KEVIN E. FORDYCE, CPA

FRIENDS IN DEED*

Financial Statements
For the Year Ended December 31, 2022

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FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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Independent Auditors' Report

To the Board of Directors
Friends In Deed

Opinion

We have audited the accompanying financial statements of the Friends In Deed (a not-for-profit organization) (the "Organization") which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2023 on our consideration of Friends In Deed's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing over internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Friends In Deed's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements and in our report thereon dated August 3, 2022, where we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kevin E. Fordyce, CPA

Glendale, California
October 5, 2023

FRIENDS IN DEED
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
Assets				
Cash	$ 2,031,413	$ 2,634	$ 2,034,047	$ 1,417,630
Pledges and Accounts Receivable	46,852	319,110	365,962	513,472
Investments	-	-	-	250,504
Prepaid Expenses and Deposits	24,476	-	24,476	16,860
Inventory	59,329	-	59,329	50,797
Property and Equipment, Net	177,437	-	177,437	71,850
Total Assets	$ 2,339,507	$ 321,744	$ 2,661,251	$ 2,321,113
Liabilities				
Accounts Payable and Accrued Liabilities	$ 111,551	$ -	$ 111,551	$ 81,659
Net Assets				
Without Donor Restrictions	2,227,956	-	2,227,956	1,811,142
With Donor Restrictions	-	321,744	321,744	428,312
Total Net Assets	2,227,956	321,744	2,549,700	2,239,454
Total Liabilities and Net Assets	$ 2,339,507	$ 321,744	$ 2,661,251	$ 2,321,113

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

FRIENDS IN DEED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
Support and Revenue				
Contributions	$ 1,695,255	$ 321,744	$ 2,016,999	$ 1,941,927
Government Grants	735,483	-	735,483	730,768
In-Kind Gifts	1,549,571	-	1,549,571	1,025,535
Special Events (Net of $22,249 in direct costs)	14,101	-	14,101	-
Interest and Other Income	882	-	882	275
Total Support and Revenue	4,423,604	(106,568)	4,317,036	3,698,505
Expenses				
Program Services	3,464,737	-	3,464,737	2,337,042
Supporting Services:				
Management and General	333,602	-	333,602	225,548
Fundraising	208,451	-	208,451	169,792
Total Expenses	4,006,790	-	4,006,790	2,732,382
Increase in Net Assets	416,814	(106,568)	310,246	966,123
Net Assets at Beginning of Year	1,811,142	428,312	2,239,454	1,273,331
Net Assets at End of Year	$ 2,227,956	$ 321,744	$ 2,549,700	$ 2,239,454

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

FRIENDS IN DEED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	Program								Totals	
	Emergency Shelter	Pantry	Eviction Prevential Rental Assistance	Street Outreach	Women's Room	Total	Management and General	Fundraising	2022	2021
Salaries Wages and Benefits:										
Salaries and Wages	$ 74,247	$ 186,848	$ 120,987	$ 294,864	$ 146,817	$ 823,763	$ 159,005	$ 135,411	$ 1,118,179	$ 798,925
Payroll Taxes	6,101	15,353	9,941	24,228	12,064	67,687	13,065	11,127	91,879	65,263
Employee Benefits	5,914	14,882	9,636	23,485	11,693	65,610	12,664	10,785	89,059	51,452
Total Personnel Expenses	86,262	217,083	140,564	342,577	170,574	957,060	184,734	157,323	1,299,117	915,640
Other Operations:										
Direct Program Costs:										
Bad Weather Shelter	220,889	-	-	-	-	220,889	-	-	220,889	202,891
Pantry	-	52,388	-	-	-	52,388	-	-	52,388	72,423
Eviction Prevention/Rental ssistance	-	-	370,578	-	-	370,578	-	-	370,578	214,120
Street Outreach	-	-	-	168,930	-	168,930	-	-	168,930	94,616
Women's Room	-	-	-	-	15,993	15,993	-	-	15,993	7,520
Donated Program Supplies	38,209	1,443,556	-	2,948	35,147	1,519,860	21,179	-	1,541,039	974,738
Rent	3,289	8,277	5,360	13,063	6,504	36,493	7,044	5,999	49,536	30,753
Professional Fees	-	-	-	-	-	-	76,747	-	76,747	56,513
Office Expenses	3,810	9,588	6,208	15,130	7,534	42,270	8,159	6,948	57,377	28,734
Utilities	1,295	3,261	2,111	5,146	2,562	14,375	2,775	2,363	19,513	22,633
Insurance	-	-	-	-	-	-	19,416	-	19,416	11,889
Repairs and Maintenance	5,435	5,436	5,436	5,436	5,436	27,179	-	-	27,179	38,495
Fundraising	-	-	-	-	-	-	-	9,190	9,190	11,736
Events	-	-	-	-	-	-	-	23,832	23,832	17,910
Organizational Development	-	-	-	-	-	-	10,265	-	10,265	7,311
Bank Fees	1,175	2,961	1,917	4,673	2,327	13,053	2,520	2,146	17,719	13,305
Depreciation	-	18,020	-	-	3,694	21,714	-	-	21,714	11,155
Other Miscellaneous	356	897	581	1,416	705	3,955	763	650	5,368	6,781
Total Other Operations	274,458	1,544,384	392,191	216,742	79,902	2,507,677	148,868	51,128	2,707,673	1,823,523
Total Expenses	$ 360,720	$ 1,761,467	$ 532,755	$ 559,319	$ 250,476	$ 3,464,737	$ 333,602	$ 208,451	$ 4,006,790	$ 2,739,163

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

FRIENDS IN DEED
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	$ 310,246	$ 966,123
Adjustment to Reconcile Change in Net Assets		
to Net Cash Provided By Operating Activities		
Forgiveness of PPP Loan	-	(121,100)
Depreciation	21,715	11,155
Increase in Inventory	(8,532)	(50,797)
Reinvested Interest	(122)	(504)
Changes in:		
Pledges and Accounts Receivable	147,510	(325,625)
Prepaid Expenses	(7,616)	(14,514)
Accounts Payable and Accrued Expenses	29,892	41,476
Net Cash Provided By Operating Activities	493,093	506,214
Cash Flows from Investing Activities:		
Purchase of Equipment	(127,302)	(30,558)
Maturity of Investment	250,626	-
Net Cash Provided By/(Used In) Investing Activities	123,324	(30,558)
Net Increase in Cash	616,417	475,656
Cash at Beginning of Year	1,417,630	941,974
Cash at End of Year	$ 2,034,047	$ 1,417,630

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

Note 1 – Organization

Friends In Deed (the "Organization") is incorporated in the state of California as a nonprofit religious organization known as The FID Group, which is doing business as "Friends In Deed", an interfaith cooperative enterprise to deliver social services to low income and homeless people in the Pasadena area. The current programs of Friends In Deed include a food pantry, emergency shelter (formerly bad weather shelter), day shelter for women who are homeless or at risk of homelessness, an eviction prevention and rental assistance program, and a street outreach program.

Major sources of revenue include individual donations, in-kind gifts, government grants, corporate and organization grants and certain fundraising events.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United Stats of America ("GAAP") applicable to not-for-profit organizations. Revenues are reported as increases in unrestricted net assets, unless there are donor-imposed purposes and/or time restrictions on the gifted assets. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is explicitly restricted by donor stipulation or by law.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates. Significant estimates include collectability of outstanding pledges, useful lives of fixed assets, and allocations of functional expenses.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, cash equivalents, investments and receivables. The Organization maintains cash and cash equivalents primarily with major financial institutions.

Financial Statement Presentation and Contributions

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received or pledged. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions
Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in the primary objectives of the Organization.

Net Assets with Donor Restrictions
Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time or are restricted for long periods of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions. The investment income is generally available for general support of the Organization's programs and operations.

Note 2 – Summary of Significant Accounting Policies (Continued)

It is the policy of the Organization to record support that is donor restricted as support without donor restrictions when the donor-imposed restrictions have been satisfied within the reporting period.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in local banks. The Organization considers investments with original maturities of three months or less at the time of purchase to be cash equivalents. Account balances may from time to time exceed federally insured limits. Management does not believe this constitutes a material risk at this time.

Pledges and Accounts Receivable

Pledges are recorded as revenue at the time of the pledge. Long-term pledges, if received, would be discounted over the term of the pledge using an appropriate discount rate. Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical trends, type of donor, the age of the outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance adjusted accordingly.

Inventory

Inventory consists of food and merchandise valued using FMV techniques established by the reputable local food bank. Management has determined that a reserve for obsolescence was not required based on the nature and rapid turnover of the Organization's inventory at December 31, 2022.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value as of the date of donation if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than $2,500 and the useful life is greater than one year. Leasehold improvements are depreciated over the useful life of the asset or the estimated time of the lease, whichever period is shorter. The estimated useful lives of property and equipment are as follows:

Building	28 years
Other Equipment	3-10 years

Property and equipment that is purchased with government grants are considered to be owned by Friends in Deed while used in the program for which it was purchased or in other future authorized programs, however most awarding governmental agencies maintain a reversionary right to the assets, their disposition, as well as the ownership of any proceeds therefrom.

Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying value of an asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended December 31, 2022.

Note 2 – Summary of Significant Accounting Policies (Continued)

Grants
Grants are recognized when the unconditional promise to give is approved. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. There were no conditional promises to give at December 31, 2022.

Donated Assets and Services
Contributions of donated assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Revenue Recognition

The Organization follows the updated guidance related to revenue recognition for not-for-profit entities which is mainly described in ASC 958-605, which was substantially updated and clarified in 2018 with the FASB's issuance of ASU 2018-08*, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made"*.

Contributions are recognized as revenues when they are received or unconditionally pledged. The Organization reports unconditional gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restriction.

Funds received in advance of contingent pledges and before revenue is earned in exchange transactions are deferred until such contingencies are removed or exchange revenue is earned.

Functional Allocation of Expenses
Costs of providing the Organization's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit, generally direct salaries.

Income Taxes
Friends in Deed is a nonprofit organization exempt from income taxes under section 501(c)(3) of the Internal Revenue Code, and Section 23701d of the California State Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. 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 Internal Revenue Code.

The Organization applies the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022.

Note 2 – Summary of Significant Accounting Policies (Continued)

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2019.

Recent Accounting Pronouncements

Leases
In February 2016 the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), with subsequent improvements and clarifications issued in ASU 2018-01, ASU 2018-10 and ASU 2018-20. ASU 2016-02, along with the noted related ASUs issued in 2018 amends a number of aspects of lease accounting, including requiring lessees to recognize both a "right of use" asset and a corresponding lease obligation liability for all leases with a term longer than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right of use asset and lease obligation liability. This pronouncement has been implemented for 2022, however management determined that all office leases have original or outstanding lease periods of less than one year at December 31, 2022, and management has determined the 60 month copier lease to be immaterial for presentation on the statement of financial position, thus all leases continue to be reported exclusively on the statement of activities.

Note 3 – Pledges and Accounts Receivables

Pledge receivables consist of $194,110 to be collected in 2023 and $125,000 to be collected in 2024 for a total of $319,110. The Organization does not believe any of the receivables are impaired, and consistent with that assessment and historical precedent, has not established a reserve for collectability.

Note 4 – Inventory

Inventory consists of food and household goods valued using fair value techniques established by a reputable local food bank in conjunction with the U.S. Department of Agriculture, which provided approximately 57% of all in-kind contributions to the Organization in the current year. Valuations for these items varied between $1.40 and $1.74 per pound for the year ended December 31, 2022. Total Inventory at December 31, 2022 is estimated at $59,329. See Note 7 below for further discussion regarding the use of the contributed in-kind goods.

Note 5 – Property and Equipment

Property and equipment are comprised of the following at December 31, 2022:

Land	$ 6,512
Building	135,220
Building Improvements	99,130
Vehicle	113,597
Furniture and Eqipment	66,045
Total	420,504
Less: Accumulated Depreciation	(243,036)
Property and Equipment, net	$ 177,468

Note 5 – Property and Equipment (Continued)

The land and building consist of a two-story building in Pasadena which is used for the pantry and women's shelter programs. The building is on a corner lot which has parking spaces for eight vehicles. The building improvements are primarily for a new roof at the women's shelter and new solar panels that were installed and put into service in February 2022.

Depreciation expense for the year was $21,714.

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 are comprised of one grant with unspent purpose restrictions of $2,634 and two time-restricted contributions that have not been fully expended for the donors' intended purposes totaling $319,110.

Note 7 – Gifts In-Kind

The Organization receives in-kind gifts of food and household goods from a local food bank, grocery stores and public donations to their pantry. The donations from the food bank represents 57% of all in-kind gifts. All items are valued by the pound as described in Note 4 above. The chart below summarizes the relevant information as required by ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which the Organization adopted in this current fiscal year.

In Kind Gifts and Services Received	Area of Utilization	Donor restriction	Valuation Technique and Inputs	Amount
Food and Household Goods	Pantry and Other Programs	None	See Discussion in Note 4 above.	$ 1,549,571

Note 8 – Commitments and Contingencies

The Organization has seven separate leases for office space in its main offices in Pasadena, a storage unit lease, and a lease for copiers and office equipment. All of the office leases are one-year leases that will terminate in 2023. The office equipment lease is a 60-month operating lease that terminates in January 2027. The annual lease amount for the copier leases is $3,564.

During the year ended December 31, 2021, the Organization entered into a lease to fund the purchase of the solar panels that were installed on the roof of the building. The lease was essentially prepaid in full when the panels became operational in February 2022, therefore the Organization has accounted for the entire transaction as an asset purchase and the defeased lease payments are not included in the financial statements.

Note 9 – Liquidity and Availability of Net Assets

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of December 31, 2022, is comprised of the following:

Cash	$	1,783,421
Investments		250,626
Current Accounts and Pledges Receivable		240,962
Inventory		59,329
Prepaid Expenses		24,476
Financial Assets at December 31, 2022	$	2,483,814

There are no board designated net assets, thus all of the financial assets noted above are available for use in the next fiscal year.

Note 9 – Liquidity and Availability of Net Assets (Continued)

The Organization has solid liquidity, having average days cash on hand of approximately 161 days and a current assets to liabilities ratio of approximately 22:1. As part of the liquidity management plan, the Organization invests excess cash in conservative certificates of deposit.

Note 10 – Subsequent Events

The Organization has elected to change its fiscal year to one that ends on June 30 of each year, beginning with June 30, 2023. The Organization will issue financial statements on the six-month "short" fiscal year ended June 30, 2023 to effectuate the change.

The Organization has evaluated its December 31, 2022 financial statements for subsequent events through October 5, 2023 the day these financial statements were available to be issued. Except as disclosed in these notes, management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

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

Board of Directors
Friends In Deed

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Friends In Deed (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified the following deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Finding 2022-1 Insufficient Review and Reconciliation of Recorded Gifts In Kind

Auditors' Finding

Condition

In our testing of gifts-in-kind revenue, we noted that there was a material discrepancy of approximately $317,000 that were included in the documents received from the donor but was not properly recorded as revenue and corresponding expense in the general ledger. The discrepancy should have been identified and corrected by management in their account closing and final reporting process. The audit team proposed, and the Organization accepted, an adjustment to properly recognize the unrecorded revenue and expense.

Criteria

As part of the Organization's reporting policies and procedures, they have contracted with an outside financial advisory firm to review the Organization's accounting records, both on an ongoing basis and as part of their annual reporting for accuracy and completeness, especially for complex transactions or accounting areas.

Cause

We believe the contracted financial advisory firm hired to assist the Organization in ensuring the financial statements are complete and accurate did not adequately review and reconcile documents showing the amount of in-kind gifts contributed by donors with the actual amount reported in the financial statements.

Effect

But for the audit procedures performed, both total revenue and expenses would have been materially underreported by $317,000, although there would have been no difference in total net assets at December 31, 2022.

Recommendation

We recommend both management and the contracted financial advisory firm closely review all in-kind gift documents and reconcile them both with actual gifts received and the amounts reported in the financial statements for accuracy and completeness for all future accounting periods. This is a particularly important as the newly implemented Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities* imposes enhanced reporting of in-kind gifts by all not-for-profit organizations.

Management's Response

Management agrees with the finding and will ensure that all in-kind contributions are reported accurately and completely in the Organization's financial statements and disclosures are in compliance with ASU 2020-07.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Organization financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Organization response to the finding identified in our audit that is noted above. The Organization responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kevin E. Fordyce, CPA

Glendale, California
October 5, 2023

FRIENDS
IN
DEED

Management's Corrective Action Plan

October 5, 2023

Mr. Kevin E. Fordyce, CPA:

Friends in Deed management has reviewed your current year finding and recommendation noted in the attached Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This letter summarizes our response and corrective actions planned to address them:

Finding 2022-1 Preparation of Financial Statements

Management is in agreement with your recommendation. In future audit periods we, in conjunction with the team of financial advisors, will diligently review all relevant gift-in kind records to ensure that all gifts in-kind contributions and related expenses or increase in inventory are accurately and completely recorded. Furthermore, we will consider all of the relevant reporting requirements of ASU 2020-07 and ensure that they are also completely and accurately reported.

Rabbi Joshua Levine Grater will be responsible for implementing these enhanced procedures, which will be implemented by October 31, 2023 to facilitate the issuance of the upcoming FID financial statements that will cover the six-month period ended June 30, 2023.

Friends In Deed

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