

Friendship Community

Years Ended June 30, 2021 and 2020

Friendship Community

Financial Statements with Supplementary Information

Years Ended June 30, 2021 and 2020

TABLE of CONTENTS

	Page
Independent Auditors' Report	1 & 2
Financial Statements	
Statements of Financial Position	3 & 4
Statements of Activities	5
Statements of Cash Flows	6 & 7
Statements of Functional Expenses	8 & 9
Notes to Financial Statements	10 - 29
Supplementary Information	
Schedule I - Schedule of Financial Position by Division	30 & 31
Schedule II - Schedule of Activities by Division	32
Schedule III - Schedule of Functional Expenses by Division	33 - 36
Schedule IV - Schedule of Revenues and Expenses for Intermediate Care Facilities	37



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, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses 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, 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.

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.

A handwritten signature in black ink that reads "Trout CPA". The word "Trout" is written in a cursive style, and "CPA" is written in a simpler, blocky font.

November 17, 2021
Lancaster, Pennsylvania

Friendship Community
 STATEMENTS of FINANCIAL POSITION
 June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Without Donor Restrictions	\$ 2,353,032	\$ 3,539,777
Receivables - Without Donor Restrictions:		
Pennsylvania Department of Human Services	1,231,412	1,209,674
Other	2,204	44,813
Investment in Marketable Securities - Without Donor Restrictions	1,746,456	454,409
Prepaid Expenses	37,612	50,360
Total Current Assets	5,370,716	5,299,033
ASSETS WHOSE USE is LIMITED		
Cash and Cash Equivalents:		
With Donor Restrictions for Program	21,112	20,175
Investment in Marketable Securities:		
With Donor Restrictions for Endowment	92,590	92,590
Board Designated for Endowment	157,410	157,410
Total Assets Whose Use is Limited	271,112	270,175
PROPERTY and EQUIPMENT		
Land	1,033,589	1,073,589
Land Improvements	479,356	510,337
Buildings	7,152,955	7,601,291
Furnishings and Equipment	512,117	492,009
Adaptive Equipment	11,528	11,528
Vehicles	1,296,016	1,300,263
	10,485,561	10,989,017
Accumulated Depreciation	(6,892,367)	(6,883,200)
Net Property and Equipment	3,593,194	4,105,817
OTHER ASSETS		
Financing Cost, net of Accumulated Amortization of \$11.270 and \$10.441 for 2021 and 2020	1,175	2,004
Insurance Reserve Fund - MASP	762,123	705,603
Total Other Assets	763,298	707,607
TOTAL ASSETS	\$ 9,998,320	\$ 10,382,632

See notes to financial statements.

Friendship Community
 STATEMENTS of FINANCIAL POSITION
 (Continued)
 June 30, 2021 and 2020

	2021	2020
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Notes Payable	\$ 237,536	\$ 1,452,611
Accounts Payable	172,912	156,477
Security Deposits	5,396	4,652
Accrued Expenses	623,611	606,470
Deferred Revenue - Government Funding	<u>-0-</u>	<u>453,068</u>
Total Current Liabilities	1,039,455	2,673,278
LONG-TERM LIABILITIES		
Notes Payable, net of Current Maturities	1,021,601	2,423,106
Other	<u>1,000</u>	<u>1,000</u>
Total Long-Term Liabilities	1,022,601	2,424,106
TOTAL LIABILITIES	2,062,056	5,097,384
NET ASSETS		
Without Donor Restrictions	7,822,562	5,172,483
With Donor Restrictions	<u>113,702</u>	<u>112,765</u>
TOTAL NET ASSETS	7,936,264	5,285,248
TOTAL LIABILITIES and NET ASSETS	<u>\$ 9,998,320</u>	<u>\$ 10,382,632</u>

See notes to financial statements.

Friendship Community
 STATEMENTS of ACTIVITIES
 Years Ended June 30, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, Gains, and Other Support		
Governmental Revenue	\$ 13,573,873	\$ 14,665,470
Resident, Admission, and Program Fees	592,112	791,034
Contributions and Grants	936,202	671,111
Special Events	21,747	17,953
Rental Income	57,356	118,357
Investment Income	203,739	11,039
Other Revenues and Gains	597,869	37,853
Gain on Sale of Property and Equipment	209,867	19,613
Gain on Extinguishment of PPP Debt and Interest	2,366,269	-0-
Net Assets Released from Restrictions	<u>147,056</u>	<u>80,642</u>
Total Revenues, Gains, and Other Support	18,706,090	16,413,072
Functional Expenses		
Program Services	13,684,146	13,950,129
Supporting Services:		
General and Administrative	2,051,917	1,854,478
Fundraising	265,763	284,952
Public Relations	<u>54,185</u>	<u>58,539</u>
Total Functional Expenses	16,056,011	16,148,098
CHANGES in NET ASSETS WITHOUT DONOR RESTRICTIONS	2,650,079	264,974
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions:		
Property and Equipment	36,180	41,150
Program	111,813	56,992
Net Assets Released from Restrictions	<u>(147,056)</u>	<u>(80,642)</u>
CHANGES in NET ASSETS WITH DONOR RESTRICTIONS	937	17,500
CHANGES in NET ASSETS	2,651,016	282,474
NET ASSETS		
Beginning of Year	<u>5,285,248</u>	<u>5,002,774</u>
End of Year	<u>\$ 7,936,264</u>	<u>\$ 5,285,248</u>

See notes to financial statements.

Friendship Community
 STATEMENTS of CASH FLOWS
 Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ 2,651,016	\$ 282,474
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	440,523	469,576
Amortization	829	829
Realized and Unrealized Gains on Marketable Securities	(185,628)	(1,604)
Gain on Sale of Property and Equipment	(209,867)	(19,613)
Gain on Extinguishment of Debt	(2,339,775)	-0-
Contributions Restricted for Long-Term Purposes	(147,993)	(98,142)
(Increase) Decrease in Assets:		
Receivables	20,871	829,243
Prepaid Expenses	12,748	(22,805)
Increase (Decrease) in Liabilities:		
Accounts Payable	16,435	(4,211)
Security Deposits	744	(1,389)
Accrued Expenses	17,141	(203,399)
Deferred Revenue	(453,068)	453,068
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	(176,024)	1,684,027
CASH FLOWS from INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	364,618	19,613
Purchase of Property and Equipment	(69,425)	(116,618)
Contributions Restricted for Purchase of Property and Equipment	36,180	41,150
Proceeds on Sale of Marketable Securities	90,520	49,926
Purchase of Marketable Securities	(1,196,942)	(59,151)
Increase in Insurance Reserve Fund - MASP	(56,520)	-0-
	<u> </u>	<u> </u>
Net Cash Used by Investing Activities	(831,569)	(65,080)
CASH FLOWS from FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Purposes	111,813	56,992
Net Payments on Line of Credit	-0-	(414,797)
Proceeds from Notes Payable	-0-	2,361,750
Principal Payments on Notes Payable	(290,028)	(303,035)
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Financing Activities	\$ (178,215)	\$ 1,700,910

See notes to financial statements.

Friendship Community
 STATEMENTS of CASH FLOWS
 (Continued)
 Years Ended June 30, 2021 and 2020

	2021	2020
INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	\$ (1,185,808)	\$ 3,319,857
CASH and CASH EQUIVALENTS		
Beginning of Year	<u>3,559,952</u>	<u>240,095</u>
End of Year	<u>\$ 2,374,144</u>	<u>\$ 3,559,952</u>
CASH and CASH EQUIVALENTS on the STATEMENTS of FINANCIAL POSITION is COMPRISED of the FOLLOWING:		
Cash and Cash Equivalents:		
Without Donor Restrictions	\$ 2,353,032	\$ 3,539,777
With Donor Restrictions for Program	<u>21,112</u>	<u>20,175</u>
	<u>\$ 2,374,144</u>	<u>\$ 3,559,952</u>
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	56,754	86,608
NONCASH INVESTING and FINANCING ACTIVITIES		
Trade in Value Received on Vehicle Disposals	-0-	5,000
Forgiveness of Debt and Interest	2,366,269	-0-
Unrealized Gains (Losses) on Investments	153,321	(7,040)
Debt Incurred for Financing Equipment Acquisitions	13,223	-0-

See notes to financial statements.

Friendship Community
STATEMENTS of FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	2021				
	Program Expenses	General and Administrative	Fundraising	Public Relations	Expenses Total
Personnel					
Salaries and Wages	\$ 8,962,472	\$ 1,114,543	\$ 143,326	\$ 18,925	\$ 10,239,266
Payroll Taxes	704,673	106,679	11,531	1,508	824,391
Retirement	169	-0-	-0-	-0-	169
Employee Benefits	2,156,800	183,893	32,744	4,195	2,377,632
Staff Development	18,712	5,328	1,266	80	25,386
Purchased Personnel	72,274	117,655	17,550	-0-	207,479
	11,915,100	1,528,098	206,417	24,708	13,674,323
Resident Development and Services					
Programs	8,879	-0-	-0-	-0-	8,879
Medical Supplies	53,770	-0-	-0-	-0-	53,770
Food	281,423	-0-	-0-	-0-	281,423
Clothing	250	-0-	-0-	-0-	250
Household	115,414	12,624	-0-	-0-	128,038
Transportation	89,564	23,193	49	-0-	112,806
	549,300	35,817	49	-0-	585,166
Occupancy Costs					
Rent	129,895	49,783	-0-	-0-	179,678
Interest	80,809	2,145	294	-0-	83,248
Utilities	153,406	23,905	-0-	-0-	177,311
Insurance	88,327	64,063	65	-0-	152,455
Building Maintenance	192,071	72,296	588	80	265,035
Depreciation	323,775	105,581	-0-	-0-	429,356
Real Estate Taxes	4,050	-0-	-0-	-0-	4,050
	972,333	317,773	947	80	1,291,133
Other Operating Expenses					
Communication	133,998	21,015	2,157	149	157,319
Office Supplies	10,292	6,807	1,441	39	18,579
Computer Support	3,069	26,757	1,065	-0-	30,891
Purchased Services	1,251	80,718	-0-	-0-	81,969
Amortization	749	80	-0-	-0-	829
Miscellaneous	21,657	1,739	5,787	-0-	29,183
Educational	585	25,625	5,500	-0-	31,710
Recreational	233	-0-	-0-	-0-	233
Professional Fees	43,533	-0-	1,468	-0-	45,001
Staff Recruitment	23,847	6,012	146	-0-	30,005
Meeting Costs	144	783	18,163	-0-	19,090
Newsletters and Mailings	8,055	693	22,623	29,209	60,580
	247,413	170,229	58,350	29,397	505,389
Total Expenses Before Allocations	13,684,146	2,051,917	265,763	54,185	16,056,011
Allocated General and Administrative Expenses	1,956,979	(2,032,058)	66,123	8,955	(1)
Total Expenses for 2021	\$ 15,641,125	\$ 19,859	\$ 331,886	\$ 63,140	\$ 16,056,010

See notes to financial statements.

Friendship Community
STATEMENTS of FUNCTIONAL EXPENSES
(Continued)
Year Ended June 30, 2020

	2020				
	Program Expenses	General and Administrative	Fundraising	Public Relations	Expenses Total
Personnel					
Salaries and Wages	\$ 8,984,777	\$ 986,344	\$ 159,106	\$ 19,986	\$ 10,150,213
Payroll Taxes	688,281	74,874	12,359	1,566	777,080
Retirement	77,105	22,968	800	39	100,912
Employee Benefits	1,914,710	167,471	22,283	3,112	2,107,576
Staff Development	34,772	2,302	2,271	155	39,500
Purchased Personnel	69,263	150,859	15,975	-0-	236,097
	11,768,908	1,404,818	212,794	24,858	13,411,378
Resident Development and Services					
Programs	158,585	-0-	-0-	-0-	158,585
Medical Supplies	34,991	-0-	-0-	-0-	34,991
Food	279,453	-0-	-0-	-0-	279,453
Clothing	1,000	-0-	-0-	-0-	1,000
Household	121,042	3,321	-0-	-0-	124,363
Transportation	180,994	(10,202)	1,053	39	171,884
	776,065	(6,881)	1,053	39	770,276
Occupancy Costs					
Rent	195,531	46,517	-0-	-0-	242,048
Interest	81,223	3,924	381	-0-	85,528
Utilities	153,985	24,390	-0-	-0-	178,375
Insurance	91,902	62,352	61	-0-	154,315
Building Maintenance	176,850	66,597	3,835	77	247,359
Depreciation	371,298	109,976	381	-0-	481,655
Real Estate Taxes	4,738	-0-	-0-	-0-	4,738
	1,075,527	313,756	4,658	77	1,394,018
Other Operating Expenses					
Communication	137,883	16,920	2,971	243	158,017
Office Supplies	37,248	4,225	2,965	155	44,593
Computer Support	5,813	33,461	1,017	-0-	40,291
Purchased Services	104	49,963	-0-	-0-	50,067
Amortization	749	80	-0-	-0-	829
Miscellaneous	79,187	2,263	5,115	-0-	86,565
Educational	1,874	24,028	5,970	-0-	31,872
Recreational	336	-0-	-0-	-0-	336
Professional Fees	43,115	-0-	1,884	-0-	44,999
Staff Recruitment	17,215	9,158	98	-0-	26,471
Meeting Costs	462	2,229	29,559	-0-	32,250
Newsletters and Mailings	5,643	458	16,868	33,167	56,136
	329,629	142,785	66,447	33,565	572,426
Total Expenses Before Allocations	13,950,129	1,854,478	284,952	58,539	16,148,098
Allocated General and Administrative Expenses	1,683,370	(1,764,743)	73,878	7,495	-0-
Total Expenses for 2020	\$ 15,633,499	\$ 89,735	\$ 358,830	\$ 66,034	\$ 16,148,098

See notes to financial statements.

Friendship Community
NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of 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, 2021, the government division consists of community living arrangements (CLA/waiver home) and a respite home. The Organization previously had several intermediate care facilities (ICF) which were all converted to waiver home facilities or sold by June 30, 2021.

The waiver program includes the following community living arrangements, which are funded by the Pennsylvania Department of Human Services (DHS) 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.

The ICFs provided intensive training and supervision for men and women. The activities of this division are supported by revenue received from the DHS under the Medicaid program.

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.

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

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021 and 2020, follows:

	2021	2020
Ephrata National Bank	1,994,115	3,379,801
Fulton Bank	354,466	154,545
Church Investment Loan Fund	7,871	7,871
Everence Federal Credit Union	12,244	12,137
Petty Cash	<u>5,448</u>	<u>5,598</u>
Total Cash and Cash Equivalents	2,374,144	3,559,952

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges and Grants Receivable

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. There were no pledges and grants receivable at June 30, 2021 and 2020. Conditional promises to give are not included in support until such a time as the conditions are substantially met.

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, 2021 and 2020.

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. Any allowance is based on prior years' experience and management's analysis of specific promises made.

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.

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.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is carried at historical cost. Renewals and betterments in excess of \$5,000 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. 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 \$829 for each of the years ended June 30, 2021 and 2020.

Deferred Revenue

The Organization received \$547,195 of funding through the Department of Human Services which was available under the CARES Act of 2020. These funds were disbursed to agencies in the Commonwealth of Pennsylvania that provide care and services for those with intellectual disabilities and autism. The funds can be used to support operations in order to continue to provide services during the COVID-19 pandemic. Revenue is recognized as the money is spent. The Organization recognized \$453,068 and \$94,127 of revenue during the years ended June 30, 2021 and 2020, respectively.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Organization recognizes revenue when control of the promised services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The standard outlined a five-step model whereby revenue is recognized as performance obligations are satisfied.

The majority of the Organization's revenue is government revenue received from the Pennsylvania Department of Human Services (DHS) and contracts with Lancaster and Lebanon Counties to provide residential, behavioral, health and developmental services to people with developmental disabilities. These services are based on a fixed fee for services provided and the services are billed monthly.

The Organization receives a portion of its revenue from residents, admissions, and program fees, which are all based on a fixed fee for service provided.

The Organization's revenue from rental income and other revenues and gains is minimal.

Contract assets and liabilities included on the statements of financial position at June 30, 2021 or 2020 is as follows:

	2021	June 30, 2020	2019
Accounts Receivable	1,231,412	1,209,674	2,058,974
Other Receivable	2,204	44,813	24,756

Contributions, Pledges, and Grants

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08 *Not-For-Profit Entities* (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, **Friendship Community** applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

Contributions are recorded when the Organization is notified of the promise to give. 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.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

Contributed 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 contributed services were recognized in the years ended June 30, 2021 and 2020. Services donated by persons without specialized skills are not recorded. However, the Organization receives contributed services for a variety of fundraising events.

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.

Tax Status and Uncertain Tax Positions

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.

Paycheck Protection Program

Money received under the Paycheck Protection Program (PPP) from the Small Business Administration with funding provided by the federal government under the Coronavirus Aid, Relief and Economic Security Act is reported as a liability in accordance with ASC 470, *Debt*. This obligation was legally extinguished on June 11, 2021, and the Organization recognized a gain on the forgiveness of debt of \$2,366,269 during the year ended June 30, 2021, which included interest of \$26,494. This gain on debt forgiveness is included in revenues, gains, and other support on the statements of activities.

Accounting Standards Adopted in Fiscal Year 2021

During the current year, **Friendship Community** adopted the Financial Accounting Standards Board 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 did not have a significant impact on the Organization’s financial statements for the year ended June 30, 2021 other than to expand certain disclosures regarding revenue recognition.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Not Yet Adopted

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, 2023. The Organization is currently assessing the impact the adoption of ASU 2016-02 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, 2021, balances in the Ephrata National Bank and Fulton Bank as noted in Note 1, exceeded FDIC insurance limits. Additionally, as of June 30, 2021 and 2020, the Organization's uninsured funds with the Eastern Mennonite Missions' Church Investment Loan Fund were \$7,871 as of June 30, 2021 and 2020. The Organization believes cash balances in the bank and the loan fund and accounts receivable exposure to credit risk is limited. Generally, the Organization does not obtain collateral to secure accounts receivable.

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.

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 currently based on a fee-for-service basis and services are billed bi-weekly. Previously, reimbursements were based on estimated costs by provider. 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, 2021 and 2020, follows:

	2021	2020
Pennsylvania Department of Human Services:		
CLA/Waiver Program	946,785	599,628
ICF Program:		
ICF Program	284,627	681,045
Prior Year Cost Settlements/Other	-0-	(70,999)
Other	<u>2,204</u>	<u>44,813</u>
	<u>1,233,616</u>	<u>1,254,487</u>

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, 2021			
Money Market Funds	14,391	14,391	-0-
Mutual Funds - Securities	1,174,674	1,002,236	172,438
Mutual Funds - Bonds	<u>807,391</u>	<u>800,630</u>	<u>6,761</u>
	<u>1,996,456</u>	<u>1,817,257</u>	<u>179,199</u>
June 30, 2020			
Money Market Funds	36,291	36,291	-0-
Mutual Funds - Securities	413,236	402,319	10,917
Mutual Funds - Bonds	<u>254,882</u>	<u>238,615</u>	<u>16,267</u>
	<u>704,409</u>	<u>677,225</u>	<u>27,184</u>

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, 2021 and 2020.

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.

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, 2021 and 2020:

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

2021	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Money Market Funds	14,391	-0-	-0-	14,391
Mutual Funds:				
Fixed Income - Short Term	108,992	-0-	-0-	108,992
Fixed Income - Intermediate	698,399	-0-	-0-	698,399
Large Cap Core	233,160	-0-	-0-	233,160
Large Cap Growth	87,990	-0-	-0-	87,990
Large Cap Value	150,649	-0-	-0-	150,649
Mid Cap Core	83,062	-0-	-0-	83,062
Small Cap Growth	83,661	-0-	-0-	83,661
International Equities	296,720	-0-	-0-	296,720
Real Estate	91,308	-0-	-0-	91,308
Tactical Assets	<u>148,124</u>	<u>-0-</u>	<u>-0-</u>	<u>148,124</u>
	1,996,456	-0-	-0-	1,996,456

2020	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Money Market Funds	36,291	-0-	-0-	36,291
Mutual Funds:				
Fixed Income - Short Term	34,367	-0-	-0-	34,367
Fixed Income - Intermediate	220,515	-0-	-0-	220,515
Large Cap Core	75,702	-0-	-0-	75,702
Large Cap Growth	32,425	-0-	-0-	32,425
Large Cap Value	51,850	-0-	-0-	51,850
Mid Cap Core	30,515	-0-	-0-	30,515
Small Cap Growth	31,277	-0-	-0-	31,277
International Equities	104,865	-0-	-0-	104,865
Commodities	6,410	-0-	-0-	6,410
Real Estate	29,394	-0-	-0-	29,394
Tactical Assets	<u>50,798</u>	<u>-0-</u>	<u>-0-</u>	<u>50,798</u>
	704,409	-0-	-0-	704,409

Level 1 and 2 Transfers

No transfers in and out of levels 1 and 2 occurred during the years ended June 30, 2021 and 2020.

Level 3 Gains and Losses

There were no level 3 assets or liabilities as of or during the years ended June 30, 2021 and 2020.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 6 - ACCRUED EXPENSES

A schedule of accrued expenses at June 30, 2021 and 2020, is as follows:

	2021	2020
Accrued Expenses:		
Wages	427,820	422,511
Accrued Professional Fees	44,620	45,120
Payroll Withholdings and Retirement Contributions	15,999	63,930
Insurance	131,457	60,371
Other	<u>3,715</u>	<u>14,538</u>
	623,611	606,470

NOTE 7 - 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 \$470,659 at June 30, 2021. The line of credit bears interest at the Wall Street Journal prime rate (3.25% at June 30, 2021) 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 outstanding notes payable on the available line of credit facilities was \$-0- at June 30, 2021 and 2020.

NOTE 8 - LONG-TERM NOTES PAYABLE

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

	2021	2020
An adjustable rate mortgage loan of \$200,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.50% per annum through April 2009, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.00% 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 \$180,388 at June 30, 2021.	70,283	83,370
An adjustable rate mortgage loan of \$135,000 with Eastern Mennonite Missions. The mortgage bore interest at a fixed rate of 5.50% per annum through April 2009, thereafter the interest rate is adjusted annually. The mortgage currently provides for an interest rate of 4.00% 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 \$151,759 at June 30, 2021.	47,146	56,015

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - LONG-TERM NOTES PAYABLE (Continued)

	2021	2020
<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 4.00% 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 \$157,289 at June 30, 2021.</p>	83,374	95,568
<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 4.00% 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 \$166,000 at June 30, 2021.</p>	113,473	129,101
<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 4.00% 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 \$221,364 at June 30, 2021.</p>	101,995	114,624
<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 4.00% 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 \$225,863 at June 30, 2021.</p>	96,157	107,800
<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 4.00% 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 \$240,604 at June 30, 2021.</p>	104,782	117,248

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 8 - LONG-TERM NOTES PAYABLE (Continued)

	2021	2020
<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 4.00% 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 \$161,231 at June 30, 2021.</p>	97,176	108,815
<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 4.00% 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 \$270,073 at June 30, 2021.</p>	162,022	177,064
<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 4.00% 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 \$87,352 at June 30, 2021.</p>	141,430	149,996
<p>Ephrata Borough Authority Series A of 2007 tax-exempt obligation for the refinancing of eight existing mortgages. The note was serviced through First National Bank and included a modified interest rate. The modified interest rate was 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%. This loan was paid off during 2021.</p>	-0-	63,640
<p>Notes payable to Everence Federal Credit Union, secured by vehicles with a total net book value of \$131,197 at June 30, 2021. Monthly payments are to be made ranging from \$233 to \$628, including interest ranging from 1.99% to 4.99%. Maturity dates range from November 2021 to August 2025 (Note 18).</p>	241,299	332,701

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 8 - LONG-TERM NOTES PAYABLE (Continued)

	2021	2020
A note Payable to Ephrata National Bank for \$2,339,775 under the Paycheck Protection Program (PPP) from the Small Business Administration. During the year ending June 30, 2021, the full loan amount and interest were forgiven and recognized as income as described in Note 1.	<u>-0-</u> 1,259,137	<u>2,339,775</u> 3,875,717
Current Maturities	237,536	1,452,611
Long-Term Portion	1,021,601	2,423,106

Annual maturities of long-term debt are as follows:

2022	237,536
2023	233,049
2024	173,832
2025	152,125
2026	144,297
Thereafter	<u>318,298</u>
	1,259,137

The Organization expenses all interest costs as they are incurred.

NOTE 9 - 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:

	2021	2020
Purpose Restrictions:		
Community Chest Scholarships	-0-	2,675
Home Projects	21,112	17,500
Restricted in Perpetuity:		
Endowment	<u>92,590</u>	<u>92,590</u>
	113,702	112,765

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 9 - NET ASSETS (Continued)

Net assets released from restrictions is comprised of the following:

	2021	2020
Activity Fund	1,000	100
Capital Projects	4,650	6,050
Community Chest Scholarships	2,675	-0-
heARTS	96,188	48,152
Meaningful Day Academy	125	8,740
Home Projects	<u>42,418</u>	<u>17,600</u>
	147,056	80,642

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:

	2021	2020
Undesignated	7,665,152	5,015,073
Board Designated - Endowment	<u>157,410</u>	<u>157,410</u>
	7,822,562	5,172,483

NOTE 10 - 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.

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 10 - ENDOWMENTS (Continued)

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, 2021 and 2020, and presents the endowment net assets as of June 30, 2021 and 2020:

	Without Donor Restrictions - Designated	With Donor Restrictions - Perpetuity	Total
Endowment Net Assets, June 30, 2019	157,410	92,590	250,000
Investment Return:			
Interest and Dividends, net of Fees	2,141	1,260	3,401
Realized and Unrealized Gains	364	214	578
Transfer Earnings to Unrestricted	<u>(2,505)</u>	<u>(1,474)</u>	<u>(3,979)</u>
Endowment Net Assets, June 30, 2020	157,410	92,590	250,000
Investment Return:			
Interest and Dividends, net of Fees	4,065	2,391	6,456
Realized and Unrealized Gains	42,129	24,780	66,909
Transfer Earnings to Unrestricted	<u>(46,194)</u>	<u>(27,171)</u>	<u>(73,365)</u>
Endowment Net Assets, June 30, 2021	157,410	92,590	250,000

NOTE 11 - LEASES

Lease Agreements as Lessee

The Organization has a lease agreement for a group home with St. Stephens United Church of Christ. The lease is being renewed annually with the current lease term beginning July 1, 2020. The lease provides for monthly payments of \$770.

The Organization entered into a 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, 2021 and 2020.

The Organization entered into a lease agreement for its art program. The Organization has executed its renewal options under the lease agreement and the lease expired in August 2020. The lease is currently extended on a month to month basis. Monthly rental payments are currently \$2,987.

The Organization entered into a lease agreement for residential property (Ephrata) with an individual. The lease is currently extended on a month to month basis. Monthly rental payments are currently \$1,825. A discount of \$25 per month is given if paid before the due date which was granted by the landlord each month during the years ended June 30, 2021 and 2020.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - LEASES (Continued)

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 \$2,652. 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.

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, 2021 and 2020, was \$179,678 and \$242,048, respectively.

Future minimum lease payments are as follows:

2022	17,195
------	--------

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 \$57,356 and \$118,357 for the years ended June 30, 2021 and 2020, respectively.

NOTE 12 - SIGNIFICANT CONCENTRATIONS

For the years ended June 30, 2021 and 2020, 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 84% and 89% of total revenue for the years ended June 30, 2021 and 2020, respectively.

NOTE 13 - 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 were based on up to five percent of gross salary for 2020. The plan was amended effective July 1, 2019. The amendment eliminated the five percent employer matching requirement and changed the employer matching to a discretionary contribution to be determined annually. There were no employer matching contributions for the year ended June 30, 2021. Retirement expense amounted to \$169 and \$100,912 for the years ended June 30, 2021 and 2020, respectively, and is funded as incurred.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 14 - 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 \$35,000 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.

For the years ended June 30, 2021 and 2020, the Organization estimated health insurance expense to be \$1,921,802 and \$1,805,067, respectively, and has included the cost with employee benefits. There was no anticipated overpayment for shared costs of the MASP as of June 30, 2021 and 2020. 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 (IRF) - 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, 2021 and 2020, the Organization has an IRF balance of \$762,123 and \$705,603, 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 15 - 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 84% and 89% of total revenue without donor restrictions for the years ended June 30, 2021 and 2020, respectively (Note 12).

Friendship Community
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 16 - 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 10 for further information regarding the endowment. In addition, the Organization has a \$2,200,000 line of credit which is available as needed (Note 7).

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, 2021 and 2020:

	2021	2020
Financial Assets:		
Cash and Cash Equivalents	2,374,144	3,559,952
Receivables	1,233,616	1,254,487
Investment in Marketable Securities	<u>1,996,456</u>	<u>704,409</u>
Total Financial Assets Available within One Year	5,604,216	5,518,848
Less Amounts Unavailable for General Expenditures, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donors with Purpose Restrictions	(21,112)	(20,175)
Restricted by Donors in Perpetuity	(92,590)	(92,590)
Board Designations:		
Designated for Endowment	<u>(157,410)</u>	<u>(157,410)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	5,333,104	5,248,673

NOTE 17 - COMMITMENTS and CONTINGENCIES

A worker's compensation claim has been filed against the Organization. The matter is being contested by the Organization's insurance carrier and any resulting settlement will be covered under the Organization's worker's compensation insurance policy.

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. Due to this event, the Organization temporarily suspended some of their non-essential programs in 2021 and 2020. The Organization cannot currently estimate the impact of COVID-19 on its financial condition. Management is monitoring the evolving situation and adapting operations and decision making as necessary.

Friendship Community
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 18 - SUBSEQUENT EVENTS

Vehicle loans totaling \$241,299 at June 30, 2021 were satisfied in full in October 2021, which was prior to their originally scheduled maturities.

Subsequent events have been evaluated through November 17, 2021, which represents the date the financial statements were available to be issued.

Friendship Community

SCHEDULE I - SCHEDULE of FINANCIAL POSITION by DIVISION

June 30, 2021

ASSETS

	Government Division	Ministries Division	Total
CURRENT ASSETS			
Cash and Cash Equivalents - Without Donor Restrictions	\$ 2,010,352	\$ 342,680	\$ 2,353,032
Receivables - Without Donor Restrictions:			
Pennsylvania Department of Human Services	1,141,009	90,403	1,231,412
Other	-0-	2,204	2,204
Interdivisional	(2,226,990)	2,226,990	-0-
Investment in Marketable Securities - Without Donor Restrictions	-0-	1,746,456	1,746,456
Prepaid Expenses	28,995	8,617	37,612
	953,366	4,417,350	5,370,716
ASSETS WHOSE USE is LIMITED			
Cash and Cash Equivalents:			
With Donor Restrictions for Program	-0-	21,112	21,112
Investment in Marketable Securities:			
With Donor Restrictions for Endowment	-0-	92,590	92,590
Board Designated for Endowment	-0-	157,410	157,410
	-0-	271,112	271,112
PROPERTY and EQUIPMENT			
Land	1,030,045	3,544	1,033,589
Land Improvements	256,028	223,328	479,356
Buildings	6,509,008	643,947	7,152,955
Furnishings and Equipment	430,902	81,215	512,117
Adaptive Equipment	11,528	-0-	11,528
Vehicles	1,268,024	27,992	1,296,016
	9,505,535	980,026	10,485,561
Accumulated Depreciation	(5,986,761)	(905,606)	(6,892,367)
	3,518,774	74,420	3,593,194
OTHER ASSETS			
Financing Cost, net of Accumulated Amortization of \$11,270	1,175	-0-	1,175
Insurance Reserve Fund - MASP	657,701	104,422	762,123
	658,876	104,422	763,298
TOTAL ASSETS	\$ 5,131,016	\$ 4,867,304	\$ 9,998,320

See independent auditors' report.

Friendship Community

SCHEDULE II - SCHEDULE of ACTIVITIES by DIVISION

Year Ended June 30, 2021

	Government Division	Ministries Division	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenues, Gains, and Other Support			
Governmental Revenue	\$ 13,573,873	\$ -0-	\$ 13,573,873
Resident, Admission, and Program Fees	568,425	23,687	592,112
Contributions and Grants	-0-	936,202	936,202
Special Events	-0-	21,747	21,747
Rental Income	48,536	8,820	57,356
Investment Income	-0-	203,739	203,739
Other Revenues and Gains	578,649	19,220	597,869
Gain on Sale of Property and Equipment	209,867	-0-	209,867
Gain on Extinguishment of PPP Debt and Interest	-0-	2,366,269	2,366,269
Net Assets Released from Restrictions	<u>42,418</u>	<u>104,638</u>	<u>147,056</u>
Total Revenues, Gains, and Other Support	15,021,768	3,684,322	18,706,090
Functional Expenses			
Program Services	13,317,787	366,359	13,684,146
Support Services:			
General and Administrative	1,946,374	105,543	2,051,917
Fundraising	-0-	265,763	265,763
Public Relations	<u>-0-</u>	<u>54,185</u>	<u>54,185</u>
Total Functional Expenses	15,264,161	791,850	16,056,011
CHANGES in NET ASSETS WITHOUT DONOR RESTRICTIONS			
	(242,393)	2,892,472	2,650,079
NET ASSETS WITH DONOR RESTRICTIONS			
Contributions:			
Property and Equipment	31,530	4,650	36,180
Program	14,500	97,313	111,813
Net Assets Released from Restrictions	<u>(42,418)</u>	<u>(104,638)</u>	<u>(147,056)</u>
CHANGES in NET ASSETS WITH DONOR RESTRICTIONS			
	3,612	(2,675)	937
CHANGES in NET ASSETS			
	(238,781)	2,889,797	2,651,016
NET ASSETS			
Beginning of Year	3,472,029	1,813,219	5,285,248
Interdivisional Fund Account Transfers	<u>(136,026)</u>	<u>136,026</u>	<u>-0-</u>
End of Year	<u>\$ 3,097,222</u>	<u>\$ 4,839,042</u>	<u>\$ 7,936,264</u>

See independent auditors' report.

Friendship Community

SCHEDULE III - SCHEDULE of FUNCTIONAL EXPENSES by DIVISION Year Ended June 30, 2021 with Comparative Totals for 2020

	Program Expenses			Government Total
	Government Division			
	ICF	CLA	Respite	
Personnel				
Salaries and Wages	\$ 126,832	\$ 8,348,400	\$ 328,934	\$ 8,804,166
Payroll Taxes	10,952	655,678	25,813	692,443
Retirement	169	-0-	-0-	169
Employee Benefits	23,182	2,002,727	75,119	2,101,028
Staff Development	676	17,261	679	18,616
Purchased Personnel	19,160	33,065	674	52,899
	<u>180,971</u>	<u>11,057,131</u>	<u>431,219</u>	<u>11,669,321</u>
Resident Development and Services				
Programs	5,611	3,268	-0-	8,879
Medical Supplies	1,440	51,028	1,302	53,770
Food	2,645	264,977	13,801	281,423
Clothing	250	-0-	-0-	250
Household	986	99,653	2,774	103,413
Transportation	2,044	82,990	5,645	90,679
	<u>12,976</u>	<u>501,916</u>	<u>23,522</u>	<u>538,414</u>
Occupancy Costs				
Rent	-0-	107,517	-0-	107,517
Interest	181	53,597	450	54,228
Utilities	2,128	145,423	4,698	152,249
Insurance	949	78,769	3,201	82,919
Building Maintenance	2,724	179,174	7,139	189,037
Depreciation	1,623	279,547	13,930	295,100
Real Estate Taxes	-0-	-0-	-0-	-0-
	<u>7,605</u>	<u>844,027</u>	<u>29,418</u>	<u>881,050</u>
Other Operating Expenses				
Communication	1,560	122,720	4,033	128,313
Office Supplies	676	8,972	439	10,087
Computer Support	-0-	2,429	40	2,469
Purchased Services	1,251	-0-	-0-	1,251
Amortization	50	533	166	749
Miscellaneous	15,875	3,368	326	19,569
Educational	-0-	85	-0-	85
Recreational	-0-	206	-0-	206
Professional Fees	-0-	41,426	1,694	43,120
Staff Recruitment	3,986	17,776	1,191	22,953
Meeting Costs	-0-	-0-	-0-	-0-
Newsletters and Mailings	-0-	200	-0-	200
	<u>23,398</u>	<u>197,715</u>	<u>7,889</u>	<u>229,002</u>
Total Expenses Before Allocations	224,950	12,600,789	492,048	13,317,787
Allocated General and Administrative Expenses	32,764	1,837,327	76,283	1,946,374
Total Expenses for 2021	257,714	14,438,116	568,331	15,264,161
Total Expenses for 2020	\$ 1,063,454	\$ 12,586,748	\$ 533,033	\$ 14,183,235

See independent auditors' report.

Friendship Community

SCHEDULE III - SCHEDULE of FUNCTIONAL EXPENSES by DIVISION

(Continued)

Year Ended June 30, 2021 with Comparative Totals for 2020

Program Expenses				
General Ministries	heARTS Program	Ministries Division		Ministries Total
		Meaningful Day	Supported Living	
\$ 52,188	\$ 58,895	\$ 44,867	\$ 2,356	\$ 158,306
4,123	4,609	3,308	190	12,230
-0-	-0-	-0-	-0-	-0-
7,583	20,193	27,996	-0-	55,772
79	17	-0-	-0-	96
-0-	19,375	-0-	-0-	19,375
63,973	103,089	76,171	2,546	245,779
-0-	-0-	-0-		-0-
-0-	-0-	-0-		-0-
-0-	-0-	-0-		-0-
-0-	-0-	-0-		-0-
11,726	242	33		12,001
(2,976)	857	1,004		(1,115)
8,750	1,099	1,037	-0-	10,886
6,912	15,466	-0-		22,378
26,573	8	-0-		26,581
-0-	1,157	-0-		1,157
1,501	107	3,800		5,408
-0-	1,405	1,629		3,034
27,864	811	-0-		28,675
3,011	1,039	-0-		4,050
65,861	19,993	5,429	-0-	91,283
584	3,383	1,718		5,685
40	127	38		205
-0-	600	-0-		600
-0-	-0-	-0-		-0-
-0-	-0-	-0-		-0-
-0-	2,088	-0-		2,088
-0-	500	-0-		500
-0-	-0-	27		27
395	18	-0-		413
-0-	126	768		894
-0-	144	-0-		144
-0-	7,855	-0-		7,855
1,019	14,841	2,551	-0-	18,411
139,603	139,022	85,188	2,546	366,359
8,850	1,755	-0-	-0-	10,605
148,453	140,777	85,188	2,546	376,964
\$ 88,395	\$ 477,709	\$ 879,590	\$ 4,570	\$ 1,450,264

See independent auditors' report.

Friendship Community

SCHEDULE III - SCHEDULE of FUNCTIONAL EXPENSES by DIVISION

(Continued)

Year Ended June 30, 2021 with Comparative Totals for 2020

	Program Expenses		
	Government Division	Ministries Division	Total Program Expenses
Personnel			
Salaries and Wages	\$ 8,804,166	\$ 158,306	\$ 8,962,472
Payroll Taxes	692,443	12,230	704,673
Retirement	169	-0-	169
Employee Benefits	2,101,028	55,772	2,156,800
Staff Development	18,616	96	18,712
Purchased Personnel	52,899	19,375	72,274
	11,669,321	245,779	11,915,100
Resident Development and Services			
Programs	8,879	-0-	8,879
Medical Supplies	53,770	-0-	53,770
Food	281,423	-0-	281,423
Clothing	250	-0-	250
Household	103,413	12,001	115,414
Transportation	90,679	(1,115)	89,564
	538,414	10,886	549,300
Occupancy Costs			
Rent	107,517	22,378	129,895
Interest	54,228	26,581	80,809
Utilities	152,249	1,157	153,406
Insurance	82,919	5,408	88,327
Building Maintenance	189,037	3,034	192,071
Depreciation	295,100	28,675	323,775
Real Estate Taxes	-0-	4,050	4,050
	881,050	91,283	972,333
Other Operating Expenses			
Communication	128,313	5,685	133,998
Office Supplies	10,087	205	10,292
Computer Support	2,469	600	3,069
Purchased Services	1,251	-0-	1,251
Amortization	749	-0-	749
Miscellaneous	19,569	2,088	21,657
Educational	85	500	585
Recreational	206	27	233
Professional Fees	43,120	413	43,533
Staff Recruitment	22,953	894	23,847
Meeting Costs	-0-	144	144
Newsletters and Mailings	200	7,855	8,055
	229,002	18,411	247,413
Total Expenses Before Allocations	13,317,787	366,359	13,684,146
Allocated General and Administrative Expenses	1,946,374	10,605	1,956,979
Total Expenses for 2021	15,264,161	376,964	15,641,125
Total Expenses for 2020	\$ 14,183,235	\$ 1,450,264	\$ 15,633,499

See independent auditors' report.

Friendship Community

SCHEDULE III - SCHEDULE of FUNCTIONAL EXPENSES by DIVISION

(Continued)

Year Ended June 30, 2021 with Comparative Totals for 2020

Support Services			2021	2020
General and Administrative	Fundraising	Public Relations	Functional Expenses Total	Functional Expenses Total
\$ 1,114,543	\$ 143,326	\$ 18,925	\$ 10,239,266	\$ 10,150,213
106,679	11,531	1,508	824,391	777,080
-0-	-0-	-0-	169	100,912
183,893	32,744	4,195	2,377,632	2,107,576
5,328	1,266	80	25,386	39,500
117,655	17,550	-0-	207,479	236,097
1,528,098	206,417	24,708	13,674,323	13,411,378
-0-	-0-	-0-	8,879	158,585
-0-	-0-	-0-	53,770	34,991
-0-	-0-	-0-	281,423	279,453
-0-	-0-	-0-	250	1,000
12,624	-0-	-0-	128,038	124,363
23,193	49	-0-	112,806	171,884
35,817	49	-0-	585,166	770,276
49,783	-0-	-0-	179,678	242,048
2,145	294	-0-	83,248	85,528
23,905	-0-	-0-	177,311	178,375
64,063	65	-0-	152,455	154,313
72,296	588	80	265,035	259,440
105,581	-0-	-0-	429,356	469,576
-0-	-0-	-0-	4,050	4,738
317,773	947	80	1,291,133	1,394,018
21,015	2,157	149	157,319	158,017
6,807	1,441	39	18,579	44,593
26,757	1,065	-0-	30,891	40,291
80,718	-0-	-0-	81,969	50,067
80	-0-	-0-	829	829
1,739	5,787	-0-	29,183	86,565
25,625	5,500	-0-	31,710	31,872
-0-	-0-	-0-	233	336
-0-	1,468	-0-	45,001	44,999
6,012	146	-0-	30,005	26,471
783	18,163	-0-	19,090	32,250
693	22,623	29,209	60,580	56,136
170,229	58,350	29,397	505,389	572,426
2,051,917	265,763	54,185	16,056,011	16,148,098
(2,032,057)	66,123	8,955	-0-	-0-
19,860	331,886	63,140	16,056,011	\$ 16,148,098
\$ 89,735	\$ 358,830	\$ 66,034	\$ 16,148,098	

See independent auditors' report.

Friendship Community

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

Year Ended June 30, 2021

W. Orange
MA No.
100000694-0086

REVENUES

MA Reimbursements	\$	221,251
Resident Income		5,798
Other:		
Food Stamps		2,695
Cost Settlement Income		26,971
		<hr/>
Total Revenues		256,715
		<hr/> <hr/>

EXPENSES

Wages and Salaries		126,832
Payroll Taxes and Employee Benefits		34,303
Miscellaneous Personnel Costs		20,411
Occupancy Costs		3,654
Communications		1,560
Insurance		446
Office Supplies		676
Service Supplies		1,440
Food		2,645
Clothing		250
Transportation		2,547
Miscellaneous Operating Costs		20,537
Repairs		2,184
Depreciation		1,673
Capital Interest		181
Apportioned Costs		32,764
		<hr/>
Total Expenses		252,103

INCOME and OFFSETS

		<hr/>
Total Allowable Costs	\$	249,408
		<hr/> <hr/>

See independent auditors' report.