



**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Friends Association for Care & Protection of Children (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends Association for Care and Protection of Children as of June 30, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2020, the Organization adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Friends Association for Care and Protection of Children's basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 basic 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 23, 2021, on our consideration of Friends Association for Care and 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 Friends Association for Care and 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 Friends Association for Care and Protection of Children's internal control over financial reporting and compliance.

Umbreit, Wilczek & Associates, P.C.

Kennett Square, PA
November 23, 2021

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 14,928	\$ 447,084
Restricted	154,862	-
Accounts receivable, net of allowance	308,873	17,704
Grants receivable	-	3,750
Promises to give, current	-	11,250
Government contract asset	743,889	-
Prepaid expenses and gift cards	34,177	13,754
TOTAL CURRENT ASSETS	<u>1,256,729</u>	<u>493,542</u>
PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$976,791 (2021) and \$952,299 (2020)	131,902	79,497
INVESTMENTS	<u>1,529,203</u>	<u>1,147,898</u>
TOTAL ASSETS	<u>\$ 2,917,834</u>	<u>\$ 1,720,937</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 70,201	\$ 8,094
Accrued expenses	-	20,112
Deferred income	350,000	-
Paycheck Protection Program	-	94,600
TOTAL LIABILITIES	<u>420,201</u>	<u>122,806</u>
NET ASSETS		
Without donor restrictions		
Operating	1,788,886	1,118,014
Operating/capital reserve	44,737	44,737
Board designated investment fund	22,929	22,929
Board designated endowment	360,000	360,000
Total without donor restriction	<u>2,216,552</u>	<u>1,545,680</u>
With donor restrictions	<u>281,081</u>	<u>52,451</u>
TOTAL NET ASSETS	<u>2,497,633</u>	<u>1,598,131</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,917,834</u>	<u>\$ 1,720,937</u>

See Independent Auditors' Report and Notes to Financial Statements

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

**STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Totals
PUBLIC SUPPORT AND REVENUES			
Chester County Department of Community Development	\$ 1,454,958	\$ -	\$ 1,454,958
United Way	11,250	-	11,250
Grants	315,675	411,825	727,500
Contributions	352,362	20,226	372,588
In-kind contributions	147,514	-	147,514
Fund-raising events, net of costs of \$19,856	133,348	-	133,348
Net investment income	344,474	-	344,474
Paycheck Protection Program grant	94,600	-	94,600
Net assets released from restrictions	203,421	(203,421)	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,057,602	228,630	3,286,232
EXPENSES			
Program services	2,087,579	-	2,087,579
Administration	173,687	-	173,687
Fund-raising	125,464	-	125,464
TOTAL EXPENSES	2,386,730	-	2,386,730
CHANGE IN NET ASSETS	670,872	228,630	899,502
NET ASSETS AT BEGINNING OF YEAR	1,545,680	52,451	1,598,131
NET ASSETS AT END OF YEAR	\$ 2,216,552	\$ 281,081	\$ 2,497,633

See Independent Auditors' Report and Notes to Financial Statements

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

**STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Totals
PUBLIC SUPPORT AND REVENUES			
Chester County Department of Community Development	\$ 170,600	\$ -	\$ 170,600
United Way	-	11,250	11,250
Grants	328,580	43,500	372,080
Contributions	272,876	-	272,876
In-kind contributions	34,655	-	34,655
Fund-raising events, net of costs of \$112,451	131,820	-	131,820
Investment income	10,746	-	10,746
Miscellaneous income	12,950	-	12,950
Net assets released from restrictions	56,199	(56,199)	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,018,426	(1,449)	1,016,977
EXPENSES			
Program services	780,086	-	780,086
Administration	70,894	-	70,894
Fund-raising	93,080	-	93,080
TOTAL EXPENSES	944,060	-	944,060
CHANGE IN NET ASSETS	74,366	(1,449)	72,917
NET ASSETS AT BEGINNING OF YEAR	1,471,314	53,900	1,525,214
NET ASSETS AT END OF YEAR	\$ 1,545,680	\$ 52,451	\$ 1,598,131

See Independent Auditors' Report and Notes to Financial Statements

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Family Center/ Emergency Shelter	Homeless Prevention Program/ Housing Stability Case Management		Emergency Rental Assistance Program/ Eviction Prevention Court		NIA House	Total Program	Administration	Fund-Raising	Totals
FUNCTIONAL EXPENSES										
Salaries	\$ 148,089	\$ 252,855	\$ 114,566	\$ 51,062	\$ 566,572	\$ 59,668	\$ 64,628	\$ 690,868		
Payroll taxes	12,697	22,226	7,479	2,643	45,045	5,738	6,301	57,084		
Employee benefits	12,367	22,847	1,868	2,665	39,747	12,405	11,594	63,746		
Advertising	1,540	3,045	650	600	5,835	2,885	6,320	15,040		
Bad debt	-	-	30,000	-	30,000	-	-	30,000		
Bank charges	520	1,567	139	94	2,320	432	1,013	3,765		
Cleaning	1,560	-	-	-	1,560	1,560	-	3,120		
Housing stabilization	18,586	50,506	1,050,182	-	1,119,274	200	-	1,119,474		
Communication costs	3,073	4,567	229	695	8,564	2,717	1,456	12,737		
Depreciation	6,598	13,501	-	396	20,099	1,942	2,451	24,492		
Insurance	2,595	4,845	911	6,885	8,747	2,583	2,948	14,278		
Office expenses	9,263	20,307	3,456	8,885	39,911	14,421	10,262	64,594		
Printing and reproduction	1,000	1,875	262	87	3,224	743	1,507	5,474		
Professional fees	11,567	17,698	124,617	3,126	157,008	66,781	14,951	238,740		
Rent expense	-	-	-	8,750	8,750	-	-	8,750		
Repairs and maintenance	7,673	1,128	6	1,392	10,199	870	286	11,355		
Travel	1,200	-	-	-	1,200	-	-	1,200		
Utilities	17,231	1,486	124	683	19,524	742	1,747	22,013		
TOTAL FUNCTIONAL EXPENSES	\$ 255,559	\$ 418,453	\$ 1,334,489	\$ 79,078	\$ 2,087,579	\$ 173,687	\$ 125,464	\$ 2,386,730		

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Family Center/ Emergency Shelter	Homeless			Total Program	Administration	Fund-Raising	Totals
		Prevention Program/ Housing Stability Case Management	Outreach to Homeless Families					
Salaries	\$ 107,125	\$ 228,745	\$ 81,555	\$ 417,425	\$ 26,859	\$ 66,535	\$ 510,819	
Payroll taxes	9,034	18,983	6,836	34,853	2,241	5,284	42,378	
Employee benefits	12,626	19,234	6,674	38,534	7,118	6,484	52,136	
Advertising	-	192	-	192	-	250	442	
Bank charges	712	693	353	1,758	228	195	2,181	
Cleaning	153	1,098	241	1,492	132	530	2,154	
Housing stabilization	26,015	94,136	28,552	148,703	13	-	148,716	
Communication costs	2,098	2,572	1,012	5,682	1,003	666	7,351	
Depreciation	14,978	18,306	-	33,284	-	3,698	36,982	
Insurance	1,463	3,038	884	5,385	1,381	1,861	8,627	
Office expenses	2,470	11,191	3,975	17,636	3,560	4,766	25,962	
Printing and reproduction	0	-	-	0	56	34	90	
Professional fees	2,905	5,345	2,190	10,440	27,131	2,087	39,658	
Repairs and maintenance	7,016	401	146	7,563	562	125	8,250	
Subcontractor costs	-	33,204	-	33,204	-	-	33,204	
Travel	3,591	-	-	3,591	-	-	3,591	
Utilities	17,193	2,468	683	20,344	610	565	21,519	
TOTAL FUNCTIONAL EXPENSES	\$ 207,379	\$ 439,606	\$ 133,101	\$ 780,086	\$ 70,894	\$ 93,080	\$ 944,060	

See Independent Auditors' Report and Notes to Financial Statements

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 899,502	\$ 72,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,492	36,982
Net realized and unrealized (gain) loss on investments	(314,654)	25,018
Paycheck Protection Program grant	(94,600)	
(Increase) decrease in:		
Accounts receivable	(291,169)	87,729
Grants receivable	3,750	417
Promises to give	11,250	33,750
Government contract asset	(743,889)	-
Prepaid expenses and gift cards	(20,423)	(7,646)
Increase (decrease) in:		
Accounts payable	62,107	(19,963)
Accrued expenses	(20,112)	20,112
Deferred income	350,000	(1,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(133,746)</u>	<u>248,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for fixed assets	(76,897)	-
Proceeds from sale of investments	111,729	379,531
Purchases of investments	(178,380)	(362,872)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(143,548)</u>	<u>16,659</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	-	94,600
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>94,600</u>
NET INCREASE (DECREASE) IN CASH	(277,294)	359,575
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>447,084</u>	<u>87,509</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 169,790</u>	<u>\$ 447,084</u>

See Independent Auditors' Report and Notes to Financial Statements

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES**Nature of Activities

Founded in 1822, Friends Association for Care & Protection of Children (the Association) is a Chester County non-profit organization focused on solutions to family homelessness. Every year, hundreds of families in the wealthiest county in Pennsylvania experience the trauma of homelessness. With a bold vision for change, the Association believes in the power of neighbors coming together to create a 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

Homelessness Prevention Programs provide community-based services and eviction prevention for families that balance financial assistance, landlord mediation, and case management for 12-18 months to support economic self-sufficiency and the resiliency of families.

In 2020, the Association added a full-time Prevention Specialist to provide gender-specific, trauma-informed care to women in the Association's prevention programs with mental health and/or substance use disorders. As one of the few resources available in Chester County for specialized case management, women 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. By combining housing support with gender-responsive services, research indicates improved long-term success.

In September 2020, the Association led the community in initiating an Eviction Prevention Court (EPC) Pilot Program that aims to prevent homelessness stemming from COVID-19. The program is the first of its kind in Chester County and the only service to offer free legal representation, financial assistance, and social services support to individuals and families facing eviction, day of court. Studies have repeatedly shown community-wide benefits from eviction prevention, some showing \$12+ benefit for every \$1 of investment.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Nature of Activities (Cont'd)Provide

The Emergency Housing (Family Center) houses families, referred through the County's coordinated entry system, in one of 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. Pregnant women and families with infants are immediately engaged with the Nurse Family Partnership to provide education, support, and resource connections. Taking a two-generation approach, we coordinate high quality early learning access (Head Start, Early Head Start) 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.

Partner

Through the Housing Stability 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.

NIA House is a diversionary reentry home for women and children in Coatesville, PA. For returning citizens, having a safe and secure place to call home upon 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 will give women the space they need to re-establish critical bonds with their children and secure long-term stable housing after a period of incarceration.

Promote

The Association believes in the power of change on levels big and small, both within ourselves and in our large systems. The Association empowers, organizes, and mobilizes community members for social change and personal transformation.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Nature of Activities (Cont'd)

In 2021, the Association was asked to partner with Chester County in the distribution of funds through the Emergency Rental Assistance Program (ERAP). Funding for this temporary program has been made available by the US Treasury for all county residents struggling to afford rent and/or utility payments as a result of the COVID-19 pandemic. The Association is working with applicants that are facing eviction and/or have a Landlord/Tenant filing in the county.

Basis of Accounting

The financial statements of Friends Association for Care & Protection of Children have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-10-65-1, the Association is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions is the part of net assets of the Association that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Net Assets with Donor Restrictions (Cont'd)

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.

Net Assets without Donor Restrictions

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

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Grant revenues are recognized when received or when spent, whichever occurs first. Contributions are recorded at fair value, which is net of estimated uncollectible amounts. Revenue from fundraising events and other functions is recognized as earned having applicable costs concurrently recognized. Investment income is recognized as earned.

The Association recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service to the customer. The Association's principal activities resulting in contracts with customers is special events and the Emergency Rental Assistance Program.

Because the benefit received from special events and the Emergency Rental Assistance Program has an original expected duration of one year or less, the Association has elected the practical expedient and not disclosed the value of unsatisfied performance obligations and expected timing for completion related to the revenue.

Investments

As required by the Investment Topic of the FASB ASC, the Association reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Purchases are recorded on the trade date. Realized gains and losses are determined on the basis of specific-lot identification. Unrealized gains and losses are included in the change in net assets in the statement of activities. Investment income and gains restricted by donors are reported as increases in net assets

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**

Investment (Cont'd)

without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment

The Association capitalizes all expenditures at cost for property and equipment in excess of \$1,000. 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.

The estimated useful lives are as follows:

Building and building improvements	15-39 years
Furniture and equipment	3-15 years

Income Taxes

The Association is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi).

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. The carrying value of these investments approximates fair value due to the nature of the investment and the maturity period.

Accounts Receivable

Receivables represent amounts due under reimbursement contracts with the County of Chester. Accounts receivable are stated at unpaid balances. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Association determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of June 30, 2021, the Association estimates that \$30,000 in reserve for losses on receivables is required. The Association deemed all monies collectible at June 30, 2020, therefore there was no provision for an allowance for doubtful accounts.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period in which notification of such promise is received. Unconditional promises to give expected to be collected in less than one year are recorded at the estimated amount to be ultimately realized. Unconditional promises to give due in more than one year are recorded at the present value of estimated future cash flows using a risk-free rate of return on the date of donation. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Government Contract Assets

Contract assets are unbilled receivables under reimbursement contracts with the County of Chester.

Contributions In-Kind

Accounting standards require that only contributed services that (1) create or enforce long-lived assets or (2) require specialized skills provided by individuals possessing skills that would typically need to be purchased if not donated must be recorded. These services are recorded at the estimated fair value at the time the services are rendered.

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was \$15,040 and \$442 for years ended June 30, 2021 and 2020, respectively.

Use of Estimates

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

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**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, rent expenses and shelter expenses to provide a support network and family services. Fund-raising expenses are costs related to campaigns, development, grant writing and other fund-raising efforts. Management and general expenses are costs directly related to the overall operation of the Association, which are not associated with program or fund-raising services. Certain management and general expenses, such as payroll, employee benefits and payroll taxes, are allocated to program and fund-raising based on the employees' use of their time.

Recent Accounting Pronouncements*Revenue from Contracts with Customers*

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 clarifies the principles used to recognize revenue for all entities. ASU 2014-09 provides a unified five-step model to determine when and how revenue is recognized. The core principle is that the Association should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The new standard replaces most of the existing revenue recognition standards in U.S. GAAP. The FASB also subsequently issued several amendments to the standard, including clarification on principle versus agent guidance, identifying performance obligations, and immaterial goods and services in a contract.

The new accounting standard update must be applied using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which requires additional footnote disclosures).

The Association adopted the accounting standard effective July 1, 2020, using the modified retrospective approach for those contracts which were not substantially completed as of the transition date. The Association's revenue is recognized over

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Recent Accounting Pronouncements (cont'd)

time or at a point in time based on the satisfaction of the separate performance obligations. In addition, the majority of the Association's contracts do not contain variable consideration and contract modifications are generally minimal. Based on the Association's evaluation of its contracts with customers, the majority of the revenue arrangements consist of separate and distinct performance obligations to transfer promised goods or services.

The adoption of the pronouncement did not have a material effect on opening balances of the statement of net position and statement of activities, including net assets.

Scope and Accounting Guidance Clarified for Contributions Received and Made

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Association has implemented the provision of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements on a prospective basis. The Association has determined that there is no effect on net assets in connection with the adoption of ASU 2018-08.

Reclassifications

Certain reclassifications have been made to the June 30, 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management Approval

The Association has evaluated those events and transactions that occurred from July 1, 2021 through November 23, 2021, 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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

Financial assets:

Cash and equivalents	\$ 169,790
Accounts receivable, net of allowance	308,873
Government contract asset	743,889
Working capital investments	1,529,203
Less: Donor restricted financial assets	<u>(281,081)</u>
Total financial assets available within one year	2,470,674

Liquidity resources:

Bank line of credit	<u>125,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 2,595,674</u>

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Cont'd)

To manage liquidity, the Association maintains a line of credit that may be drawn upon as needed during the year to manage cash flows. As of June 30, 2021, there was no amount outstanding under this line of credit.

NOTE 3 - CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Association maintains cash balances at several institutions, which is insured by the Federal Deposit Insurance Corporation up to \$250,000 or the SIPC up to \$500,000. In the normal course of business, the Association may have deposits that exceed the insured balances. At June 30, 2021 and 2020 there were no uninsured balances.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Gross amounts due in less than one year	\$ <u> -</u>	\$ <u> 11,250</u>

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 – LAND, BUILDINGS AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 81,955	\$ 81,955
Land and buildings	<u>1,026,738</u>	<u>949,841</u>
	1,108,693	1,031,796
Accumulated depreciation	<u>(976,791)</u>	<u>(952,299)</u>
	<u>\$ 131,902</u>	<u>\$ 79,497</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$24,492 and \$36,982, respectively.

NOTE 6 – INVESTMENTS

Investments in marketable securities stated at fair value consist of the following at June 30, 2021 and 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Bond Mutual Fund	\$ 242,210	\$ 248,563	\$ 209,868	\$ 217,868
Equity Mutual Fund	445,910	657,270	413,519	447,725
Balanced Mutual Fund	<u>456,245</u>	<u>623,370</u>	<u>437,188</u>	<u>482,305</u>
Total	<u>\$ 1,144,365</u>	<u>\$ 1,529,202</u>	<u>\$ 1,060,575</u>	<u>\$ 1,147,898</u>

The following summarizes investment income for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 36,498	\$ 42,370
Net realized gains (losses)	17,319	(19,134)
Net unrealized gains (losses)	297,335	(5,884)
Investment fees	<u>(6,678)</u>	<u>(6,606)</u>
	<u>\$ 344,474</u>	<u>\$ 10,746</u>

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with the Fair Value Measurement Topic of the FASB ASC, assets that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted market prices for identical assets and liabilities in active markets.
- Level 2 – Unadjusted quoted market prices for similar assets and liabilities in active markets (other than those included in Level 1), which are observable for the asset or liability, either directly or indirectly.
- Level 3 – Significant unobservable inputs for the asset or liability.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below.

The fair value of mutual funds, publicly traded equity securities, and government obligations are included in Level 1 and are based on quoted market prices of identical securities.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2021.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds & Exchange Traded Funds				
Balanced funds	\$ 623,370	\$ -	\$ -	\$ 623,370
Equity funds	657,270	-	-	657,270
Bond funds	<u>248,563</u>	<u>-</u>	<u>-</u>	<u>248,563</u>
	<u>\$ 1,529,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,203</u>

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds & Exchange Traded Funds				
Balanced funds	\$ 482,305	\$ -	\$ -	\$ 482,305
Equity funds	447,725	-	-	447,725
Bond funds	<u>217,868</u>	<u>-</u>	<u>-</u>	<u>217,868</u>
	<u>\$ 1,147,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,147,898</u>

NOTE 8 – 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 4%. The line of credit is on demand and is renewable annually upon review of the financial statements. As of June 30, 2021 and 2020, there were no outstanding balances, and no activity was recorded in either fiscal year.

NOTE 9 – PAYCHECK PROTECTION PROGRAM

The Association was approved for a \$94,600 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Association is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and fully guaranteed by the Federal government. During the year ended June 30, 2021, the loan was forgiven by the SBA and has been reported on the Statement of Activities as Paycheck Protection Program grant.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ -	\$ 36,250
Shelter remodel	7,325	8,500
Diversity training	-	7,701
Eviction prevention program	83,668	-
NIA House	<u>190,088</u>	<u>-</u>
	<u>\$ 281,081</u>	<u>\$ 52,451</u>

Net assets with donor restrictions released during the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 36,250	\$ 53,000
Shelter remodel	3,000	-
Diversity training	7,701	2,299
Eviction prevention program	1,332	-
NIA House	155,138	-
Laundry	<u>-</u>	<u>900</u>
	<u>\$ 203,421</u>	<u>\$ 56,199</u>

NOTE 11 – RESERVE FUNDS OPERATING/CAPITAL RESERVE FUND

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 to be used for unanticipated expenses and emergencies. The balance in the Operating/Capital Reserve Fund for the years ended June 30, 2021 and 2020 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 Endowment Fund - As of June 30, 2011, the Board of Directors has decided to designate funds from the sale of the Church Street building to be set aside in an endowment fund. The earnings of this fund will be used for future needs of the Association as approved by the board. Total balance assigned to

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 11 – RESERVE FUNDS OPERATING/CAPITAL RESERVE FUND
(Cont'd)**

Board Designated Endowment Fund for the years ended June 30, 2021 and 2020 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 at years ended June 30, 2021 and 2020 is \$22,929.

NOTE 12 – REVENUE RECOGNITION**Performance Obligations**

Revenue and support received for the Association's special events are comprised of an exchange element based upon the benefits provided to the participants and a contribution element for the portion of the payment received in excess of the participant benefits. The Association recognizes exchange revenue from its special events at the point in time to which the event relates. The performance obligation consists of providing participants with access to the event. Exchange revenues of \$153,204 from the Association's special events are recognized in the Statement of Activities for the year ending June 30, 2021.

The Association recognizes revenue from the Emergency Rental Assistance Program (ERAP) at the point in time the contractual obligation has been made. The contractual obligation consists of providing eligible individuals and households with rent and utility assistance. Exchange revenues from the Association's ERAP program are reported as revenue from Chester County Department of Community Development in the Statement of Activities.

The Association does not have any significant payment terms as payment is received before, during, or shortly after the contract period or at the point in time of the transaction.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 – REVENUE RECOGNITION (Cont'd)

Disaggregation of Revenue

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2020, is as follows:

	<u>Point in Time</u>	<u>Over Time</u>	<u>Total</u>
Special Events	\$ 153,204	\$ -	\$ 153,204
Emergency Rental Assistance Program (ERAP)	<u>1,037,011</u>	<u>-</u>	<u>1,037,011</u>
	<u>\$ 1,190,215</u>	<u>\$ -</u>	<u>\$ 1,190,215</u>

Contract Balances

Contract assets arise when the Association recognizes revenue for amounts that cannot be billed under the terms of the contract with the customer.

Contract liabilities arise when the Association receives payment from customers in advance of recognizing revenues.

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances (contract liabilities) on the Statement of Financial Position. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, at periodic intervals. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, sometimes the Association receive advances from the government before revenue is recognized, resulting in contract liabilities. These advances will be reduced as revenue is recognized.

	<u>2021</u>
Accounts receivable – ERAP, beginning of year	\$ -
Amounts collected that were included in accounts receivable - ERAP at the beginning of the year	-
Increase in accounts receivable – ERAP due to funds expended and submitted for reimbursement during the year	<u>238,557</u>
Accounts receivable – ERAP, end of year	<u>\$ 238,557</u>

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 – REVENUE RECOGNITION (Cont'd)

	<u>2021</u>
Government contract asset – ERAP, beginning of year	\$ -
Amounts collected that were included in government contract asset – ERAP at the beginning of the year	-
Increase in government contract asset – ERAP due to funds expended but not billed during the year	<u>743,889</u>
Government contract asset – ERAP, end of year	<u>\$ 743,889</u>
	<u>2021</u>
Deferred income – ERAP, beginning of period	\$ -
Revenue recognized that was included in deferred income at the beginning of the period	-
Increase in deferred income – ERAP due to cash received during the period	<u>350,000</u>
Deferred income – ERAP, end of period	<u>\$ 350,000</u>

NOTE 13 – CONCENTRATION OF REVENUE

During the years ended June 30, 2021 and 2020, the Association received approximately 57% and 21%, respectively, of its total revenue from the Pennsylvania Housing Finance Agency and the County of Chester.

NOTE 14 – DONATED ASSETS AND SERVICES

The Association receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and program events. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC No. 958-605-25-16 have not been satisfied.

During the years ended June 30, 2021 and 2020, the Association received non-cash donations of services that have been reflected in the financial statements. Donations are recorded at fair market value at the date of donation and have been included in revenue and expenses for the year.

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 14 – DONATED ASSETS AND SERVICES (Cont'd)

	<u>2021</u>	<u>2020</u>
Professional services	\$ 114,120	\$ 18,458
Program expenses	19,774	16,197
Cleaning services	3,120	-
Office furniture and supplies	7,500	-
Repairs and maintenance	<u>3,000</u>	<u>-</u>
	<u>\$ 147,514</u>	<u>\$ 34,655</u>

Donated materials and services of \$600 and \$43,850 are included as revenue and expense in fund-raising events on the Statements of Activities for the years ending June 30, 2021 and 2020, respectively.

NOTE 15 – LEASE COMMITMENT

Operating Leases

In December 2016, the Association entered into a 60-month operating lease for a photocopier. The lease requires monthly payments of \$450 and expires in November 2021.

In February 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 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 \$2,500.

Rent expense for the years ending June 30, 2021 and 2020 for all operating leases was \$14,150 and \$5,400, respectively.

Future minimum lease payments are as follows:

<u>Year ended June 30,</u>	
2022	\$ 32,250
2023	30,000
2024	30,000
2025	30,000
2026	<u>20,000</u>
	<u>\$ 142,250</u>

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020****NOTE 16 – EMPLOYEE RETIREMENT PLAN**

The Association has a defined contribution (SEP) retirement plan 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. Contributions for the years ended June 30, 2021 and 2020 are \$20,851 and \$21,094, respectively.

NOTE 17 – COVID-19 IMPACT

In December 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) that has since spread to countries throughout the world, including the United States of America. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 19, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every “non-life sustaining” business through June 26, 2020. The Association was considered a life sustaining business and able to continue operations. In the interest of safety for employees and clients served, the Association implemented procedures to operate virtually and in person as deemed necessary following applicable guidelines. Future potential impacts may include continued disruptions or restriction on the employees’ ability to work and impairment of the ability to obtain contributions and volunteers. The future effects of these issues are unknown.



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

To the Board of Directors
Friends Association for Care and 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 Friends Association for Care and Protection of Children (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Friends Association for Care and Protection of Children'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 Friends Association for Care and Protection of Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Friends Association for Care and 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Friends Association for Care and 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-01.

Friends Association for Care and Protection of Children's Response to the Finding

Friends Association for Care and Protection of Children's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Friends Association for Care and Protection of Children's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Umbreit, Wilcozek & Associates, P. C.

Kennett Square, Pennsylvania
November 23, 2021



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

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

Report on Compliance with Each Major Federal Program

We have audited Friends Association for Care and Protection of Children's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Friends Association for Care and Protection of Children's major federal programs for the year ended June 30, 2021. Friends Association for Care and Protection of Children's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Friends Association for Care and Protection of Children's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Friends Association for Care and Protection of Children's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Friends Associations for Care and Protection of Children's compliance.

Opinion on Each Major Federal Program

In our opinion, Friends Association for Care and Protection of Children 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of Friends Association for Care and Protection of Children is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Friends Association for Care and Protection of Children's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Friends Association for Care and Protection of Children's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Umbreit, Wilcoz & Associates, P.C.

November 23, 2021
Kennett Square, Pennsylvania

SUPPLEMENTARY INFORMATION
MAJOR FEDERAL AWARD PROGRAMS AUDIT

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2021</u>	<u>Passed Through to Sub-Recipients</u>
\$ 3,330,120	\$ 404,566	\$ -	\$ 1,037,011	\$ 1,037,011	\$ 632,445	\$ -
100,000	<u>85,270</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>14,730</u>	<u>-</u>
	<u>\$ 489,836</u>	<u>\$ -</u>	<u>\$ 1,137,011</u>	<u>\$ 1,137,011</u>	<u>\$ 647,175</u>	<u>\$ -</u>

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021****NOTE 1 - BASIS OF PRESENTATION**

This accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Friends Association for Care & Protection of Children (the Association) under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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 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 Association 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 QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X No

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 Guidance? Yes X No

Identification of major programs:

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
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 X No

FRIENDS ASSOCIATION FOR CARE & PROTECTION OF CHILDREN**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021****B. FINDINGS – FINANCIAL STATEMENT AUDIT****2021-01 CASH MAINTENANCE**

Criteria: Per the grant contract, unspent PHARE Funds received from Pennsylvania Housing Finance Agency should be kept in a separate and special interest bearing bank account and used only for eligible project purposes.

Condition: We noted that a significant transfer of funds from the separate PHARE bank account to the operating checking account occurred close to year end.

Effect: Unspent PHARE funds were not being held in the separate interest bearing account until spent.

Cause: The Association needed funds to cover a deficit in their checking account until receivables were collected.

Recommendation: We recommend that the Association track unspent funds associated with this grant and maintain a cash balance in the appropriate bank account to cover this amount. To cover cash deficits, the Association should rely on their working capital investments or the line of credit.

Views of responsible officials: The organization has rectified the condition noted, and on November 10, 2021, transferred the required funds to the separate special interest-bearing account. These funds have been maintained appropriately since that date. In addition, the organization will calculate the required balance and any related interest that may have been lost due to the transfer. Furthermore, it will maintain a calculation of the required balance.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.