	14.267	57,001
Pass-through Mercy House Living Centers		
HUD - Continuum of Care		
Bonus 1 CA1352L9D022006 - 8/1/21 – 7/31/22	14.267	735,895
Bonus 1 CA1352L9D022107 - 8/1/22 – 7/31/23	14.267	543,418
Bonus 2 CA1514L9D022005 - 8/1/21 – 7/31/22	14.267	346,703
Bonus 2 CA1514L9D022106 - 8/1/22 – 7/31/23	14.267	237,434
		2,497,776
Emergency Solutions Grant		
MA-042-20010817 - 7/1/21 – 6/30/22	14.231	75,831
MA-017-22011886 - 7/1/22 – 6/30/23	14.231	85,156
MA-017-22011886 - 7/1/22 – 6/30/23	14.231	63,230
MA-017-23010152 - 10/15/22 – 6/30/23	14.231	11,647
		235,864
U.S. Department of Homeland Security		
United Way / Emergency Food and Shelter Program		
ARPAR-0786-00-059 - 11/1/21 – 4/17/23	97.024	55,000
39-0786-00-059 - 11/1/21 – 4/17/23	97.024	25,500
		80,500
Total expenditures of federal awards		$ 2,814,140

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal grant activity of the Friendship Shelter, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2022. The information in this SEFA is presented in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the SEFA presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. Federal awards received directly from federal agencies as well as federal awards passed through local agencies are included in the SEFA.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The SEFA is presented using the accrual basis of accounting which is described in the notes to the Organization's consolidated financial statements. 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 C – RELATIONSHIP TO FEDERAL, STATE, COUNTY, AND CITY AWARDS REPORTS

Amounts reported in the SEFA agree with the amounts reported in the related federal, state, county, and city financial reports for all major federal, state, county, and city programs.

NOTE D – INDIRECT COST RATE

The SEFA includes both direct and indirect costs expenses for all grants. The Organization elected to not use the 10% de minimis indirect cost rate as allowed per section 414 of the Uniform Guidance. The indirect costs expended are included as part of the pre-determined fixed fees outlined on the grant agreement budgets. Other costs are allocated to contracts based on relative percentage of employee working costs.

NOTE E – IN-KIND PERSONAL PROTECTIVE EQUIPMENT (PPE)

The Organization received no in-kind Personal Protective Equipment (PPE) during the year ending December 31, 2022.

Guzman & Gray

Certified Public Accountants

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Long Beach, California 90804

Mark Gray, C.P.A.
Patrick S. Guzman, C.P.A.

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 Shelter, Inc.
Laguna Beach, CA

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 Shelter, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Friendship Shelter, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Shelter, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Friendship Shelter, 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 or significant deficiencies may exist that were not identified.

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 (continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Friendship Shelter, 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Guzman & Gray

Guzman & Gray, CPAs
Long Beach, CA
July 18, 2023

Guzman & Gray

Certified Public Accountants

4510 East Pacific Coast Highway, Suite 270 | Mark Gray, C.P.A.
Long Beach, California 90804 | Patrick S. Guzman, C.P.A.

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

To the Board of Directors of
Friendship Shelter, Inc.
Laguna Beach, CA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Friendship Shelter, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Friendship Shelter, Inc.'s major federal programs for the year ended December 31, 2022. Friendship Shelter, 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 Shelter, 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 Shelter, 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 Shelter, 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 Shelter, 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 Shelter, 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 Shelter, 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 Shelter, 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 Shelter, 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 Shelter, 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 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.

Guzman & Gray, CPAs
Long Beach, CA
July 18, 2023

FRIENDSHIP SHELTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____ yes	x no
Significant deficiency identified that is not considered to be material weaknesses?	_____ yes	x no
Noncompliance material to financial statements noted?	_____ yes	x no

Federal Awards

Internal control over major programs:

Material weakness identified?	_____ yes	x no
Significant deficiency identified that is not considered to be a material weakness?	_____ 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)?	_____ yes	x no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.267	HUD – Continuum of Care

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

Auditee qualified as low-risk auditee?	x yes	_____ no

SECTION II – FINDINGS-FINANCIAL STATEMENT AUDIT

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no major federal award program findings required to be reported by 2 CFR section 200.516(a).

FRIENDSHIP SHELTER, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2022

There were no prior year audit findings or questioned costs relative to federal awards.