2023 and 2022 Financial Statements

Friendship Mission Inc.

Montgomery, Alabama

Independent Auditor's Report

Board of Directors and
Tara Davis, Executive Director
Friendship Mission, Inc.
312 Chisholm Street
Montgomery, Alabama 36110

Opinion

We have audited the accompanying financial statements of Friendship Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, 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 Friendship Mission, Inc. as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Friendship Mission, Inc. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friendship Mission, Inc.'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 Friendship Mission, Inc.'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.

2022 Financial Statements

The financial statements of Friendship Mission, Inc. for the year ended September 30, 2022 were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated August 30, 2023.

Aldridge, Borden and Company, P.C.

Montgomery, Alabama

October 1, 2024

Friendship Mission, Inc.
Montgomery, Alabama
September 30, 2023 and 2022

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Statements of Financial Position

Friendship Mission, Inc.
Montgomery, Alabama
As of September 30

		2023		2022
Assets				
Current assets:				
Cash and cash equivalents	$	99,023	$	186,674
Investments		238		
Grants receivable		21,374		116,847
Prepaid expenses		8,271		9,046
Total current assets		128,906		312,567
Property and equipment, net		783,131		577,875
Total assets		912,037		890,442
Liabilities and net assets				
Current liabilities:				
Accounts payable		15,571		16,087
Line of credit		37,000		
Accrued liabilities		21,573		16,151
Deferred revenue				25,882
Total current liabilities		74,144		58,120
Net assets:				
Without donor restrictions		837,893		832,322
Total net assets		837,893		832,322
Total liabilities and net assets	$	912,037	$	890,442

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

Statements of Activities and Changes in Net Assets

Friendship Mission, Inc.
Montgomery, Alabama
For the years ended September 30

	2023	2022
Revenues and other support		
Grants	$ 439,747	$ 628,890
Contributions	515,128	413,821
Investment return, net	8,580	5
Miscellaneous income		11,880
Total revenues and other support	963,455	1,054,596
Expenses and losses		
Program services	836,571	756,822
Supporting services:		
Management and general	86,834	95,392
Fundraising	34,481	26,794
Total expenses and losses	957,886	879,008
Change in net assets	5,569	175,588
Net assets without donor restrictions - beginning of year	832,324	656,736
Net assets without donor restrictions - end of year	$ 837,893	$ 832,324

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

Statement of Functional Expenses

Friendship Mission, Inc.
Montgomery, Alabama
For the year ended September 30, 2023

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries and benefits	$ 472,869	$ 25,561	$ 12,780	$ 511,210
Payroll taxes	41,713	2,255	1,127	45,095
Total compensation	514,582	27,816	13,907	556,305
Utilities	109,169	5,901	2,951	118,021
Insurance	33,186	1,794	897	35,877
Automotive	24,415	1,320	660	26,395
Benevolence	3,589			3,589
Depreciation	61,815	3,341	1,671	66,827
Maintenance and repairs	32,592	1,762	881	35,235
Food	41,232			41,232
Mailouts			2,962	2,962
Supplies	12,828	693	347	13,868
Bank charges		2,173		2,173
Office expenses		10,093	1,121	11,214
Accounting		9,950		9,950
Professional fees		12,872		12,872
Dues and subscriptions		8,948		8,948
Development			8,998	8,998
Interest	923	50	25	998
Miscellaneous	2,239	121	61	2,422
Totals	$ 836,571	$ 86,834	$ 34,481	$ 957,886

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

Statement of Functional Expenses

Friendship Mission, Inc.
Montgomery, Alabama
For the year ended September 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Total
Salaries and benefits	$ 412,938	$ 22,321	$ 11,160	$ 446,419
Payroll taxes	40,102	2,168	1,084	43,353
Total compensation	453,040	24,489	12,244	489,772
Utilities	99,047	5,354	2,677	107,078
Insurance	29,409	1,590	795	31,794
Automotive	21,029	1,137	568	22,734
Benevolence	3,496			3,496
Depreciation	38,253	2,068	1,034	41,355
Maintenance and repairs	31,268	1,690	845	33,803
Food	47,154			47,154
Mailouts			2,647	2,647
Supplies	28,147	1,521	761	30,429
Bank charges		1,624		1,624
Office expenses		19,644	2,183	21,827
Accounting		13,700		13,700
Professional fees		16,923		16,923
Dues and subscriptions		5,329		5,329
Development			2,878	2,878
Miscellaneous	5,979	323	162	6,464
Totals	$ 756,822	$ 95,392	$ 26,794	$ 879,007

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

Statements of Cash Flows

Friendship Mission, Inc.
Montgomery, Alabama
For the years ended September 30

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 5,569	$ 175,588
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	66,827	41,355
Loss on sale of investments	(8,382)	
Changes in operating assets and liabilities:		
Grants receivables	95,473	(73,808)
Prepaid expenses	775	(5,068)
Accounts payable	(516)	(4,217)
Line of credit	37,000	
Deferred revenue	(25,882)	25,882
Accrued liabilities	5,422	2,455
Net cash from operating activities	176,286	162,187
Cash flows from investing activities		
Proceeds from sale of investments	29,000	
Purchases of investments	(20,854)	
Purchases of property and equipment	(272,083)	(70,622)
Net cash from investing activities	(263,937)	(70,622)
Net (decrease) increase in cash and cash equivalents	(87,651)	91,565
Cash and cash equivalents - beginning of year	186,674	95,109
Cash and cash equivalents - end of year	$ 99,023	$ 186,674

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

Notes to Financial Statements

The Friendship Mission, Inc.
Montgomery, Alabama
September 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Nature of Activities – The Friendship Mission, Inc (the "Mission"), is an Alabama not-for-profit organization established in 2007. The Mission was established to provide for the physical and spiritual needs of the homeless in Montgomery, Alabama.

Basis of Accounting – The accompanying financial statements are prepared on the accrual basis of accounting.

Basis of Presentation – Professional standards establish guidelines for external financial reporting by not-for-profit organizations and require resources to be classified for accounting and reporting purposes into two net asset categories according to external (donor) imposed restrictions. The two classes of net assets are:

> Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. As of September 30, 2023 and 2022, all of the Mission's net assets were unrestricted.
>
> Net assets with donor restrictions – Consist of temporarily restricted and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions and/or passage of time. As of September 30, 2023 and 2022, there were no temporarily restricted net assets.

Adoption of New Accounting Standard – In February 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-02, Leases (Topic 842) which provides for recognition of lease assets and lease liabilities for those leases classified as operating leases under previous generally accepted accounting principles ("GAAP"). The Mission adopted the accounting provisions of ASC 842, Leases, prospectively as of October 1, 2022. The Program elected the package of practical expedients not to reassess (a) whether existing contracts contain leases, (b) lease classification for existing leases, and (c) any initial direct cost for any existing leases. The Program has no material lease agreements; therefore, there are no significant impacts of implementing this standard.

Cash and Cash Equivalents – For financial statement purposes, the Mission considers all unrestricted highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments – In accordance with professional standards, the Mission presents investments in marketable securities with a readily determinable fair value at their fair value in the Statement of Financial Position. Fair market values are based on quoted market values. Unrealized gains and losses are included in the change in net assets. The Mission's investments consist of interest-bearing deposit accounts at the end of year, of which cost approximates fair value.

Grant Receivables – Grants receivables consist largely of amounts due from various granting agencies for the reimbursement of allowable expenses incurred per the terms of the grant agreements during the years ended September 30, 2023 and 2022. The Mission considers grants receivable to be fully collectible; and accordingly, no allowance for doubtful accounts is required.

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment – Property and equipment are carried at cost less accumulated depreciation and includes expenditures which substantially increase the useful lives of existing property and equipment. Donated property and equipment are recorded at the approximate fair value as of the date of the gift. Maintenance, repairs, and minor renovations are charged to expense as incurred. All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. When property and equipment are retired or otherwise disposed, the related costs and accumulated depreciation are removed from the respective accounts, and the gain or loss on disposition is recorded in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	5-40 years
Furniture, fixtures, and equipment	5-27 years
Vehicles	5 years

Revenue and Recognition of Donor Restrictions – The Mission receives support by direct contributions and grants from the public, foundations and other organizations, and fundraising activities. Donor restricted assets are created only by donor-imposed restrictions on their use. Amounts received that are restricted by a donor for specific purposes are reported as an increase in donor restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted assets are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses - The cost of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. Cost that are not directly associated with providing specific services have been allocated by time spent by the employees of the Mission providing those services.

Income Taxes - The Mission is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Code section 509(a)(1) is taxable. The Mission currently has no unrelated business income and accordingly, no provision for income taxes have been recorded. As of September 30, 2023 and 2022, the Mission had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification – Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

Subsequent Events – Subsequent events have been evaluated through October 1, 2024, which represents the date the financial statements were available to be issued.

Notes to Financial Statements (Continued)
The Friendship Mission, Inc.
Montgomery, Alabama
September 30, 2023 and 2022

Note 2 – Property and Equipment

Balances of major classes of assets and allowances for depreciation are as follows at September 30:

	2023		
	Cost	Accumulated Depreciation	Net
Buildings and improvements	$ 733,671	$ 263,501	$ 470,170
Land	100,000		100,000
Furniture and equipment	288,887	160,285	128,602
Vehicles	168,945	84,586	84,359
Total	$ 1,291,503	$ 508,372	$ 783,131

	2022		
	Cost	Accumulated Depreciation	Net
Buildings and improvements	$ 594,433	$ 243,238	$ 351,195
Land	100,000		100,000
Furniture and equipment	236,436	140,215	96,221
Vehicles	88,552	58,093	30,459
Total	$ 1,019,421	$ 441,546	$ 577,875

Depreciation expense for the years ending September 30, 2023 and 2022 was $66,827 and $41,355, respectively.

Note 3 – Fair Value Measurements

Professional accounting standards establish 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 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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.

Note 3 – Fair Value Measurements (Continued)

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.

The fair value of the Mission's cash equivalents, investments, accounts receivable, and accounts payable approximate their carrying values because of the short maturity of the instruments. These are all classified as Level 1 for fair value measurement purposes. The Mission does not have any Level 2 or Level 3 classified assets or liabilities.

Note 4 – Line of Credit

The Mission obtained a $80,594 line of credit with SmartBank, maturing in April 2024 with a variable interest rate of 4.725%. The line of credit is secured by 2 vehicles with book costs of $64,315. As of September 30, 2023 and 2022, there was an outstanding balance on the line of credit of $37,000 and $0, respectively.

Note 5 – Economic Dependency and Concentration

The continued existence of the Mission is dependent upon donor funds and funding from various granting agencies. During the year ended September 30, 2023, the City of Montgomery and Mid Alabama Coalition for the Homeless accounted for 19% and 76% of the Mission's grant income, respectively, and one donor accounted for 11% of the Mission's contribution income. During the year ended September 30, 2022, the City of Montgomery and Mid Alabama Coalition for the Homeless accounted for 19% and 61% of the Mission's grant income, respectively, and one donor accounted for 12% of the Mission's contribution income. The City of Montgomery also accounted for 43% and 97% of the Mission's grants receivables as of September 30, 2023 and 2022, respectively.

Financial instruments that potentially subject the Mission to concentrations of credit risk consist primarily of cash and cash equivalents. The Mission maintains its cash in bank deposit accounts. Accounts at each institution are insured by the Federal Deposit Insurance Company up to $250,000. The Mission did not have any uninsured cash balances as of September 30, 2023 and 2022.

Note 6 – Liquidity and Availability of Funds

The Mission's financial assets available for general expenditures, that is without donor restrictions limiting their use, within one year of the statement of financial position date, compromise the following:

	2023	2022
Cash and cash equivalents	$ 99,023	$ 186,674
Investments	238	
Grants receivable	21,374	116,847
Total financial assets available for general expenditures	$ 120,635	$ 303,521

To manage liquidity, the board of directors works closely with management to develop an operating budget each year. The budget is developed based on assets available for general expenditure as well as expected cash receipts during each fiscal year. Management along with the board of directors closely monitors the budget throughout the year. Any significant changes to the budget must be approved by the board of directors.

October 1, 2024

Board of Directors and
Tara Davis, Executive Director
Friendship Mission, Inc.
312 Chisholm Street
Montgomery, Alabama 36110

We have audited the financial statements of the Friendship Mission, Inc. (the Mission) for the year ended September 30, 2023, and we will issue our report thereon dated October 1, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 10, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Mission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Mission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the estimated useful lives of the depreciable assets is based on the type of assets, prior experience and current economic conditions. We evaluated the methods, assumptions, and data used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

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> The costs of providing the various programs and other activities have been allocated among the programs and supporting services benefited. Management's estimate of the allocation of expenses between functions on the statement of functional expenses is significant. We evaluated the key factors and assumptions used to develop the estimate of the allocation of expenses on the statement of functional expenses and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of the line of credit in Note 4 to the financial statements describes the line of credit and its terms.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has requested that, in the normal course of our audit, we propose adjustments to all significant assets, liabilities, and the corresponding revenues or expenses. There are areas that management is aware of that require adjustments. Attached is a recap of the proposed adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Mission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Mission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the management and the board of directors of the Mission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldridge, Borden and Company, P.C.

Client: FRIENDSHIP MISSION, INC.
Engagement: 2023 Audit
Current Period: 09/30/2023
Workpaper: ADJUSTING JOURNAL ENTRIES

Account	Description	Debit	Credit	Net Income Effect
AJE01				
To adjust fixed assets to actual.				
1650	North Shelter Building	5,312.78	0.00	
1610	West Shelter Building	4,000.00	0.00	
1610	West Shelter Building	2,400.00	0.00	
7560	Repairs & Maintenance	0.00	11,712.78	
7550	Capital Expenditures	0.00	15,150.00	
7560	Repairs & Maintenance	0.00	3,250.00	
1810	Furniture & Equipment	4,850.00	0.00	
1815	Furniture&Equipment-West	3,500.00	0.00	
1820	Furniture&Equipment-North	10,050.00	0.00	
Total		**30,112.78**	**30,112.78**	**30,112.78**
AJE02				
To adjust depreciation to actual				
1899	Accumulated Depreciation	0.00	21,722.60	
6490	Depreciation Expense	21,722.60	0.00	
Total		**21,722.60**	**21,722.60**	**(21,722.60)**
AJE03				
To adjust accrued payroll to actual				
2055	Accrued Payroll	0.00	3,664.31	
5428	West Shelter Resident Assocs	3,664.31	0.00	
Total		**3,664.31**	**3,664.31**	**(3,664.31)**

Client:	FRIENDSHIP MISSION, INC.
Engagement:	2023 Audit
Current Period:	09/30/2023
Workpaper:	ADJUSTING JOURNAL ENTRIES

Account	Description	Debit	Credit	Net Income Effect
AJE04				
To clean up accounts per client's request.				
1140	Resident Cash Account	0.00	9.32	
2150	Resident's Cash	9.32	0.00	
2275	Dental Insurance Withheld	506.00	0.00	
2280	Vision Ins. Withheld	0.00	375.80	
2290	Wage Garnishment	285.70	0.00	
2286	Aflac Insurance	0.00	2,288.48	
7210	Miscellaneous	1,872.58	0.00	
Total		**2,673.60**	**2,673.60**	**(1,872.58)**
GRAND TOTAL		**58,173.29**	**58,173.29**	**2,853.29**

Friendship Mission, Inc.
Summary of Passed Adjustments
September 30, 2023

We set a threshold of 1/6 of tolerable misstatement for recording and accumulating any potential audit adjustments.

Per discussion regarding in-kind donations, in the current year, we will be passing on the recording of the value of the in-kind items due to insufficient documentation. There are no complete records to determine the dollar amount of the misstatement. The next effect on the financials is $0 as the donations would be recorded as revenue and expense at the same value.

In-kind contributions are required to be reported per the following standards:

1. Services mut create or enhance nonfinancial assets and/or require specialized skills that would be paid for otherwise.
2. Items must be able to be used internally or for program purposes or be able to be sold by the NFP.
3. Items received for fundraising events should be recorded (silent auction items, use of buildings, food)
4. You must consider the quantity and quality at initial value measurement.

See WU-05 for further information.

Per inquiry of Tara, the leave policy states that if an employee is terminated or retires, any leave accrued will be paid out (see perm file for policy). See WU-01.01 for our calculation of what the liability should be.

PAJE02 – To record accrued leave.

Salary expense	$10,668	
Accrued Leave		$10,668

Tolerable misstatement is $13,000. Liabilities would be understated, and salary expense would be understated by $10,668, which is below our threshold for tolerable misstatement.

Furthermore, there were no passed adjustments in the prior year that would have any effect on the current year.

FRIENDSHIP MISSION
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Providing food and shelter for men, women, and children

October 1, 2024

Aldridge, Borden and Company, P.C.
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This representation letter is provided in connection with your audits of the financial statements of Friendship Mission, Inc., which comprise the statements of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 1, 2024, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 10, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. There were no adjustments made or passed on during the audit.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

11. Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

12. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
    d. Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15. We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:

    a. Management,
    b. Employees who have significant roles in internal control, or
    c. Others where fraud could have a material effect on the financial statements.

16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

17. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

18. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

19. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

20. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

21. Friendship Mission, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware would jeopardize the organization's tax- exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.

22. In regard to the nonattest service of preparation of the financial statements and related notes, cash to accrual entries/account reconciliations, depreciation schedule maintenance, and consideration of implementation of ASC 842 performed by you, we have:
    a. Assumed all management responsibilities.
    b. Designated an individual who has suitable skill, knowledge, or experience to oversee the services.
    c. Evaluated the adequacy and results of the services performed.
    d. Accepted responsibility for the results of the services.

Tara Davis

Tara Davis, Executive Director

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Board of Directors and
Tara Davis, Executive Director
Friendship Mission, Inc.
312 Chisholm Street
Montgomery, Alabama 36110

In planning and performing our audit of the financial statements of Friendship Mission, Inc. (the "Mission"), as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Mission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

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 Mission's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in the Mission's internal control to be a significant deficiency:

> Through discussion and management, we determined there are records of some in-kind donations, but not all. The documentation that was available did not always include what was donated or how much it was valued at. Due to the new in-kind accounting standard, we discussed this with management and recommended a policy be put into place to determine the threshold for recording items received, who takes the donations and has access to them, along with possibly taking an inventory to ensure full accounting of donated items. We understand management is working on this policy now.

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This communication is intended solely for the information and use of management, the Board of Directors, and others within the Mission, and is not intended to be, and should not be, used by anyone other than these specified parties.

Aldridge, Borden and Company, P.C.

Montgomery, Alabama
October 1, 2024