

Friendship Community

Years Ended June 30, 2019 and 2018

Friendship Community

Financial Statements with Supplementary Information

Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friendship Community
Lititz, Pennsylvania

We have audited the accompanying financial statements of **Friendship Community** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditors' 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. Those standards require that we plan and perform the audit 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 auditors' 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 auditors consider 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 **Friendship Community** as of June 30, 2019 and 2018, 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 a Matter

As described in Note 1 to the financial statements, **Friendship Community** adopted new accounting guidance, FASB ASU 2016-14, *Not-for-Profit Entities* and 2016-18, *Statement of Cash Flows*, for the year ended June 30, 2019. Our opinion is not modified with respect to that matter.

Report of Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. schedules I through IV are presented for purposes of additional analysis and are not a required part of the basic 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 audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



January 21, 2020
Lancaster, Pennsylvania

Friendship Community
 STATEMENTS of FINANCIAL POSITION
 June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Without Donor Restrictions	\$ 237,420	\$ 270,333
Receivables - Without Donor Restrictions:		
Pennsylvania Department of Human Services	2,058,974	1,803,748
Pledges and Grants	-0-	8,000
Other	24,756	23,449
Investment in Marketable Securities - Without Donor Restrictions	443,580	259,073
Prepaid Expenses	<u>27,555</u>	<u>75,177</u>
Total Current Assets	2,792,285	2,439,780
ASSETS WHOSE USE is LIMITED		
Cash and Cash Equivalents:		
With Donor Restrictions for Program	2,675	2,675
Other Receivables:		
Pledge/Grant Receivable With Donor Restrictions for Program	-0-	12,000
Investment in Marketable Securities:		
With Donor Restrictions for Endowment	92,590	91,565
Board Designated for Endowment	<u>157,410</u>	<u>158,435</u>
Total Assets Whose Use is Limited	252,675	264,675
PROPERTY and EQUIPMENT		
Land	1,073,589	1,073,589
Land Improvements	495,237	494,386
Buildings	7,535,829	7,619,980
Furnishings and Equipment	492,009	1,012,236
Adaptive Equipment	11,528	23,509
Vehicles	<u>1,423,264</u>	<u>1,449,072</u>
	11,031,456	11,672,772
Accumulated Depreciation	<u>(6,572,681)</u>	<u>(7,072,754)</u>
Net Property and Equipment	4,458,775	4,600,018
OTHER ASSETS		
Financing Cost, net of Accumulated Amortization of \$9,612 and \$13,700 for 2019 and 2018	2,833	4,398
Insurance Reserve Fund - MASP	<u>705,603</u>	<u>569,201</u>
Total Other Assets	708,436	573,599
TOTAL ASSETS	<u>\$ 8,212,171</u>	<u>\$ 7,878,072</u>

See notes to financial statements.

Friendship Community
 STATEMENTS of FINANCIAL POSITION
 (Continued)
 June 30, 2019 and 2018

	2019	2018
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Notes Payable	\$ 305,533	\$ 358,746
Line of Credit	414,797	460,030
Accounts Payable	160,688	113,221
Security Deposits	6,041	8,501
Accrued Expenses	809,869	629,086
Total Current Liabilities	1,696,928	1,569,584
LONG-TERM LIABILITIES		
Notes Payable, net of Current Maturities	1,511,469	1,494,608
Other	1,000	1,000
Total Long-Term Liabilities	1,512,469	1,495,608
TOTAL LIABILITIES	3,209,397	3,065,192
NET ASSETS		
Without Donor Restrictions	4,907,509	4,706,640
With Donor Restrictions	95,265	106,240
TOTAL NET ASSETS	5,002,774	4,812,880

TOTAL LIABILITIES and NET ASSETS

\$ 8,212,171

\$ 7,878,072

See notes to financial statements.

Friendship Community
 STATEMENTS of ACTIVITIES
 Years Ended June 30, 2019 and 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, Gains, and Other Support		
Governmental Revenue	\$ 14,331,591	\$ 13,866,288
Resident, Admission, and Program Fees	909,568	999,593
Contributions and Grants	585,704	737,377
Special Events, net of Special Event Expenses of \$23,586 in 2019 and \$26,141 in 2018	28,610	42,452
Rental Income	112,679	125,608
Investment Income	34,578	7,966
Other Revenues and Gains	99,419	65,851
Gain on Sale of Property and Equipment	17,641	5,500
Net Assets Released from Restrictions	<u>167,259</u>	<u>199,998</u>
Total Revenues, Gains, and Other Support	16,287,049	16,050,633
Functional Expenses		
Program Services	13,714,865	12,767,847
Supporting Services:		
General and Administrative	2,100,098	1,587,091
Fundraising	220,916	244,468
Public Relations	<u>50,301</u>	<u>50,688</u>
Total Functional Expenses	16,086,180	14,650,094
CHANGES in NET ASSETS WITHOUT DONOR RESTRICTIONS	200,869	1,400,539
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions:		
Property and Equipment	39,740	35,110
Program	115,519	110,936
Endowment Fund	1,025	125
Net Assets Released from Restrictions	<u>(167,259)</u>	<u>(199,998)</u>
CHANGES in NET ASSETS WITH DONOR RESTRICTIONS	(10,975)	(53,827)
CHANGES in NET ASSETS	189,894	1,346,712
NET ASSETS		
Beginning of Year	<u>4,812,880</u>	<u>3,466,168</u>
End of Year	<u>\$ 5,002,774</u>	<u>\$ 4,812,880</u>

See notes to financial statements.

Friendship Community
 STATEMENTS of CASH FLOWS
 Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ 189,894	\$ 1,346,712
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	448,414	385,488
Amortization	1,565	1,508
Realized and Unrealized Gains on Marketable Securities	(18,246)	(593)
Gain on Sale of Property and Equipment	(17,641)	(5,500)
Contributions Restricted for Long-Term Purposes	(156,284)	(146,046)
(Increase) Decrease in Assets:		
Receivables	(248,533)	(593,339)
Prepaid Expenses	47,622	(1,709)
Increase (Decrease) in Liabilities:		
Accounts Payable	47,467	(26,888)
Security Deposits	(2,460)	(892)
Accrued Expenses	<u>180,783</u>	<u>194,806</u>
Net Cash Provided by Operating Activities	472,581	1,153,547
CASH FLOWS from INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	25,250	2,500
Purchase of Property and Equipment	(314,780)	(403,275)
Contributions Restricted for Purchase of Property and Equipment	39,740	35,110
Proceeds on Sale of Marketable Securities	33,282	9,836
Purchase of Marketable Securities	(199,543)	(247,751)
Contributions Restricted for Endowment	1,025	-0-
Decrease in Pledges Receivable - Limited Use	12,000	1,000
Increase in Insurance Reserve Fund - MASP	<u>(136,402)</u>	<u>(202,873)</u>
Net Cash Used by Investing Activities	(539,428)	(805,453)
CASH FLOWS from FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Purposes	115,519	110,936
Net Proceeds (Payments) on Line of Credit	(45,233)	26,377
Proceeds from Notes Payable	371,639	-0-
Principal Payments on Notes Payable	<u>(407,991)</u>	<u>(385,853)</u>
Net Cash Provided (Used) by Financing Activities	<u>\$ 33,934</u>	<u>\$ (248,540)</u>

See notes to financial statements.

Friendship Community
 STATEMENTS of CASH FLOWS
 (Continued)
 Years Ended June 30, 2019 and 2018

	2019	2018
INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	\$ (32,913)	\$ 99,554
CASH and CASH EQUIVALENTS		
Beginning of Year	<u>273,008</u>	<u>173,454</u>
End of Year	<u>\$ 240,095</u>	<u>\$ 273,008</u>
CASH and CASH EQUIVALENTS on the STATEMENTS of FINANCIAL POSITION is COMPRISED of the FOLLOWING:		
Cash and Cash Equivalents:		
Without Donor Restrictions	\$ 237,420	\$ 270,333
With Donor Restrictions for Program	<u>2,675</u>	<u>2,675</u>
	<u>\$ 240,095</u>	<u>\$ 273,008</u>
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	86,608	89,519
NONCASH INVESTING and FINANCING ACTIVITIES		
Debt Incurred for Acquisition of Vehicles	-0-	120,664
Trade in Value Received on Vehicle Disposals	5,000	3,000
Unrealized Gains (Losses) on Marketable Securities	19,696	(17)

See notes to financial statements.

Friendship Community
STATEMENTS of FUNCTIONAL EXPENSES
Years Ended June 30, 2019 and 2018

	2019				
	Program Expenses	General and Administrative	Fundraising	Public Relations	Expenses Total
Personnel					
Salaries and Wages	\$ 8,554,232	\$ 920,865	\$ 108,617	\$ 13,874	\$ 9,597,588
Payroll Taxes	665,478	70,700	8,436	1,005	745,619
Retirement	101,166	292,397	1,821	106	395,490
Employee Benefits	1,960,467	191,770	23,716	4,202	2,180,155
Staff Development	34,196	3,639	1,765	150	39,750
Purchased Personnel	103,013	123,625	25,510	-0-	252,148
	11,418,552	1,602,996	169,865	19,337	13,210,750
Resident Development and Services					
Programs	249,947	-0-	-0-	-0-	249,947
Medical Supplies	37,389	-0-	-0-	-0-	37,389
Food	260,301	-0-	-0-	-0-	260,301
Clothing	2,227	-0-	-0-	-0-	2,227
Household	113,843	10,565	-0-	-0-	124,408
Transportation	229,070	(17,263)	1,601	37	213,445
	892,777	(6,698)	1,601	37	887,717
Occupancy Costs					
Rent	182,753	46,142	-0-	-0-	228,895
Interest	81,053	5,207	348	-0-	86,608
Utilities	156,938	26,618	-0-	-0-	183,556
Insurance	109,310	98,237	64	-0-	207,611
Building Maintenance	180,330	94,904	997	75	276,306
Depreciation	346,802	101,264	348	-0-	448,414
Real Estate Taxes	5,321	-0-	-0-	-0-	5,321
	1,062,507	372,372	1,757	75	1,436,711
Other Operating Expenses					
Communication	122,180	15,805	1,666	193	139,844
Office Supplies	37,014	10,350	2,715	150	50,229
Computer Support	4,781	42,860	1,165	-0-	48,806
Purchased Services	359	18,565	-0-	-0-	18,924
Amortization	1,485	80	-0-	-0-	1,565
Miscellaneous	89,958	2,783	9,606	-0-	102,347
Educational	1,500	21,525	895	-0-	23,920
Recreational	713	-0-	-0-	-0-	713
Professional Fees	43,203	-0-	1,800	-0-	45,003
Staff Recruitment	16,468	11,846	212	-0-	28,526
Meeting Costs	14,244	5,767	15,279	-0-	35,290
Newsletters and Mailings	9,124	1,847	14,355	30,509	55,835
	341,029	131,428	47,693	30,852	551,002
Total Expenses Before Allocations	13,714,865	2,100,098	220,916	50,301	16,086,180
Allocated General and Administrative Expenses	1,882,982	(1,970,265)	78,810	8,473	-0-
Total Expenses for 2019	\$ 15,597,847	\$ 129,833	\$ 299,726	\$ 58,774	\$ 16,086,180

See notes to financial statements.

Friendship Community
STATEMENTS of FUNCTIONAL EXPENSES
(Continued)
Years Ended June 30, 2019 and 2018

	2018				
	Program Expenses	General and Administrative	Fundraising	Public Relations	Expenses Total
Personnel					
Salaries and Wages	\$ 7,775,976	\$ 865,199	\$ 126,879	\$ 21,026	\$ 8,789,080
Payroll Taxes	596,578	65,355	9,761	1,551	673,245
Retirement	100,195	30,091	3,659	592	134,537
Employee Benefits	1,820,431	173,542	23,088	4,627	2,021,688
Staff Development	30,997	6,000	2,301	226	39,524
Purchased Personnel	123,814	109,569	27,059	-0-	260,442
	10,447,991	1,249,756	192,747	28,022	11,918,516
Resident Development and Services					
Programs	374,231	-0-	-0-	-0-	374,231
Medical Supplies	33,664	-0-	-0-	-0-	33,664
Food	254,108	-0-	-0-	-0-	254,108
Clothing	2,194	-0-	-0-	-0-	2,194
Household	90,497	2,515	-0-	-0-	93,012
Transportation	230,652	(9,059)	1,272	56	222,921
	985,346	(6,544)	1,272	56	980,130
Occupancy Costs					
Rent	181,499	7,176	-0-	-0-	188,675
Interest	86,547	2,497	475	-0-	89,519
Utilities	167,658	25,934	-0-	-0-	193,592
Insurance	70,215	56,944	71	-0-	127,230
Building Maintenance	145,011	63,121	1,890	113	210,135
Depreciation	315,695	69,318	475	-0-	385,488
Real Estate Taxes	4,269	-0-	-0-	-0-	4,269
	970,894	224,990	2,911	113	1,198,908
Other Operating Expenses					
Communication	113,684	12,281	2,394	319	128,678
Office Supplies	35,854	10,103	2,447	226	48,630
Computer Support	2,029	27,476	1,070	-0-	30,575
Purchased Services	534	20,421	-0-	-0-	20,955
Amortization	1,428	80	-0-	-0-	1,508
Miscellaneous	127,743	2,660	6,901	-0-	137,304
Educational	2,025	21,095	390	-0-	23,510
Recreational	1,155	-0-	-0-	-0-	1,155
Professional Fees	42,345	-0-	2,655	-0-	45,000
Staff Recruitment	16,708	21,458	142	-0-	38,308
Meeting Costs	12,333	2,575	16,881	-0-	31,789
Newsletters and Mailings	7,778	740	14,658	21,952	45,128
	363,616	118,889	47,538	22,497	552,540
Total Expenses Before Allocations	12,767,847	1,587,091	244,468	50,688	14,650,094
Allocated General and Administrative Expenses	1,390,618	(1,489,198)	88,156	10,424	-0-
Total Expenses for 2018	\$ 14,158,465	\$ 97,893	\$ 332,624	\$ 61,112	\$ 14,650,094

See notes to financial statements.

Friendship Community
NOTES to FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Friendship Community (the Organization) was founded in 1972 as an agency of Eastern Mennonite Missions, providing community living arrangements for people with developmental disabilities. In 1987, **Friendship Community** became an independent legal entity. All facilities are licensed to operate in the Commonwealth of Pennsylvania.

These facilities, located in Lancaster and Lebanon Counties, Pennsylvania, offer residential, rehabilitative, and social services to developmentally disabled persons who desire a Christian living environment and lifestyle. The primary purpose is to maximize the potential of every individual and provide a pattern of life that is as close to normal as possible.

Divisions and Programs

Resources are classified, for accounting and reporting purposes, into two divisions established according to their nature and purpose as follows:

Government Division - As of June 30, 2019, the government division consists of one intermediate care facility (ICF), community living arrangements (CLA/waiver home), and a respite home. The Organization previously had two ICFs. Effective October 2018 one of these ICFs was converted into a waiver home.

The ICFs provide intensive training and supervision for men and women. All residents are engaged in structured vocational programs outside the facilities during the day. The activities of this division are supported by revenue received from the Pennsylvania Department of Human Services (DHS) under the Medicaid program.

The waiver program includes the following community living arrangements, which are funded by the Pennsylvania Department of Human Services and Lancaster and Lebanon Counties:

1. A semi-independent living arrangement at an apartment complex in Ephrata, which provides group support in a more independent, "homelike" environment, for residents to develop living skills to a higher level. This property was sold in April 2016, however the Organization continues to provide services to individuals living at this location.
2. A life sharing program, which provides for the living expenses of adults residing with families in the local community.
3. A supportive living program, which provides individualized life skills support for residents in independent apartment settings.
4. Twenty-five community residential facilities, four of which are rented and twenty-one of which are owned by **Friendship Community**.

The respite home is available for individuals supported through various funding sources including DHS and the private community. The home is designed to provide short-term lodging and care for individuals whose primary care providers are on a temporary leave of absence.

Ministries Division - The ministries division provides counseling and consultation to developmentally disabled individuals in the community, in foster homes, and to those who have graduated into independent living apartments. This division is privately funded and includes development of new programs and initiatives.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Divisions and Programs (Continued)

Ministries Division (Continued)

The Organization has lease agreements with different parties to provide a high-quality living environment for developmentally disabled persons in apartments.

Basis of Presentation

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Current US GAAP standards are contained in the Accounting Standards Codification (ASC) as set forth by the Financial Accounting Standards Board (FASB).

The financial statements have been presented in accordance with FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The process of preparing financial statements in conformity with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, income, and expenses. Accordingly, actual results may differ from estimated amounts. Significant estimates used in the preparation of these financial statements relate to depreciation of property and equipment, amortization of finance costs, allowance for doubtful accounts, fair value measurements including investments in marketable securities, and the allocation of expenses by functional classification.

Contributions, Pledges, and Grants

Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as net assets with donor restrictions and as net assets released from restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Pledges and grants receivable are valued at fair value upon the initial recognition of the gifts and are recorded in the statements of financial position as assets whose use is limited and restricted for program related expenses. Pledges and grants are generally expected to be paid within one year. Therefore no discounting or allowance for uncollectible pledges was recorded. Pledges and grants receivable totaled \$-0- and \$20,000 at June 30, 2019 and 2018, respectively.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on the projected budgeted expenses for each home.

Cash, Cash Equivalents, and Cash Whose Use is Limited

For the purposes of the statements of cash flows, cash and cash equivalents are defined as demand deposits at financial institutions, petty cash, and short-term investments with Eastern Mennonite Missions' Church Investment Loan Fund. The line of credit held with Ephrata National Bank is a component of a cash management account. Funds are swept automatically between the checking accounts and the line of credit, resulting in the potential for a short-term overdraft representing checks issued but not presented to the bank for payment.

A summary of cash and cash equivalents as of June 30, 2019 and 2018, follows:

	2019	2018
Ephrata National Bank	21,907	34,604
Fulton Bank	192,399	211,769
Church Investment Loan Fund	7,871	7,871
Everence Federal Credit Union	12,570	13,416
Petty Cash	<u>5,348</u>	<u>5,348</u>
Total Cash and Cash Equivalents	240,095	273,008

Accounts Receivable and Allowance for Doubtful Accounts

The Organization's accounts receivable are primarily comprised of rent receivable from their residents and billings to government agencies on contractual obligations. Accounts receivable are stated at unpaid balances, net of anticipated estimated cost settlements, and less an allowance for doubtful accounts.

The Organization uses the reserve method for recording bad debts and provides an allowance for doubtful accounts based upon what management believes to be a reasonable estimate of uncollectible accounts. Receivables are written off after exhausting collection efforts. There was no allowance for doubtful accounts as of June 30, 2019 and 2018.

Additionally, contributions are recognized when the donor makes an unconditional promise to give to the Organization. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible unconditional promises at June 30, 2019 and 2018, as management determined the promises to give were fully collectible.

The Organization considers various factors as of the date of the financial statements in evaluating the credit quality of other receivables, including the value of collateral, if any, historical collection experience and the Organization's assessment of the counterparties' ability to repay their obligation. To date, the Organization has not experienced any losses with respect to other receivables and believes that these receivables will be recovered: therefore, an allowance for uncollectible amounts has not been recorded.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Marketable Securities

Marketable securities investments are recorded at fair value. Unrealized gains and losses are based on the difference between the book value and fair value of each security. Realized gains and losses are determined using the specific identification method.

Property and Equipment

Property and equipment is carried at historical cost. Renewals and betterments in excess of \$500 in the government division and \$1,000 in the ministry division are charged to the property and equipment accounts while minor replacements (maintenance and repairs which do not improve or extend the life of the respective assets) are expensed currently. For waiver funded government programs, renewals and betterments in excess of \$5,000 are recorded in the property and equipment accounts. Property donated to the Organization is recorded at fair value as determined by an independent appraiser on the date the property was donated. Following is a list of the properties owned:

ICF Homes

517 West Orange Street, Lititz

CLA Homes/Life Sharing/Respite

164 Landis Drive, Lancaster
 6321 Jackson Drive, East Petersburg
 238 East Main Street, Leola
 30 Clearview Drive, Lebanon
 304 Fairview Drive, Lititz
 453 Hostetter Drive, Millersville
 1144 Sheep Hill Road, New Holland
 2436 Willow Glen Drive, Lancaster
 2139 Horseshoe Road, Lancaster
 53 Redwood Circle, Ephrata
 2165 New Holland Pike, Lancaster

6380 Bayberry Avenue, Manheim
 292 Robin Dale Drive, Leola
 57 Timberline Drive, Leola
 124 Valley View Place, Lebanon
 216 South Conestoga Drive, Lancaster
 207 Sun Hill Road, Manheim
 348 West View Drive, Akron
 149 Miller Drive, Manheim
 269 Cedar Hollow Drive, Manheim
 87 Summerlyn Drive, Ephrata

Meaningful Day Facility

1149-1159 East Oregon Road, Lititz

Depreciation

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

Land Improvements	10 - 15 Years
Buildings	20 - 25 Years
Furnishings, Equipment, and Adaptive Equipment	5 - 15 Years
Vehicles	4 Years

Amortization

Financing costs are being amortized over eight and fifteen years on a straight-line basis. Amortization expense was \$1,565 and \$1,508 for the years ended June 30, 2019 and 2018, respectively.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

Donations of services that create or enhance physical assets and essential services that require and are donated by persons with specialized skills are measured at their fair value and reported as increases in net assets without donor restrictions during the period provided. No contributions of services were recognized in the years ended June 30, 2019 and 2018. Services donated by persons without specialized skills are not recorded. However, the Organization receives contributed services for a variety of fundraising events.

Tax Status and Income Taxes

The Organization is exempt from taxation as provided by Code Section 501(c)(3) of the Internal Revenue Code (the Code). Section 501(c)(3) defines the exempt organization as being “organized and operated for religious, charitable, scientific, testing for public safety, literacy or educational purposes, or the prevention of cruelty to children or animals.” In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization is not aware of any unrelated business income that would be subject to taxation. Accordingly, the Internal Revenue Service Form 990-T will not be filed. The Organization follows the provisions of ASC Topic 740, *Income Taxes*, and is not aware of any uncertain tax positions, and accordingly, no corresponding liability, including penalties and interest, has been recorded in the accompanying financial statements.

Accounting Standards Adopted in Fiscal Year 2019

During the current fiscal year, the Organization adopted the Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and requires enhanced disclosures regarding underwater endowment funds. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

During the current fiscal year, the Organization adopted the Financial Accounting Standards Board ASU 2016-18, *Statement of Cash Flows*. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU has been applied retrospectively to all periods presented.

Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU 2014-09), *Revenue from Contracts with Customers* (ASU 2014-09), which requires entities to recognize revenue when a customer obtains control rather than when entities have transferred substantially all risks and rewards of a good or service. This update is effective for fiscal year ending June 30, 2020. The Organization is currently assessing the impact the adoption of ASU 2014-09 will have on its financial statements.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Not Yet Adopted (Continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02 *Leases* (ASU 2016-02), which will require lessees to recognize most leases on their balance sheet, increasing their reported assets and liabilities. This update was developed to provide financial statement users with more information about an entity's leasing activities, and will require changes in processes and internal controls. This update is effective for fiscal year ending June 30, 2022. The Organization is currently assessing the impact the adoption of ASU 2016-02 will have on its financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions. This update is effective for fiscal year ending June 30, 2021. The Organization is currently assessing the impact the adoption of ASU 2018-08 will have on its financial statements.

NOTE 2 - CONCENTRATIONS of CREDIT and MARKET RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, investments, and accounts receivable. The Organization maintains its cash balances with various financial institutions. At times, such balances may be in excess of the FDIC insurance limit. As of June 30, 2019 and 2018, the Organization's uninsured funds with the Eastern Mennonite Missions' Church Investment Loan Fund were \$7,871. The Organization believes the loan fund and accounts receivable exposure to credit risk is limited.

The Organization's investments in marketable securities consist of holdings in various money market and mutual funds where the account balances may at times exceed SIPC insured limits. The investments are held in a diversified portfolio with no concentrations of market risk.

Generally, the Organization does not obtain collateral to secure accounts receivable.

NOTE 3 - ACCOUNTS RECEIVABLE, NET of ESTIMATED COST SETTLEMENTS/ACCOUNTS PAYABLE

Pennsylvania Department of Human Services

Reimbursements received for program costs from the Pennsylvania Department of Human Services are based on the reimbursement principles set forth under PA Code 55 and are subject to review by the DHS. A liability reflects amounts received that are over the billing caps as well as estimated cost settlements due to the DHS. A receivable reflects amounts received that are under the billing caps as well as estimated cost settlements due to the Organization. Differences between the actual and estimated cost settlements are recorded in operations in the year of final settlement.

Counties of Lancaster and Lebanon

The CLA programs receive revenues from contracts with Lancaster and Lebanon Counties to provide behavioral health and developmental services. The final determination of amounts received under these contracts generally is based upon allowable costs reported to and reviewed by the county. Until such reviews have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 3 - ACCOUNTS RECEIVABLE, NET of ESTIMATED COST SETTLEMENTS/ACCOUNTS PAYABLE (Continued)

Summary

A summary of accounts receivable as of June 30, 2019 and 2018, follows:

	2019	2018
Pennsylvania Department of Human Services:		
CLA/Waiver Program	1,412,812	1,257,028
ICF Program:		
ICF Program	755,643	621,655
Prior Year Cost Settlements/Other	(109,481)	(74,935)
Pledge and Grant Receivable - Without Donor Restriction	-0-	8,000
Grant Receivable Restricted for Program	-0-	12,000
Other	<u>24,756</u>	<u>23,449</u>
	2,083,730	1,847,197

NOTE 4 - INVESTMENT in MARKETABLE SECURITIES

The Organization has invested excess operating resources in mutual funds. In addition, assets with donor restrictions or with board designations for the endowment fund have been invested. A summary of marketable securities follows:

	Market Value	Cost	Unrealized Gains
June 30, 2019			
Money Market Funds	36,396	36,396	-0-
Mutual Funds - Securities	393,475	366,918	26,557
Mutual Funds - Bonds	<u>263,709</u>	<u>256,042</u>	<u>7,667</u>
	693,580	659,356	34,224
June 30, 2018			
Money Market Funds	35,228	35,228	-0-
Mutual Funds - Securities	269,433	253,471	15,962
Mutual Funds - Bonds	<u>204,412</u>	<u>205,846</u>	<u>(1,434)</u>
	509,073	494,545	14,528

NOTE 5 - FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Money Market/Mutual Funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2019 and 2018:

2019	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Money Market Funds	36,396	-0-	-0-	36,396
Mutual Funds:				
Fixed Income - Short Term	28,920	-0-	-0-	28,920
Fixed Income - Intermediate	234,789	-0-	-0-	234,789
Large Cap Core	71,272	-0-	-0-	71,272
Large Cap Growth	28,642	-0-	-0-	28,642
Large Cap Value	51,635	-0-	-0-	51,635
Mid Cap Core	28,735	-0-	-0-	28,735
Small Cap Growth	28,719	-0-	-0-	28,719
International Equities	100,587	-0-	-0-	100,587
Commodities	15,961	-0-	-0-	15,961
Real Estate	18,905	-0-	-0-	18,905
Tactical Assets	<u>49,019</u>	<u>-0-</u>	<u>-0-</u>	<u>49,019</u>
	693,580	-0-	-0-	693,580

2018	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Money Market Funds	35,228	-0-	-0-	35,228
Mutual Funds:				
Fixed Income - Short Term	21,501	-0-	-0-	21,501
Fixed Income - Intermediate	182,911	-0-	-0-	182,911
Large Cap Core	50,423	-0-	-0-	50,423
Large Cap Growth	20,557	-0-	-0-	20,557
Large Cap Value	33,690	-0-	-0-	33,690
Mid Cap Growth	16,955	-0-	-0-	16,955
Small Cap Core	16,930	-0-	-0-	16,930
International Equities	69,691	-0-	-0-	69,691
Commodities	11,473	-0-	-0-	11,473
Real Estate	14,714	-0-	-0-	14,714
Tactical Assets	<u>35,000</u>	<u>-0-</u>	<u>-0-</u>	<u>35,000</u>
	509,073	-0-	-0-	509,073

Level 1 and 2 Transfers

No transfers in and out of levels 1 and 2 occurred during the years ended June 30, 2019 and 2018.

Level 3 Gains and Losses

There were no level 3 assets or liabilities as of or during the years ended June 30, 2019 and 2018.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 6 - ACCRUED EXPENSES

A schedule of accrued expenses at June 30, 2019 and 2018, is presented as follows:

	2019	2018
Accrued Expenses:		
Wages	338,614	303,361
Accrued Professional Fees	45,620	46,120
Payroll Withholdings and Retirement Contributions	330,272	70,032
Insurance	80,455	109,926
Estimated Billings to be Refunded	-0-	80,000
Other	<u>14,908</u>	<u>19,647</u>
	809,869	629,086

NOTE 7 - OTHER LONG-TERM LIABILITIES

Ministries Division

Other long-term liabilities for the ministries division consisted of a \$1,000 deposit received from an unrelated party for a right of first refusal option to acquire a certain tract of land owned by the Organization.

NOTE 8 - LINE of CREDIT

The Organization has a line of credit available from Ephrata National Bank in the amount of \$2,200,000. The line of credit is a component of a cash management program and funds are withdrawn automatically by the bank to cover daily cash flow requirements. The line of credit is secured by a mortgage on property located at Oregon Road, Lititz with a net book value of \$573,852 at June 30, 2019. The line of credit bears interest at the Wall Street Journal prime rate (5.50% at June 30, 2019) and will be adjusted daily based on a variable rate agreement. The line of credit requires the Organization to maintain a minimum debt service coverage ratio of 1.10 to 1. The Organization has maintained the debt service coverage ratio as of and for the year ended June 30, 2019. The outstanding notes payable on the available line of credit facilities were \$414,797 and \$460,030 at June 30, 2019 and 2018, respectively.

NOTE 9 - LONG-TERM NOTES PAYABLE

A summary of the underlying obligations included in long-term debt is included below.

	2019	2018
Note payable, Eastern Mennonite Missions, with monthly payments of \$12,129, including interest at an annual rate of 4.00% through April 2019. The note was paid off during 2019 as scheduled.	-0-	121,699

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 9 - LONG-TERM NOTES PAYABLE (Continued)

	2019	2018
<p>An adjustable rate mortgage loan of \$200,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.5% per annum through April 2009, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,376 through April 2026. The loan is secured by a first lien mortgage on property located at 292 Robin Dale Drive, Leola with a net book value of \$194,740 at June 30, 2019.</p>	95,825	108,155
<p>An adjustable rate mortgage loan of \$135,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.5% per annum through April 2009, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$929 through April 2026. The loan is secured by a first lien mortgage on property located at 6380 Bayberry Avenue, Manheim with a net book value of \$157,680 at June 30, 2019.</p>	64,435	72,771
<p>An adjustable rate mortgage loan of \$200,000 with Eastern Mennonite Missions for the acquisition, construction, and equipping of a property located at 124 Valley View Place, Lebanon. The mortgage bore interest at a fixed rate of 4.75% per annum through April 2010, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,348 through June 2027. The loan is secured by a first lien mortgage on property located at 124 Valley View Place, Lebanon with a net book value of \$173,774 at June 30, 2019.</p>	107,159	118,708
<p>An adjustable rate mortgage loan of \$260,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.25% per annum through April 2010, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,752 through October 2027. The loan is secured by a first lien mortgage on property located at 216 South Conestoga Drive, Lancaster with a net book value of \$183,843 at June 30, 2019.</p>	143,951	158,775

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 9 - LONG-TERM NOTES PAYABLE (Continued)

	2019	2018
<p>An adjustable rate mortgage loan of \$215,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.25% per annum through April 2011, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,450 through May 2028. The loan is secured by a first lien mortgage on property located at 348 West View Drive, Akron with a net book value of \$237,511 at June 30, 2019.</p>	126,573	138,544
<p>An adjustable rate mortgage loan of \$200,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.25% per annum through April 2011, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,348 through June 2028. The loan is secured by a first lien mortgage on property located at 207 Sun Hill Road, Manheim with a net book value of \$245,518 at June 30, 2019.</p>	118,854	129,936
<p>An adjustable rate mortgage loan of \$215,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.25% per annum through April 2011, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,450 through July 2028. The loan is secured by a first lien mortgage on property located at 87 Summerlyn Drive, Ephrata with a net book value of \$259,982 at June 30, 2019.</p>	129,081	140,952
<p>An adjustable rate 20-year mortgage loan of \$200,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.25% per annum through April 2011, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,348 through July 2028. The loan is secured by a first lien mortgage on property located at 149 Miller Drive, Manheim with a net book value of \$176,399 at June 30, 2019.</p>	119,824	130,867
<p>An adjustable rate 20-year mortgage loan of \$290,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 4.75% per annum through March 2013, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,875 through March 2030. The loan is secured by a first lien mortgage on property located at 269 Cedar Hollow Drive, Manheim with a net book value of \$292,135 at June 30, 2019.</p>	191,248	205,627

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 9 - LONG-TERM NOTES PAYABLE (Continued)

	2019	2018
<p>An adjustable rate mortgage loan of \$219,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 4.50% per annum through November 2012, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.50% and monthly payments of \$1,252 through December 2032. The loan is secured by a first lien mortgage on property located at 1144 Sheep Hill Road, New Holland with a net book value of \$102,256 at June 30, 2019.</p>	158,072	166,460
<p>Ephrata Borough Authority Series A of 2007 tax-exempt obligation for the refinancing of eight existing mortgages. The note is serviced through First National Bank and includes a modified interest rate. The modified interest rate is 3.11% through December 2017, at which time the interest rate was set at 65% of LIBOR plus 200 basis points with a maximum rate of 5.75%. The interest rate as of June 30, 2019 was 2.89%. Repayment of the note began January 2008 with monthly payments of \$7,091, including interest, through the notes scheduled maturity of July 2021. The note is collateralized by a first lien mortgage on property located at 2139 Horseshoe Road, Lancaster and 2436 Willow Glen Drive, Lancaster with a combined net book value of \$243,356 at June 30, 2019.</p>	145,620	225,393
<p>Notes payable to Everence Federal Credit Union, secured by vehicles with a total net book value of \$390,604 at June 30, 2019. Monthly payments are to be made ranging from \$166 to \$628, including interest ranging from 1.99% to 4.99%. Maturity dates range from October 2019 to June 2024.</p>	<u>416,360</u> 1,817,002	<u>135,467</u> 1,853,354
Current Maturities	305,533	358,746
Long-Term Portion	1,511,469	1,494,608

Annual maturities of long-term debt are as follows:

	2020	305,533
	2021	288,110
	2022	230,134
	2023	225,943
	2024	167,074
	Thereafter	<u>600,208</u>
		1,817,002

The Organization expenses all interest costs as they are incurred.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 10 - NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions reflect contributions which have been received for specific purposes or which have been restricted for time and for which the restrictions have not yet been met, or have been restricted in perpetuity. The principal of the Organization's endowment program is restricted in perpetuity. However, the earnings may be used by the Organization. Net assets with donor restrictions consist of the following:

	2019	2018
Purpose Restrictions:		
Community Chest Scholarships	2,675	2,675
Home Based - Stabler Grant	-0-	12,000
Restricted in Perpetuity:		
Endowment	<u>92,590</u>	<u>91,565</u>
	95,265	106,240

Net assets released from restrictions is comprised of the following:

	2019	2018
Activity Fund	725	-0-
Capital Projects	5,690	21,460
heARTS	106,716	77,570
Meaningful Day Academy	5,578	63,318
Stabler Foundation - Home Based	14,500	24,000
Home Projects	<u>34,050</u>	<u>13,650</u>
	167,259	199,998

Net Assets Without Donor Restrictions

Some net assets without donor restrictions have been designated for specific projects by the Board of Directors as identified below:

	2019	2018
Undesignated	4,750,099	4,548,205
Board Designated - Endowment	<u>157,410</u>	<u>158,435</u>
	4,907,509	4,706,640

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - ENDOWMENTS

The Organization has adopted the provisions of FASB ASC Topic 958, *Not-for-Profit Entities*, which requires enhanced disclosures for all endowment funds. The Organization has interpreted laws related to the management of endowment funds, specifically Pennsylvania Act 141, to intend for the Organization to select a principal and income or a total return investment policy in the absence of specific donor stipulations. Act 141 seeks to preserve the value of the original gift as of the gift date of the donor restricted endowment funds and provides a framework for the prudent use of endowment earnings to support the Organization's operations or specified purpose. In accordance with Act 141, the Organization elects the total return investment policy in the absence of specific donor stipulations. The return objective is to earn a rate of return that exceeds the rate of inflation. As a result of this interpretation, the Organization classifies the original value of the gift and all subsequent gifts as net assets with donor restrictions in perpetuity. Income derived from the endowments is used to support operations and is classified as without donor restrictions.

The Board of Directors has approved an investment policy for the Organization's endowments that assigns responsibilities to an investment manager and establishes investment principles to achieve prudent investment strategies. The policy underlines the need for diversification, preservation of capital, and risk awareness with the goal of providing endowment growth and income in perpetuity.

The Organization's endowment assets consist of funds, the earnings of which are unrestricted for general operations. These endowment funds are composed of assets permanently restricted by donor designations. The Organization has not formally adopted a spending policy, and therefore appropriates all income earned during the year for expenditure.

During the year ended June 30, 2015, the Board of Directors designated \$250,000 of investments in total, including the endowment balance classified in net assets with donor restrictions. Balances over the \$250,000 threshold are classified as marketable securities without donor restrictions and without board designations, included in current assets on the statements of financial position.

The following summarizes the changes in endowment net assets for the years ended June 30, 2019 and 2018, and presents the endowment net assets as of June 30, 2019 and 2018:

	Without Donor Restrictions - Designated	With Donor Restrictions - Perpetuity	Total
Endowment Net Assets, June 30, 2017	158,560	91,440	250,000
Contributions	-0-	125	125
Investment Return:			
Interest and Dividends, net of Fees	2,105	-0-	2,105
Realized and Unrealized Gains	192	-0-	192
Transfer of Earnings in Lieu of Deposit	(125)	-0-	(125)
Released from Donor Restrictions	<u>(2,297)</u>	<u>-0-</u>	<u>(2,297)</u>
Endowment Net Assets, June 30, 2018	158,435	91,565	250,000
Contributions	-0-	1,025	1,025
Investment Return:			
Interest and Dividends, net of Fees	5,249	-0-	5,249
Realized and Unrealized Gains	5,890	-0-	5,890
Transfer of Earnings in Lieu of Deposit	(1,025)	-0-	(1,025)
Released from Donor Restrictions	<u>(11,139)</u>	<u>-0-</u>	<u>(11,139)</u>
Endowment Net Assets, June 30, 2019	157,410	92,590	250,000

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 12 - LEASES

Lease Agreements as Lessee

Effective July 1, 2005, the Organization entered into a ten-year lease agreement for a group home with St. Stephens United Church of Christ. The Organization renewed the lease for a one-year term effective July 1, 2018, with monthly rental payments of \$770 beginning September 1, 2018. The lease was renewed for an additional one-year term beginning July 1, 2019 with the monthly rental payments remaining at \$770.

On July 1, 1996, the Organization entered into a one-year lease agreement for a group home (Millersville 1) with an individual. The lease automatically renews on a month-to-month basis and may be terminated with a 60-day advance notice by either party. Monthly rental payments were \$1,350 for the years ended June 30, 2019 and 2018.

Effective October 1, 2016, the Organization entered into a one-year lease agreement for a group home (Old Mill) with an individual. The lease automatically renews on a month-to-month basis and may be terminated with a 60-day advance notice by either party. A fire occurred at this location in October 2018 resulting in the termination of the lease. Monthly rental payments were \$875 for the year ended June 30, 2018 and through October 2018.

On June 10, 2013, the Organization entered into a five-year lease agreement for its art program. The Organization has executed its renewal options under the lease agreement and the lease is scheduled to expire in August 2020. Monthly rental payments are currently \$2,977.

On November 1, 2012, the Organization entered into a five-year lease agreement for residential property (Ephrata) with an individual. The lease is noncancellable with monthly rental payments of \$1,825 and continues on a month to month basis after initial five-year term. A discount of \$25 per month is given if paid before the due date which was granted by the landlord each month during the year ended June 30, 2019.

On August 23, 2018, the Organization entered into a three-year lease agreement for the rental of office space commencing October 2018 with an option to renew for an additional three-year term. Monthly rental payments are currently \$2,500. In addition to the monthly rental payment, the Organization is required to pay monthly taxes, insurance, and operating costs. These costs were initially assessed at \$983 per month.

Effective October 30, 2018, the Organization entered into a one-year lease agreement commencing November 2018 for a group home with an individual. Following the initial term, the lease automatically renews on a month to month basis and may be terminated with a 30-day advance notice by the Organization. Monthly rental payments under this lease are \$1,450.

The Organization also incurs rental charges on a month-to-month basis for various family and independent living arrangements.

Rental expense for these facilities for the years ended June 30, 2019 and 2018, was \$228,895 and \$188,675, respectively.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 12 - LEASES (Continued)

Lease Agreements as Lessee (Continued)

Future minimum lease payments are as follows:

2020	81,842
2021	37,624
2022	<u>7,955</u>
	127,421

Lease Agreements as Lessor

The Organization provides living arrangements for its program participants. The terms of the agreements depend upon the financial strength of the individual and their participation in county or state funded services. These arrangements are typically on a month-to-month basis, are based upon the arrangements with the funding agencies, and are not considered lease arrangements. The Organization also provides living arrangements for the live-in staff. Rental income is received in several of the ICF and CLA homes.

Total rental income was \$112,679 and \$125,608 for the years ended June 30, 2019 and 2018, respectively.

NOTE 13 - SIGNIFICANT CONCENTRATIONS

For the years ended June 30, 2019 and 2018, the Organization received revenue from one source which exceeded 10% of total revenue. Revenue from this source, the PA Department of Human Services Medical Assistance Program, was 88% and 86% of total revenue for the years ended June 30, 2019 and 2018, respectively.

NOTE 14 - RETIREMENT

The Organization maintains a defined contribution pension plan for all full-time and maximum part-time employees who have met the eligibility requirements as set forth in the plan. Contributions are based on up to five percent of gross salary for both 2019 and 2018. Retirement expense amounted to \$395,490 and \$134,537 for the years ended June 30, 2019 and 2018, respectively, and is funded as incurred. Retirement expense includes additional expenses of \$267,411 associated with a voluntary correction for benefits to participants who were erroneously determined to be ineligible. See Note 19 regarding amendment to retirement plan agreement which became effective subsequent to June 30, 2019.

NOTE 15 - SELF-INSURED HEALTH INSURANCE PLAN

The Organization participates in a self-insured health insurance plan through Mutual Aid Sharing Plan (MASP). The MASP is a group of nonprofit organizations who have pooled their health plans in order to reduce the overall cost of health insurance and to share the risk of claims in a mutual aid sharing environment. The Organization contracts with Mennonite Mutual Aid to administer medical claims and is responsible to cover all costs incurred by its employees throughout the year. Costs in excess of \$25,000 per medical event are submitted to the MASP to be shared mutually with the other MASP participants. The MASP shared pool has a maximum coverage limit of \$250,000. A stop-loss excess insurance policy is in place for claims exceeding the combined \$275,000. The Organization is assessed directly based on its actual experience and remits payments monthly.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 15 - SELF-INSURED HEALTH INSURANCE PLAN (Continued)

For the years ended June 30, 2019 and 2018, the Organization estimated health insurance expense to be \$1,861,049 and \$1,740,477, respectively, and has included the cost with employee benefits. There was no anticipated overpayment for shared costs of the MASP as of June 30, 2019 and 2018. The actual results of the health benefits plan could differ significantly from the annual estimates based upon the claims experience of each participating organization.

The Organization also provides dental and vision coverage for its employees. The coverage is self-administered and is not a component of the MASP.

Insurance Reserve Fund - MASP

As a component of participation with the MASP, participating organizations are asked to invest capital to aid in funding future reserves. As of June 30, 2019 and 2018, the Organization has invested \$705,603 and \$569,201, respectively in the MASP and has reflected the investment in other assets on the accompanying statements of financial position. The investment (net of final claims) is refundable upon withdrawal from the MASP.

NOTE 16 - GOVERNMENT CONTRACTS

The Organization receives certain revenues from contracts with various governmental agencies. The disbursement of funds received under these contracts generally requires compliance with specified contract terms and conditions and contracts are subject to audit by the contracting agencies. The amount of charges to these contracts may be disallowed if any contracts, by such audits, cannot be determined to be compliant. No provision for any liability that may result for noncompliance with governmental contracts has been made in the financial statements. However, management believes the Organization is in compliance with all terms under the governmental contracts, and no liability has arisen in the past or is currently expected. Governmental revenue represents 88% and 86% of total revenue without donor restrictions for the years ended June 30, 2019 and 2018, respectively (Note 13).

NOTE 17 - LIQUIDITY and AVAILABILITY of RESOURCES

The Organization closely monitors liquidity needs to ensure that funds are available for future operating and capital expenditures, and to meet financial covenants with respect to debt service coverage. The Organization's investments are made up of donor restricted and board designated endowment funds, as well as amounts without donor restrictions or board designations. Although the Organization does not intend to use the board-designated funds for general expenditures, they are available to be used if necessary. Use of these funds would have to be requested through the Board Finance Committee with a reason why these funds would be needed, if approved, the Finance Committee would have to make a motion for approval to the Board of Directors to finalize the transaction. The principal of the donor restricted endowment is not available for use for general expenditures, however, the earnings on this balance are not restricted and are available for use for general expenditures. See Note 11 for further information regarding the endowment. In addition, the Organization has a \$2,200,000 line of credit which is available as needed (Note 8).

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 17 - LIQUIDITY and AVAILABILITY of RESOURCES (Continued)

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows at June 30, 2019:

Financial Assets:	
Cash and Cash Equivalents	240,095
Receivables	2,083,730
Investment in Marketable Securities	<u>693,580</u>
Total Financial Assets Available within One Year	3,017,405
Less Amounts Unavailable for General Expenditures, Due to:	
Contractual or Donor-Imposed Restrictions:	
Restricted by Donors with Purpose Restrictions	(2,675)
Restricted by Donors in Perpetuity	(92,590)
Board Designations:	
Designated for Endowment	<u>(157,410)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	2,764,730

NOTE 18 - RESTATEMENT

The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As required by ASU 2016-14, the Organization has reclassified amounts that were previously reported as temporarily and permanently restricted net assets as net assets with donor restrictions.

Additionally, the Organization has implemented ASU 2016-18 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As required by ASU 2016-18, the Organization has modified the statements of cash flows to include restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 21, 2020, which represents the date the financial statements were available to be issued.

On September 17, 2019, the Organization entered into a one-year lease agreement for a group home commencing October 2019. Following the initial term, the lease automatically renews on a month-to-month basis and may be terminated with a 30-day notice by either party. Monthly rental payments under the lease are \$1,175. Future minimum rental payments for the lease are as follows:

2020	10,575
2021	<u>3,525</u>
	14,100

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 19 - SUBSEQUENT EVENTS (Continued)

As discussed in Note 12, effective July 1, 2019, the Organization renewed a lease agreement for a group home with St. Stephens United Church of Christ for an additional one-year term. The future minimum rental payments for the lease were included in Note 12.

The Organization amended their retirement plan agreement effective July 1, 2019. The new plan no longer requires employer matching contributions of five percent of gross salary. Employer contributions are now discretionary and determined annually by the Board of Directors.

Friendship Community

SCHEDULE I - SCHEDULE of FINANCIAL POSITION by DIVISION

June 30, 2019

ASSETS

	Government Division	Ministries Division	Total
CURRENT ASSETS			
Cash and Cash Equivalents - Without Donor Restrictions	\$ 38,040	\$ 199,380	\$ 237,420
Receivables - Without Donor Restrictions:			
Pennsylvania Department of Human Services	1,876,806	182,168	2,058,974
Other	-0-	24,756	24,756
Interdivisional	(671,791)	671,791	-0-
Investment in Marketable Securities - Without Donor Restrictions	-0-	443,580	443,580
Prepaid Expenses	23,893	3,662	27,555
	<hr/>	<hr/>	<hr/>
Total Current Assets	1,266,948	1,525,337	2,792,285
ASSETS WHOSE USE is LIMITED			
Cash and Cash Equivalents:			
With Donor Restrictions for Program	-0-	2,675	2,675
Investment in Marketable Securities:			
With Donor Restrictions for Endowment	-0-	92,590	92,590
Board Designated for Endowment	-0-	157,410	157,410
	<hr/>	<hr/>	<hr/>
Total Assets Whose Use is Limited	-0-	252,675	252,675
PROPERTY and EQUIPMENT			
Land	1,070,045	3,544	1,073,589
Land Improvements	271,909	223,328	495,237
Buildings	6,891,882	643,947	7,535,829
Furnishings and Equipment	410,794	81,215	492,009
Adaptive Equipment	11,528	-0-	11,528
Vehicles	1,279,513	143,751	1,423,264
	<hr/>	<hr/>	<hr/>
	9,935,671	1,095,785	11,031,456
Accumulated Depreciation	(5,679,252)	(893,429)	(6,572,681)
	<hr/>	<hr/>	<hr/>
Net Property and Equipment	4,256,419	202,356	4,458,775
OTHER ASSETS			
Financing Cost, net of Accumulated Amortization of \$9,612	2,833	-0-	2,833
Insurance Reserve Fund - MASP	603,564	102,039	705,603
	<hr/>	<hr/>	<hr/>
Total Other Assets	606,397	102,039	708,436
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 6,129,764	\$ 2,082,407	\$ 8,212,171

See independent auditors' report.

Friendship Community

SCHEDULE I - SCHEDULE of FINANCIAL POSITION by DIVISION

(Continued)

June 30, 2019

LIABILITIES and NET ASSETS

	Government Division	Ministries Division	Total
CURRENT LIABILITIES			
Current Maturities of Notes Payable	\$ 283,419	\$ 22,114	\$ 305,533
Line of Credit	414,797	-0-	414,797
Accounts Payable	142,296	18,392	160,688
Security Deposits	6,041	-0-	6,041
Accrued Expenses	774,558	35,311	809,869
	<u>1,621,111</u>	<u>75,817</u>	<u>1,696,928</u>
LONG-TERM LIABILITIES			
Notes Payable, net of Current Maturities	1,455,941	55,528	1,511,469
Other	-0-	1,000	1,000
	<u>1,455,941</u>	<u>56,528</u>	<u>1,512,469</u>
	3,077,052	132,345	3,209,397
NET ASSETS			
Without Donor Restrictions	3,052,712	1,854,797	4,907,509
With Donor Restrictions	-0-	95,265	95,265
	<u>3,052,712</u>	<u>1,950,062</u>	<u>5,002,774</u>
	3,052,712	1,950,062	5,002,774
 TOTAL LIABILITIES and NET ASSETS	 <u>\$ 6,129,764</u>	 <u>\$ 2,082,407</u>	 <u>\$ 8,212,171</u>

See independent auditors' report.

Friendship Community
 SCHEDULE II - SCHEDULE of ACTIVITIES by DIVISION
 Year Ended June 30, 2019

	Government Division	Ministries Division	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenues, Gains, and Other Support			
Governmental Revenue	\$ 13,503,151	\$ 828,440	\$ 14,331,591
Resident, Admission, and Program Fees	606,183	303,385	909,568
Contributions and Grants	-0-	585,704	585,704
Special Events	-0-	28,610	28,610
Rental Income	102,392	10,287	112,679
Investment Income	-0-	34,578	34,578
Other Revenues and Gains	99,323	96	99,419
Gain on Sale of Property and Equipment	10,604	7,037	17,641
Net Assets Released from Restrictions	<u>48,550</u>	<u>118,709</u>	<u>167,259</u>
Total Revenues, Gains, and Other Support	14,370,203	1,916,846	16,287,049
Functional Expenses			
Program Services	12,171,621	1,543,244	13,714,865
Support Services:			
General and Administrative	1,729,698	370,400	2,100,098
Fundraising	-0-	220,916	220,916
Public Relations	<u>-0-</u>	<u>50,301</u>	<u>50,301</u>
Total Functional Expenses	13,901,319	2,184,861	16,086,180
CHANGES in NET ASSETS WITHOUT DONOR RESTRICTIONS			
	468,884	(268,015)	200,869
NET ASSETS WITH DONOR RESTRICTIONS			
Contributions:			
Property and Equipment	34,050	5,690	39,740
Program	2,500	113,019	115,519
Endowment Fund	-0-	1,025	1,025
Net Assets Released from Restrictions	<u>(48,550)</u>	<u>(118,709)</u>	<u>(167,259)</u>
CHANGES in NET ASSETS WITH DONOR RESTRICTIONS			
	(12,000)	1,025	(10,975)
CHANGES in NET ASSETS			
	456,884	(266,990)	189,894
NET ASSETS			
Beginning of Year	2,713,106	2,099,774	4,812,880
Interdivisional Fund Account Transfers	<u>(117,278)</u>	<u>117,278</u>	<u>-0-</u>
End of Year	<u>\$ 3,052,712</u>	<u>\$ 1,950,062</u>	<u>\$ 5,002,774</u>

See independent auditors' report.

Friendship Community

SCHEDULE III - SCHEDULE of FUNCTIONAL EXPENSES by DIVISION Year Ended June 30, 2019 with Comparative Totals for 2018

	Program Expenses			Government Total
	Government Division			
	ICF	CLA	Respite	
Personnel				
Salaries and Wages	\$ 582,068	\$ 6,747,614	\$ 308,650	\$ 7,638,332
Payroll Taxes	45,619	522,307	23,864	591,790
Retirement	3,549	84,946	1,858	90,353
Employee Benefits	148,041	1,517,876	63,094	1,729,011
Staff Development	2,894	26,871	1,249	31,014
Purchased Personnel	21,280	56,188	-0-	77,468
	803,451	8,955,802	398,715	10,157,968
Resident Development and Services				
Programs	212,448	37,499	-0-	249,947
Medical Supplies	7,756	25,841	564	34,161
Food	13,199	238,290	8,659	260,148
Clothing	2,227	-0-	-0-	2,227
Household	10,988	94,369	2,048	107,405
Transportation	13,913	192,722	8,801	215,436
	260,531	588,721	20,072	869,324
Occupancy Costs				
Rent	-0-	70,135	-0-	70,135
Interest	4,905	71,598	1,372	77,875
Utilities	12,351	137,177	3,865	153,393
Insurance	5,671	93,361	3,574	102,606
Building Maintenance	7,020	161,514	4,228	172,762
Depreciation	30,313	245,700	9,690	285,703
Real Estate Taxes	-0-	-0-	-0-	-0-
	60,260	779,485	22,729	862,474
Other Operating Expenses				
Communication	6,132	103,764	4,330	114,226
Office Supplies	2,840	27,795	1,261	31,896
Computer Support	381	3,764	17	4,162
Purchased Services	359	-0-	-0-	359
Amortization	51	1,269	165	1,485
Miscellaneous	73,654	980	-0-	74,634
Educational	30	170	-0-	200
Recreational	-0-	277	-0-	277
Professional Fees	3,646	34,247	1,615	39,508
Staff Recruitment	1,310	13,402	396	15,108
Meeting Costs	-0-	-0-	-0-	-0-
Newsletters and Mailings	-0-	-0-	-0-	-0-
	88,403	185,668	7,784	281,855
Total Expenses Before Allocations	1,212,645	10,509,676	449,300	12,171,621
Allocated General and Administrative Expenses	136,805	1,522,161	70,732	1,729,698
Total Expenses for 2019	1,349,450	12,031,837	520,032	13,901,319
Total Expenses for 2018	\$ 2,047,107	\$ 10,362,726	\$ 448,693	\$ 12,858,526

See independent auditors' report.

Friendship Community

SCHEDULE III - SCHEDULE of FUNCTIONAL EXPENSES by DIVISION

(Continued)

Year Ended June 30, 2019 with Comparative Totals for 2018

Program Expenses			
Ministries Division			
General Ministries	heARTS Program	Meaningful Day	Ministries Total
\$ 33,822	\$ 271,291	\$ 610,787	\$ 915,900
2,612	21,532	49,544	73,688
924	953	8,936	10,813
(2,124)	45,132	188,448	231,456
115	992	2,075	3,182
-0-	25,545	-0-	25,545
35,349	365,445	859,790	1,260,584
-0-	-0-	-0-	-0-
-0-	10	3,218	3,228
-0-	-0-	153	153
-0-	-0-	-0-	-0-
-0-	3,105	3,333	6,438
(2,254)	5,314	10,574	13,634
(2,254)	8,429	17,278	23,453
7,166	35,752	69,700	112,618
114	466	2,598	3,178
-0-	3,545	-0-	3,545
1,500	677	4,527	6,704
57	5,379	2,132	7,568
29,875	3,871	27,353	61,099
2,949	2,372	-0-	5,321
41,661	52,062	106,310	200,033
413	4,093	3,448	7,954
115	2,934	2,069	5,118
-0-	362	257	619
-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-
200	15,124	-0-	15,324
50	1,250	-0-	1,300
-0-	52	384	436
342	977	2,376	3,695
22	484	854	1,360
900	13,344	-0-	14,244
-0-	9,124	-0-	9,124
2,042	47,744	9,388	59,174
76,798	473,680	992,766	1,543,244
6,501	42,754	104,029	153,284
83,299	516,434	1,096,795	1,696,528
\$ 75,774	\$ 418,881	\$ 805,284	\$ 1,299,939

See independent auditors' report.

Friendship Community

SCHEDULE III - SCHEDULE of FUNCTIONAL EXPENSES by DIVISION

(Continued)

Year Ended June 30, 2019 with Comparative Totals for 2018

	Program Expenses		
	Government Division	Ministries Division	Total Program Expenses
Personnel			
Salaries and Wages	\$ 7,638,332	\$ 915,900	\$ 8,554,232
Payroll Taxes	591,790	73,688	665,478
Retirement	90,353	10,813	101,166
Employee Benefits	1,729,011	231,456	1,960,467
Staff Development	31,014	3,182	34,196
Purchased Personnel	77,468	25,545	103,013
	10,157,968	1,260,584	11,418,552
Resident Development and Services			
Programs	249,947	-0-	249,947
Medical Supplies	34,161	3,228	37,389
Food	260,148	153	260,301
Clothing	2,227	-0-	2,227
Household	107,405	6,438	113,843
Transportation	215,436	13,634	229,070
	869,324	23,453	892,777
Occupancy Costs			
Rent	70,135	112,618	182,753
Interest	77,875	3,178	81,053
Utilities	153,393	3,545	156,938
Insurance	102,606	6,704	109,310
Building Maintenance	172,762	7,568	180,330
Depreciation	285,703	61,099	346,802
Real Estate Taxes	-0-	5,321	5,321
	862,474	200,033	1,062,507
Other Operating Expenses			
Communication	114,226	7,954	122,180
Office Supplies	31,896	5,118	37,014
Computer Support	4,162	619	4,781
Purchased Services	359	-0-	359
Amortization	1,485	-0-	1,485
Miscellaneous	74,634	15,324	89,958
Educational	200	1,300	1,500
Recreational	277	436	713
Professional Fees	39,508	3,695	43,203
Staff Recruitment	15,108	1,360	16,468
Meeting Costs	-0-	14,244	14,244
Newsletters and Mailings	-0-	9,124	9,124
	281,855	59,174	341,029
Total Expenses Before Allocations	12,171,621	1,543,244	13,714,865
Allocated General and Administrative Expenses	1,729,698	153,284	1,882,982
Total Expenses for 2019	13,901,319	1,696,528	15,597,847
Total Expenses for 2018	\$ 12,858,526	\$ 1,299,939	\$ 14,158,465

See independent auditors' report.

Friendship Community

SCHEDULE III - SCHEDULE of FUNCTIONAL EXPENSES by DIVISION

(Continued)

Year Ended June 30, 2019 with Comparative Totals for 2018

Support Services			2019	2018
General and Administrative	Fundraising	Public Relations	Functional Expenses Total	Functional Expenses Total
\$ 920,865	\$ 108,617	\$ 13,874	\$ 9,597,588	\$ 8,789,080
70,700	8,436	1,005	745,619	673,245
292,397	1,821	106	395,490	134,537
191,770	23,716	4,202	2,180,155	2,021,688
3,639	1,765	150	39,750	39,524
<u>123,625</u>	<u>25,510</u>	<u>-0-</u>	<u>252,148</u>	<u>260,442</u>
1,602,996	169,865	19,337	13,210,750	11,918,516
-0-	-0-	-0-	249,947	374,231
-0-	-0-	-0-	37,389	33,664
-0-	-0-	-0-	260,301	254,108
-0-	-0-	-0-	2,227	2,194
10,565	-0-	-0-	124,408	93,012
<u>(17,263)</u>	<u>1,601</u>	<u>37</u>	<u>213,445</u>	<u>222,921</u>
(6,698)	1,601	37	887,717	980,130
46,142	-0-	-0-	228,895	188,675
5,207	348	-0-	86,608	89,519
26,618	-0-	-0-	183,556	193,592
98,237	64	-0-	207,611	127,230
94,904	997	75	276,306	210,135
101,264	348	-0-	448,414	385,488
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,321</u>	<u>4,269</u>
372,372	1,757	75	1,436,711	1,198,908
15,805	1,666	193	139,844	128,678
10,350	2,715	150	50,229	48,630
42,860	1,165	-0-	48,806	30,575
18,565	-0-	-0-	18,924	20,955
80	-0-	-0-	1,565	1,508
2,783	9,606	-0-	102,347	137,304
21,525	895	-0-	23,920	23,510
-0-	-0-	-0-	713	1,155
-0-	1,800	-0-	45,003	45,000
11,846	212	-0-	28,526	38,308
5,767	15,279	-0-	35,290	31,789
<u>1,847</u>	<u>14,355</u>	<u>30,509</u>	<u>55,835</u>	<u>45,128</u>
131,428	47,693	30,852	551,002	552,540
2,100,098	220,916	50,301	16,086,180	14,650,094
<u>(1,970,265)</u>	<u>78,810</u>	<u>8,473</u>	<u>-0-</u>	<u>-0-</u>
129,833	299,726	58,774	16,086,180	\$ 14,650,094
<u>\$ 97,893</u>	<u>\$ 332,624</u>	<u>\$ 61,112</u>	<u>\$ 14,650,094</u>	

See independent auditors' report.

Friendship Community

SCHEDULE IV - SCHEDULE of REVENUES and EXPENSES for INTERMEDIATE CARE FACILITIES

Year Ended June 30, 2019

	W. Orange MA No. 100000694-0086	New Holland MA No. 100000694-0088	Total All Sites
REVENUES			
MA Reimbursements	\$ 1,125,237	\$ 215,546	\$ 1,340,783
Resident Income	47,637	6,468	54,105
Other:			
Rent from Live-in-Staff	-0-	2,010	2,010
Food Stamps	4,661	220	4,881
Cost Settlement Income	(17,727)	5,361	(12,366)
Unrestricted Contributions	950	-0-	950
Other	(2,638)	15,394	12,756
	1,158,120	244,999	1,403,119
Total Revenues	1,158,120	244,999	1,403,119
EXPENSES			
Wages and Salaries	486,692	95,376	582,068
Payroll Taxes and Employee Benefits	167,116	30,093	197,209
Miscellaneous Personnel Costs	211,168	26,565	237,733
Occupancy Costs	26,705	3,544	30,249
Communications	4,891	1,241	6,132
Insurance	3,067	560	3,627
Office Supplies	2,481	359	2,840
Service Supplies	6,243	1,969	8,212
Food	10,950	1,819	12,769
Clothing	1,477	750	2,227
Transportation	12,110	3,941	16,051
Non-Capital Interest	2,720	631	3,351
Miscellaneous Operating Costs	63,905	14,383	78,288
Purchase-Non Depreciable Assets	9,513	1,450	10,963
Repairs	(1,445)	(204)	(1,649)
Depreciation	11,504	6,779	18,283
Capital Interest	1,158	302	1,460
Apportioned Costs	123,814	15,823	139,637
	1,144,069	205,381	1,349,450
Total Expenses	1,144,069	205,381	1,349,450
INCOME and OFFSETS	(2,973)	(2,230)	(5,203)
Total Allowable Costs	\$ 1,141,096	\$ 203,151	\$ 1,344,247

See independent auditors' report.