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**FRIENDS ASSOCIATION FOR CARE  
& PROTECTION OF CHILDREN**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2023 AND 2022**

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FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT  | 1           |
| FINANCIAL STATEMENTS  |             |
| Statements of Financial Position  | 4           |
| Statements of Activities  | 5           |
| Statements of Functional Expenses   | 7           |
| Statements of Cash Flows  | 9           |
| Notes to Financial Statements   | 10          |
| SINGLE AUDIT SUPPLEMENT   |             |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 22          |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance  | 24          |
| Schedule of Expenditures of Federal Awards  | 27          |
| Notes to Schedule of Expenditures of Federal Awards   | 28          |
| Schedule of Findings and Recommendations  | 29          |



## INDEPENDENT AUDITOR'S REPORT

November 14, 2023

To the Board of Directors  
Friends Association for Care & Protection of Children  
West Chester, Pennsylvania

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Friends Association for Care & Protection of Children (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 accompanying financial statements present fairly, in all material respects, the financial position of the Friends Association for Care & Protection of Children 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 ("GAAS"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Friends Association for Care & Protection of Children and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Friends Association for Care & Protection of Children

### 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 the Friends Association for Care & Protection of Children's ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditor's 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 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 GAAS 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 GAAS 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 the Friends Association for Care & Protection of Children'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 the Friends Association for Care & Protection of Children's ability to continue as a going concern for a reasonable period of time.

To the Board of Directors  
Friends Association for Care & Protection of Children

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.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, Friends Association for Care & Protection of Children has adopted the requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 842, "Leases." Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part 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 schedule of expenditures of federal awards is 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 the Friends Association for Care & Protection of Children'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 Friends Association for Care & Protection of Children'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 Friends Association for Care & Protection of Children's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

| <u>ASSETS</u>                                       | 2023                | 2022                |
|---|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                               |                     |                     |
| Cash and cash equivalents                           | \$ 2,800,491        | \$ 1,374,159        |
| Accounts receivable                                 | 244,527             | 413,281             |
| Pledges receivable                                  | 83,333              | -                   |
| Prepaid expenses                                    | 43,223              | 38,742              |
| Total Current Assets                                | 3,171,574           | 1,826,182           |
| Pledges receivable, net of current portion          | 83,333              | -                   |
| Property and equipment, net                         | 637,555             | 169,023             |
| Operating right-to-use assets                       | 128,778             | -                   |
| Investments   | 1,441,396           | 1,311,306           |
| <b>TOTAL ASSETS</b>                                 | <b>\$ 5,462,636</b> | <b>\$ 3,306,511</b> |
| <br><u>LIABILITIES AND NET ASSETS</u>               |                     |                     |
| <b>CURRENT LIABILITIES</b>                          |                     |                     |
| Accounts payable and accrued expenses               | \$ 48,405           | \$ 31,288           |
| Deferred revenue                                    | 1,186,949           | 375,304             |
| Operating lease liabilities                         | 41,210              | -                   |
| Total Current Liabilities                           | 1,276,564           | 406,592             |
| Operating lease liabilities, net of current portion | 87,953              | -                   |
| <b>TOTAL LIABILITIES</b>                            | 1,364,517           | 406,592             |
| <b>NET ASSETS</b>                                   |                     |                     |
| Without donor restrictions:                         |                     |                     |
| Operating   | 2,557,785           | 2,068,368           |
| Board Designated Operating Reserve Fund             | 44,737              | 44,737              |
| Board Designated Investment Fund                    | 22,929              | 22,929              |
| Board Designated Reserve Fund                       | 360,000             | 360,000             |
| Total Without Donor Restrictions                    | 2,985,451           | 2,496,034           |
| With donor restrictions                             | 1,112,668           | 403,885             |
| <b>TOTAL NET ASSETS</b>                             | <b>4,098,119</b>    | <b>2,899,919</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>             | <b>\$ 5,462,636</b> | <b>\$ 3,306,511</b> |

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

**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals              |
|--|-------------------------------|----------------------------|---------------------|
| <b>PUBLIC SUPPORT AND REVENUES</b>                 |                               |                            |                     |
| Chester County Department of Community Development | \$ 5,907,779                  | \$ -                       | \$ 5,907,779        |
| Grants   | 374,625                       | 905,694                    | 1,280,319           |
| Contributions                                      | 326,859                       | -                          | 326,859             |
| In-kind contributions                              | 50,658                        | -                          | 50,658              |
| Fundraising events, net of costs of \$49,060       | 140,716                       | -                          | 140,716             |
| Net investment income (loss)                       | 155,483                       | -                          | 155,483             |
| Gain (loss) on disposal of property and equipment  | (2,950)                       | -                          | (2,950)             |
| Other income                                       | 1,105                         | -                          | 1,105               |
| Net assets released from restrictions              | 196,911                       | (196,911)                  | -                   |
| <b>TOTAL PUBLIC SUPPORT AND REVENUE</b>            | <b>7,151,186</b>              | <b>708,783</b>             | <b>7,859,969</b>    |
| <b>EXPENSES</b>                                    |                               |                            |                     |
| Program services                                   | 6,066,953                     | -                          | 6,066,953           |
| Administration                                     | 392,417                       | -                          | 392,417             |
| Fundraising  | 202,399                       | -                          | 202,399             |
| <b>TOTAL EXPENSES</b>                              | <b>6,661,769</b>              | <b>-</b>                   | <b>6,661,769</b>    |
| <b>CHANGE IN NET ASSETS</b>                        | <b>489,417</b>                | <b>708,783</b>             | <b>1,198,200</b>    |
| <b>NET ASSETS, BEGINNING OF YEAR</b>               | <b>2,496,034</b>              | <b>403,885</b>             | <b>2,899,919</b>    |
| <b>NET ASSETS, END OF YEAR</b>                     | <b>\$ 2,985,451</b>           | <b>\$ 1,112,668</b>        | <b>\$ 4,098,119</b> |

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

**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals              |
|--|-------------------------------|----------------------------|---------------------|
| <b>PUBLIC SUPPORT AND REVENUES</b>                 |                               |                            |                     |
| Chester County Department of Community Development | \$ 6,384,802                  | \$ -                       | \$ 6,384,802        |
| Grants   | 399,040                       | 337,810                    | 736,850             |
| Contributions                                      | 433,003                       | -                          | 433,003             |
| In-kind contributions                              | 388,693                       | -                          | 388,693             |
| Fundraising events, net of costs of \$63,798       | 216,552                       | -                          | 216,552             |
| Net investment income (loss)                       | (219,095)                     | -                          | (219,095)           |
| Gain (loss) on disposal of property and equipment  | -                             | -                          | -                   |
| Other income                                       | 34,487                        | -                          | 34,487              |
| Net assets released from restrictions              | 215,006                       | (215,006)                  | -                   |
| <b>TOTAL PUBLIC SUPPORT AND REVENUE</b>            | <b>7,852,488</b>              | <b>122,804</b>             | <b>7,975,292</b>    |
| <b>EXPENSES</b>                                    |                               |                            |                     |
| Program services                                   | 6,829,142                     | -                          | 6,829,142           |
| Administration                                     | 563,133                       | -                          | 563,133             |
| Fundraising  | 180,731                       | -                          | 180,731             |
| <b>TOTAL EXPENSES</b>                              | <b>7,573,006</b>              | <b>-</b>                   | <b>7,573,006</b>    |
| <b>CHANGE IN NET ASSETS</b>                        | <b>279,482</b>                | <b>122,804</b>             | <b>402,286</b>      |
| <b>NET ASSETS, BEGINNING OF YEAR</b>               | <b>2,216,552</b>              | <b>281,081</b>             | <b>2,497,633</b>    |
| <b>NET ASSETS, END OF YEAR</b>                     | <b>\$ 2,496,034</b>           | <b>\$ 403,885</b>          | <b>\$ 2,899,919</b> |

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



**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

| FUNCTIONAL EXPENSES              | Program                    | Support Services         |                          | Totals                     |
|----------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
|                                  | Services                   | Administration           | Fundraising              |                            |
| Salaries                         | \$ 911,072                 | \$ 176,502               | \$ 115,628               | \$ 1,203,202               |
| Payroll taxes                    | 78,428                     | 17,577                   | 9,878                    | 105,883                    |
| Employee benefits                | 43,232                     | 51,971                   | 6,660                    | 101,863                    |
| Total Personnel Expenses         | <u>1,032,732</u>           | <u>246,050</u>           | <u>132,166</u>           | <u>1,410,948</u>           |
| Advertising                      | -                          | -                        | 35,168                   | 35,168                     |
| Bank charges                     | 371                        | 2,659                    | 4,706                    | 7,736                      |
| Cleaning                         | 2,800                      | 30                       | -                        | 2,830                      |
| Communication costs              | 21,559                     | 2,950                    | 660                      | 25,169                     |
| Housing stabilization            | 4,722,714                  | -                        | -                        | 4,722,714                  |
| Information technology           | 9,981                      | 2,850                    | 3,456                    | 16,287                     |
| Insurance                        | 6,677                      | 10,908                   | -                        | 17,585                     |
| Office and program expenses      | 39,381                     | 12,141                   | 1,089                    | 52,611                     |
| Printing and reproduction        | -                          | 1,557                    | 10,024                   | 11,581                     |
| Professional services            | 144,037                    | 88,764                   | 15,025                   | 247,826                    |
| Rent expense                     | 34,680                     | -                        | -                        | 34,680                     |
| Repairs and maintenance          | 20,886                     | 11,600                   | -                        | 32,486                     |
| Travel                           | 6,403                      | 900                      | 105                      | 7,408                      |
| Utilities                        | 24,732                     | 6,706                    | -                        | 31,438                     |
| Subtotal before depreciation     | <u>6,066,953</u>           | <u>387,115</u>           | <u>202,399</u>           | <u>6,656,467</u>           |
| Depreciation                     | <u>-</u>                   | <u>5,302</u>             | <u>-</u>                 | <u>5,302</u>               |
| <b>TOTAL FUNCTIONAL EXPENSES</b> | <u><u>\$ 6,066,953</u></u> | <u><u>\$ 392,417</u></u> | <u><u>\$ 202,399</u></u> | <u><u>\$ 6,661,769</u></u> |

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

**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

| FUNCTIONAL EXPENSES              | Program                    | Support Services         |                          | Totals                     |
|----------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
|                                  | Services                   | Administration           | Fundraising              |                            |
| Salaries                         | \$ 540,504                 | \$ 163,821               | \$ 130,953               | \$ 835,278                 |
| Payroll taxes                    | 41,207                     | 17,598                   | 9,868                    | 68,673                     |
| Employee benefits                | 33,589                     | 40,552                   | 5,765                    | 79,906                     |
| Total Personnel Expenses         | <u>615,300</u>             | <u>221,971</u>           | <u>146,586</u>           | <u>983,857</u>             |
| Advertising                      | -                          | 3,236                    | 9,650                    | 12,886                     |
| Bank charges                     | 72                         | 1,745                    | 2,624                    | 4,441                      |
| Cleaning                         | 1,600                      | 1,020                    | -                        | 2,620                      |
| Communication costs              | 11,640                     | 4,979                    | 688                      | 17,307                     |
| Housing stabilization            | 5,680,937                  | -                        | -                        | 5,680,937                  |
| Information technology           | 8,331                      | 4,704                    | 3,808                    | 16,843                     |
| Insurance                        | 3,924                      | 6,403                    | -                        | 10,327                     |
| Office and program expenses      | 15,545                     | 11,796                   | 1,876                    | 29,217                     |
| Printing and reproduction        | -                          | 2,379                    | 7,690                    | 10,069                     |
| Professional services            | 420,269                    | 296,978                  | 7,809                    | 725,056                    |
| Rent expense                     | 28,013                     | -                        | -                        | 28,013                     |
| Repairs and maintenance          | 14,380                     | 2,490                    | -                        | 16,870                     |
| Travel                           | 2,617                      | -                        | -                        | 2,617                      |
| Utilities                        | 20,171                     | 5,432                    | -                        | 25,603                     |
| Subtotal before depreciation     | <u>6,822,799</u>           | <u>563,133</u>           | <u>180,731</u>           | <u>7,566,663</u>           |
| Depreciation                     | 6,343                      | -                        | -                        | 6,343                      |
| <b>TOTAL FUNCTIONAL EXPENSES</b> | <u><u>\$ 6,829,142</u></u> | <u><u>\$ 563,133</u></u> | <u><u>\$ 180,731</u></u> | <u><u>\$ 7,573,006</u></u> |

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

**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

|   | 2023         | 2022         |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |              |              |
| Change in net assets  | \$ 1,198,200 | \$ 402,286   |
| Adjustments to reconcile change in net assets to<br>net cash provided (used) by operating activities: |              |              |
| Depreciation  | 5,302        | 6,343        |
| Net realized and unrealized (gain) loss on investments  | (101,560)    | 254,509      |
| (Gain) loss on disposal of property and equipment   | 2,950        | -            |
| Operating lease activity  | 385          | -            |
| (Increase) decrease in:   |              |              |
| Accounts receivable   | (168,754)    | 639,481      |
| Pledges receivable  | 166,666      | -            |
| Prepaid expenses  | (4,481)      | (4,565)      |
| Increase (decrease) in:   |              |              |
| Accounts payable and accrued expenses   | 17,117       | (38,913)     |
| Deferred revenue  | 811,645      | 25,304       |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES  | 1,927,470    | 1,284,445    |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |              |              |
| Payments for property and equipment   | (476,784)    | (43,464)     |
| Proceeds from sale of investments   | 148,493      | 174,786      |
| Purchase of investments   | (172,847)    | (211,398)    |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES  | (501,138)    | (80,076)     |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  | 1,426,332    | 1,204,369    |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | 1,374,159    | 169,790      |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | \$ 2,800,491 | \$ 1,374,159 |
| SUPPLEMENTAL INFORMATION:   |              |              |
| Taxes paid  | \$ -         | \$ -         |
| Interest paid   | \$ -         | \$ -         |

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

## FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1

#### NATURE OF ACTIVITIES

Founded in 1822, the Friends Association for Care & Protection of Children (“the Association”) is a Chester County non-profit organization that focuses on programs and services to help prevent homelessness and promote the independence of families with children. Homelessness Prevention Programs provide community-based services and eviction prevention for households that balance financial assistance, landlord mediation, and case management to support economic self-sufficiency and the resiliency of families. Every year, hundreds of families in the wealthiest county in Pennsylvania experience the trauma of homelessness or housing instability. The Association’s programs use a housing first model and incorporate approaches that are both two-generational and trauma informed. With a bold vision for change, the innovative programs demonstrate the power of building partnerships with neighbors to create solutions for a better and more equitable community for all. The Association’s innovative programs are focused in four key areas: preventing homelessness, providing emergency shelter, partnering with families to support their stability, and promoting systemic change.

#### Prevent

The Homelessness Prevention Program assists families facing a housing crisis. Short-term financial assistance is combined with landlord mediation, case management and education to keep families safely housed. To qualify, households must have a lease in their name and the ability to pay rent moving forward. Services include gender-specific, trauma-informed care for women with mental health and/or substance use disorders. As one of the few resources available in Chester County for specialized case management, households receive the supportive care they need to break cycles of poverty and housing insecurity while simultaneously developing skill sets to address histories of trauma, support for behavioral health treatment and the resources for their unique, complex needs.

The Housing Navigation services are focused, outcome-oriented, and time-limited services that help households obtain stable or to stabilize current, long-term housing of their choice. Navigation services include developing and implementing a housing action plan, including finding a home and coordinating a move, as well as creating a housing sustainability plan which includes referrals to supportive services and assists with the transition to ongoing service providers.

Through the Home 2 Stay Program, long-term case management is available for families recently moved to permanent housing from any emergency housing in the County. Families receive 6-12 months of case management, which includes a housing stability case plan, linkages to supportive services, Prepared Renters Program, and budgeting. This service aims to support families through the critical first months in long-term housing to ensure success. The goal is to help families not only obtain housing, but to keep it.

In September 2020, the Association led the community in initiating an Eviction Prevention Court (“EPC”) Pilot Program that aims to prevent homelessness. The program is the first of its kind in Chester County and the only service to offer the combination of limited free legal

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES (cont'd)

representation, financial assistance, and social services support to households facing eviction on or before the day of court. In 2023 the program was renamed Eviction Prevention Case Resolution ("EPCR") to reflect the program mission more accurately and to avoid any possible misconception that the program was court mandated. EPCR targets households navigating the eviction process, who lack legal representation, knowledge of their rights, and access to financial relief. EPCR proactively prevents displacement, stabilizes communities, and ensures housing equity in Chester County. EPCR assists households at or below 50% of the County Area Median Income (AMI). ALL EPCR participants are provided with legal review of their eviction action, advised of tenant rights, consulted legal process, educated on and directed to available social services. Appropriate participants are referred to the program for short-term case management and relocation assistance. The household is then connected to long-term financial assistance, housing subsidies and housing partnership programs. The EPCR program mediates, negotiates, or litigates the eviction case to an amicable resolution that preserves the housing and prevents homelessness.

Since 2020, the Program has provided a combination of services to over 843 households representing a total of 2,699 individual household members. 89% of household participants resolved with the eviction prevented. This homeless prevention program allows families to avoid the collateral consequences of eviction to health, education, future housing, and financial stability.

Provide

The Emergency Housing Shelter or Family Center, houses families referred through the County's coordinated entry system, into one of the shelters six apartment units. Each family lives autonomously in an apartment for 90-120 days as they work with their case manager to secure permanent housing, create a housing stability case plan, increase income, and access mainstream benefits. Taking a two-generation approach, high quality early learning access (Head Start, Early Head Start) is coordinated for all children under the age of five. The goal is for all families to achieve long-term housing stability. The Association's Family Center is currently the only low-barrier emergency housing in the County that can house entire family units together through their time of crisis.

NIA House is a diversionary reentry home for women with children in Coatesville, Pennsylvania. For returning citizens, having a safe and secure place to call home during reunification with children can be the vital key to successful reentry. Access to affordable housing is a barrier to economic stability and self-sufficiency. This program gives women the space they need to re-establish critical bonds with their children and secure long-term stable housing after a period of incarceration.

NIA Beyond provides programming, case management, and peer support to justice-involved women (Trans women and LGBTQ inclusive) and their families who are residing in the Association's Emergency Housing (Family Center), exiting partner shelters within Chester

## FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 NATURE OF ACTIVITIES (cont'd)

County, or facing housing instability in their own rental unit. The Association's team works with each woman to stabilize housing through forensic case management and peer support. Women and their children participate in the NIA programming. Graduates from NIA House are also eligible for NIA Beyond upon obtaining long-term housing and it is the goal that graduates become trained as peers to support other women along their journey.

#### Partner

Since 2021, the Association was asked to partner with the County in the distribution of funds through the Emergency Rental Assistance Program ("ERAP"). Funding for this temporary program has been made available by the U.S. Treasury for all county residents struggling to afford rent and/or utility payments because of the COVID-19 pandemic. It is part of the Federal American Rescue Plan Act of 2021. The American Rescue Plan of 2021 provided \$21.55 billion to assist eligible households with financial assistance, provide housing stability services, and as applicable, to cover the costs for other affordable rental housing and eviction prevention activities. The Association's ERAP Program works with applicants that are facing eviction and/or have a landlord/tenant filing in the County.

The Peer Support Program is a mutually supportive service for our neighbors that conveys hope, identifies strengths, and facilitates access to appropriate resources as needed. Peers are people who have lived experience of mental health and/or substance use, embody a life of recovery and have undergone extensive training, who help others experiencing similar situations. The Peer Support Program aids our neighbors in laying the foundation for the four dimensions of recovery: Health, Home, Community, and Purpose.

#### Promote

The Association believes in the power of change on levels big and small, both within ourselves and in our large systems. The Association strives to empower, organize, and mobilize community members for social change and personal transformation. The Association is invested in our role as community leaders in advocacy and collective action because until we get at the root causes of homelessness, including but not limited to poverty, systemic inequities, the affordable housing crisis, and shortfalls in our social service systems, our vision will be unattainable.

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Statement Presentation

In accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Donated securities also are reported at fair value as of the date of receipt. All realized and unrealized gains and losses arising from fluctuations in market values, sales, or other disposition of assets are accounted for in the class of net assets that owns the assets.

*Level 1* – Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

*Level 2* – Financial assets valued using Level 2 inputs are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* – Financial assets valued using Level 3 inputs are determined by valuation methodologies that are unobservable and significant to the fair value measurements.

Accounts and Pledges Receivable

Accounts and pledges receivable are stated at unpaid balances net of an allowance for uncollectible accounts. Receivables are considered impaired if full principal payments are not received in accordance with the payment terms. At June 30, 2023 and 2022, management has determined that all receivables are collectible and has not recorded an allowance for uncollectible accounts.

Property and Equipment

The Association capitalizes all expenditures at cost for property and equipment in excess of \$2,500. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis. Maintenance and repairs are charged to operations as incurred.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The estimated useful lives are as follows:

|                                     |               |
|-------------------------------------|---------------|
| Buildings and building improvements | 15 - 39 years |
| Furniture and equipment             | 3 - 15 years  |

Leases

The Association recognizes right-of-use assets and lease liabilities on the statement of financial position for leases with terms greater than 12 months. The right-of-use assets and lease liabilities are initially measured based on the present value of future cash outflows over the non-cancelable lease term, calculated at the commencement of the lease. The right-of-use asset is subsequently measured based on the recalculated lease liabilities adjusted for the effect of differences between lease payments and straight-line rent expense.

Net Assets With Donor Restrictions

Net assets with donor restrictions include funds restricted by funding sources. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, purpose restriction is accomplished, or the donor releases the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are the part of net assets of the Association that are not subject to donor-imposed restrictions.

Revenue Recognition

The Association's primary source of income is grants from governmental agencies and contributions from the general public. These revenues are accounted for under ASC Subtopic 958-605 (ASC 958-605), "Not-for-Profit Entities: Revenue Recognition," recognizing revenue at the time of the gift if no donor restriction or barriers to the conditional receipt of the grant have been established in their underlying agreements, or over the course of time as barriers are overcome or donor restrictions have been satisfied if those conditions have been established. Grant funds received in advance of the barrier to the conditional receipt of the grant having been satisfied are reported as deferred revenue in the financial statements.

Contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is received and recognized.



FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose may be subject to taxation as unrelated business income.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was \$35,168 and \$12,886 for years ended June 30, 2023 and 2022, respectively.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services. Program costs include utilities, supplies, and rent and shelter expenses to provide a support network and family services. Fundraising expenses are costs related to campaigns, development, grant writing, and other fundraising efforts. Management and general expenses are costs directly related to the overall operation of the Association, which are not associated with program or fundraising services. Certain management and general expenses, such as payroll, employee benefits, and payroll taxes, are allocated to program and fundraising based on the employees' use of their time.

New Accounting Pronouncement

Effective July 1, 2022, the Association implemented FASB ASC Topic 842, "Leases." The purpose of this statement is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Though the new standard dramatically changes the presentation of lease assets and lease liabilities on an entity's financial statements, the classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under the previous lease guidance ("ASC Topic 840").

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Association has elected the package of practical expedients permitted in ASC Topic 842. Additionally, the Association has made the following additional elections with regards to the implementation of this new standard:

- The accounting policy election to exclude short-term leases from the scope of ASC Topic 842. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and does not contain an option to purchase the underlying asset that the lessee is reasonably certain to exercise. The Association has elected to apply a simplified method of accounting for short-term leases where lease payments are recognized as expense on a straight-line basis over the lease term.
- Implementation retrospectively at the beginning of the period of adoption (July 1, 2022).

NOTE 3 CONCENTRATION OF CREDIT RISK

The Association maintains its bank accounts at two financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2023 and 2022, there was \$2,317,215 and \$1,060,566, respectively, in uninsured balances held at these financial institutions. The Association has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk.

NOTE 4 INVESTMENTS

Investments in marketable securities stated at fair value consist of the following at June 30, 2023 and 2022:

|  | 2023                |                     | 2022                |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Cost                | Fair Value          | Cost                | Fair Value          |
| Bond mutual funds                      | \$ 225,417          | \$ 202,402          | \$ 234,036          | \$ 214,882          |
| Equity mutual/exchange<br>traded funds | 531,320             | 627,910             | 494,104             | 559,273             |
| Balanced mutual funds                  | 516,668             | 611,084             | 477,136             | 537,151             |
| Total                                  | <u>\$ 1,273,405</u> | <u>\$ 1,441,396</u> | <u>\$ 1,205,276</u> | <u>\$ 1,311,306</u> |

As of June 30, 2023 and 2022, fair value for the Association's investments were determined using Level 1 inputs.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

The following summarizes investment income for the years ended June 30, 2023 and 2022:

|  | <u>2023</u>       | <u>2022</u>         |
|--|-------------------|---------------------|
| Interest and dividends                     | \$ 53,923         | \$ 35,414           |
| Net realized gains (losses)                | 46,282            | 53,046              |
| Net unrealized gains (losses), net of fees | <u>55,278</u>     | <u>(307,555)</u>    |
| Net investment income (loss)               | <u>\$ 155,483</u> | <u>\$ (219,095)</u> |

NOTE 5 PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2023 are due as follows:

|                    | <u>Due in<br/>One Year</u> | <u>Due in<br/>Two to Five<br/>Years</u> | <u>Total</u>      |
|--------------------|----------------------------|---|-------------------|
| Pledges receivable | <u>\$ 83,333</u>           | <u>\$ 83,333</u>                        | <u>\$ 166,666</u> |

The Association has not recorded a discount on the pledge receivable in more than one year because it has been determined that the discount is not material to the financial statements.

NOTE 6 LAND, BUILDINGS, AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 consists of the following:

|                                     | <u>2023</u>       | <u>2022</u>       |
|-------------------------------------|-------------------|-------------------|
| Land                                | \$ 38,000         | \$ 38,000         |
| Furniture and equipment             | 11,429            | 81,955            |
| Buildings and building improvements | <u>1,353,727</u>  | <u>1,032,202</u>  |
|                                     | 1,403,156         | 1,152,157         |
| Accumulated depreciation            | <u>(765,601)</u>  | <u>(983,134)</u>  |
| Property and equipment, net         | <u>\$ 637,555</u> | <u>\$ 169,023</u> |

Depreciation expense for the years ended June 30, 2023 and 2022 was \$5,302 and \$6,343, respectively.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LINE OF CREDIT

The Association has a line of credit from a local bank for \$125,000. Interest on any outstanding balance is payable monthly at 8.75% and 5.25% as of June 30, 2023 and 2022, respectively. The line of credit is on demand and is renewable annually upon review of the financial statements. As of June 30, 2023 and 2022, there were no outstanding balances and no use of the line of credit in either fiscal year.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2023 and 2022:

|                             | <u>2023</u>         | <u>2022</u>       |
|-----------------------------|---------------------|-------------------|
| Family Center               | \$ 500,000          | \$ -              |
| Summer enrichment           | 3,747               | 24,524            |
| Time restricted             | 6,000               | -                 |
| Eviction prevention program | 201,443             | 46,483            |
| NIA House                   | <u>401,478</u>      | <u>332,878</u>    |
|                             | <u>\$ 1,112,668</u> | <u>\$ 403,885</u> |

NOTE 9 BOARD DESIGNATED NET ASSETS

*Board Designated Operating Reserve* – On November 19, 2009, the Board of Directors agreed to establish a reserve fund equal to 2% of the annual operating budget at the time to be used for unanticipated expenses and emergencies. The balance of the Operating Reserve Fund as of June 30, 2023 and 2022 is \$44,737. The balance in the operating reserve remains constant year to year as the Association has not needed to use the funds for unanticipated expenses or emergencies.

*Board Designated Reserve Fund* – As of June 30, 2011, the Board of Directors decided to designate funds from the sale of the Church Street building to be set aside to provide for the long-term financial stability of the Association. The balance of the Board Designated Reserve Fund as of June 30, 2023 and 2022 is \$360,000.

*Board Designated Investment Fund* – As of June 30, 2018, the Board of Directors decided to invest certain funds for future use as determined by the Board of Directors. The balance assigned to Board Designated Investment Fund as of June 30, 2023 and 2022 is \$22,929.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 10 CONCENTRATION OF REVENUE

During the years ended June 30, 2023 and 2022, the Association received approximately 75% and 80%, respectively, of its total revenue from the County.

NOTE 11 DONATED SERVICES AND MATERIALS

The Association receives various types of in-kind support, including services and other tangible assets. It recognizes in-kind support in accordance with the FASB ASC. Services rendered to the Association are recognized if they are provided by individuals with specialized skills on a complimentary or discounted basis, and the Association would otherwise have to purchase such services. Donated materials are recognized when their fair market value can be ascertained. In-kind support is recognized in the accompanying financial statements as in-kind contributions revenue and is offset by an expense in an equal amount.

During the years ended June 30, 2023 and 2022, the Association received non-cash donations of services and materials without donor restrictions that have been reflected in the financial statements as follows:

|                             | <u>2023</u>      | <u>2022</u>       |
|-----------------------------|------------------|-------------------|
| Professional services       | \$ 2,650         | \$ 371,753        |
| Office and program expenses | <u>48,008</u>    | <u>16,940</u>     |
|                             | <u>\$ 50,658</u> | <u>\$ 388,693</u> |

The professional services consist of legal and consulting services and are based on current rates and hours provided by the law and consulting firms. Program and office supplies are estimated using retail prices of identical or similar products purchased in the region. All donated materials and services received by the Association were used toward strategic program alignment and measuring impact and not monetized.

The Association uses volunteers to assist with the needs of fundraising and program activities. For the years ended June 30, 2023 and 2022, volunteers donated approximately 345 and 1,000 hours, respectively, to the Association. While the value of these volunteer hours is substantial and important in implementing the Association's mission, it does not meet the criteria for recognition as contributed services and is, therefore, not reflected in the financial statements.

NOTE 12 LEASE COMMITMENTS

Operating Leases

In March 2021, the Association entered into a five-year lease agreement expiring February 2026 for residential space to be used with the NIA program. The Association has the option

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 12 LEASE COMMITMENTS (cont'd)

to renew for five additional periods of three years each with a 3% rent increase each renewal term. Required monthly payments under this agreement are \$2,113.

In March 2022, the Association entered into a five-year lease for a photocopier. The lease requires monthly payments of \$380 and expires in February 2027.

In March 2023, the Association entered into a four-year lease agreement for office space to support the EPC team and general expansion of the program. The lease requires monthly payments of \$1,150 in year one of the agreement, \$1,175 in year two of the agreement, and \$1,200 in the final two years of the agreement.

Lease expense for the years ending June 30, 2023 and 2022 for all operating leases was \$39,240 and \$33,770, respectively, and is included in printing and reproduction and rent expense on the statement of functional expenses.

The Association calculated the present value of the rental agreements based on the five-year U.S. Treasury rate as of the time the lease was signed. The weighted average remaining life of the lease as of June 30, 2023 was 3.17 years. The weighted average discount rate as of June 30, 2023 was 2.28%.

Future discounted lease payments are as follows:

| <u>Year Ended June 30,</u> |                   |
|----------------------------|-------------------|
| 2024                       | \$ 41,210         |
| 2025                       | 42,325            |
| 2026                       | 32,807            |
| 2027                       | <u>12,821</u>     |
|                            | <u>\$ 129,163</u> |

NOTE 13 EMPLOYEE RETIREMENT PLAN

The Association had a defined contribution (SEP) retirement plan through December 31, 2022, covering all employees with one year of service. The amount of contribution to the plan is determined annually by the Board of Directors and may vary from 0% to 15% of covered compensation.

Effective January 1, 2023, the Association established a 401(k) Plan for the exclusive benefit of all eligible employees and their beneficiaries. The amount of matching or non-elective contribution to the plan is determined annually by the Board of Directors.

Contributions to the plans for the years ended June 30, 2023 and 2022 are \$31,591 and \$26,732, respectively.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS

NOTE 14 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association's financial assets consist of cash and cash equivalents, accounts receivable, current pledges receivable, and investments.

The following reflects the Association's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside by the Board that could be drawn upon if the governing board decides to approve such action.

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Financial assets, at year end   | \$ 4,569,747        | \$ 3,098,746        |
| Less unavailable for general expenses<br>within one year due to:                      |                     |                     |
| Purpose and time restrictions   | 1,112,668           | 403,885             |
| Board designations  | <u>427,666</u>      | <u>427,666</u>      |
| Financial assets available to meet cash needs<br>for general expenses within one year | <u>\$ 3,029,413</u> | <u>\$ 2,267,195</u> |

The Association maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association also maintains a line of credit that may be drawn upon as needed during the year to manage cash flows. As of June 30, 2023 and 2022, there was no amount outstanding under this line of credit.

NOTE 15 SUBSEQUENT EVENTS

The Association has evaluated those events and transactions that occurred November 14, 2023, the date the financial statements were available to be issued, and determined there were no other items to be disclosed.

**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**  
**SINGLE AUDIT SUPPLEMENT**





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

November 14, 2023

To the Board of Directors  
Friends Association for Care & Protection of Children  
West Chester, Pennsylvania

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 the Friends Association for Care & Protection of Children (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 the Friends Association for Care & Protection of Children's internal control over financial reporting ("internal control") as a basis for designing 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 the Friends Association for Care & Protection of Children's internal control. Accordingly, we do not express an opinion on the effectiveness of the Friends Association for Care & Protection of Children'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 Friends Association for Care & Protection of Children's financial statements will not

To the Board of Directors  
Friends Association for Care & Protection of Children

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.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Friends Association for Care & Protection of Children'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 Friends Association for Care & Protection of Children'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 Friends Association for Care & Protection of Children's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP



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

November 14, 2023

To the Board of Directors  
Friends Association for Care & Protection of Children  
West Chester, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Friends Association for Care & Protection of Children'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 the Friends Association for Care & Protection of Children's major federal program for the year ended June 30, 2023. The Friends Association for Care & Protection of Children's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the Friends Association for Care & Protection of Children complied, in all material respects, with the 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 Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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.

To the Board of Directors  
Friends Association for Care & Protection of Children

We are required to be independent of the Friends Association for Care & Protection of Children 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 its major federal program. Our audit does not provide a legal determination of the Friends Association for Care & Protection of Children'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 the Friends Association for Care & Protection of Children'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 the Friends Association for Care & Protection of Children'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 GAAS, *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 the Friends Association for Care & Protection of Children's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Friends Association for Care & Protection of Children'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 the Friends Association for Care & Protection of Children'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 the Friends Association for Care & Protection of Children's internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors  
Friends Association for Care & Protection of Children

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.

  
BARBACANE, THORNTON & COMPANY LLP

**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

| FEDERAL GRANTOR/PROJECT TITLE  | SOURCE<br>CODE | FEDERAL<br>ALN | EXPENDITURES        | PASSED<br>THROUGH TO<br>SUBRECIPIENTS |
|--|----------------|----------------|---------------------|---------------------------------------|
| <u>U.S. Department of Treasury</u>   |                |                |                     |                                       |
| <u>Passed through Chester County</u>   |                |                |                     |                                       |
| Emergency Rental Assistance Program  | I              | 21.023         | \$ 5,023,132        | \$ -                                  |
| Coronavirus State and Local Fiscal Recovery Funds  | I              | 21.027         | 94,983              | -                                     |
| Total U.S. Department of Treasury  |                |                | <u>5,118,115</u>    | <u>-</u>                              |
| <u>U.S. Department of Housing and Urban Development</u>  |                |                |                     |                                       |
| <u>Passed through Chester County</u>   |                |                |                     |                                       |
| Community Development Block Grants/Entitlement Grants (COVID Eviction Prevention Program)      | I              | 14.218         | 34,613              | -                                     |
| Community Development Block Grants/Entitlement Grants (Shelter Renovation & HVAC Improvements) | I              | 14.218         | 251,229             | -                                     |
| Community Development Block Grants/Entitlement Grants (Housing Stability Case Management)      | I              | 14.218         | 14,629              | -                                     |
| Total ALN 14.218   |                |                | <u>300,471</u>      | <u>-</u>                              |
| Emergency Solutions Grant Program (Emergency Shelter Operations)                               | I              | 14.231         | 13,279              | -                                     |
| Emergency Solutions Grant Program (Emergency Shelter Operations Related to COVID)              | I              | 14.231         | 80,345              | -                                     |
| Emergency Solutions Grant Program (Shelter Renovation & HVAC Improvements)                     | I              | 14.231         | 228,698             | -                                     |
| Total ALN 14.231   |                |                | <u>322,322</u>      | <u>-</u>                              |
| Total U.S. Department of Housing and Urban Development   |                |                | <u>622,793</u>      | <u>-</u>                              |
| <u>U.S. Department of Health and Human Services</u>  |                |                |                     |                                       |
| <u>Passed through Chester County</u>   |                |                |                     |                                       |
| Community Services Block Grant (COVID Eviction Prevention Program)                             | I              | 93.569         | 44,053              | -                                     |
| Community Services Block Grant (Housing Stability Case Management)                             | I              | 93.569         | 37,619              | -                                     |
| Total ALN 93.569   |                |                | <u>81,672</u>       | <u>-</u>                              |
| Total U.S. Department of Health and Human Services   |                |                | <u>81,672</u>       | <u>-</u>                              |
| Total Expenditures of Federal Awards   |                |                | <u>\$ 5,822,580</u> | <u>\$ -</u>                           |

Source Code:

I - Indirect

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 BASIS OF PRESENTATION

This accompanying schedule of expenditures of federal awards includes the federal award activity of the Friends Association for Care & Protection of Children under programs of the federal government for the year ended June 30, 2023. The information in the schedule of expenditures of federal awards 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 of expenditures of federal awards presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATES

The Friends Association for Care & Protection of Children has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**



FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grants Guidance?

Yes  No

Identification of major program:

Assistance Listing Number

Name of Federal Program or Cluster

21.023

Emergency Rental Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.