

FRIENDSHIP CHARITIES FOUNDATION, INC.

GRANT AUDIT
March 2022

OFFICE OF AUDITS AND INVESTIGATIONS
Prince George's County
Largo, Maryland



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

March 2022

The County Council and County Executive
of Prince George's County, Maryland

Council Resolution 51-1991, adopted June 25, 1991, requires the Office of Audits and Investigations (A&I) to perform random financial audits of grants and transfer payments appropriated in the Non-Departmental section of the County's Approved Annual Current Expense Budget.

We have examined the books and records of

FRIENDSHIP CHARITIES FOUNDATION, INC.,

for the period July 1, 2018, through June 30, 2020. Our examination included such tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances.

We noted no matters involving the Prince George's County grants to Friendship Charities Foundation, Inc., that led us to believe that the County grant funds were used for other than their intended purpose.

This report, in our opinion, fulfills the requirements of Council Resolution 51-1991 to perform random financial audits of grants and transfer payments made pursuant to the Non-Departmental section of the Prince George's County, Maryland, Fiscal Year 2019 and 2020 Approved Operating Budget.

A handwritten signature in black ink, appearing to read "Turkessa M. Green".

Turkessa M. Green, CPA, CIA, CISA
County Auditor

A handwritten signature in black ink, appearing to read "Nana Boadu".

Nana Boadu, CPA
Auditor-In-Charge

Friendship Charities Foundation, Inc.

Friendship Charities Foundation, Inc. (“FCFI”, “Friendship Charities”, or “the Foundation”), formerly named Gamma Pi Omega Foundation, is a nonprofit 501(c)(3) organization that was incorporated in the State of Maryland in 1987. Its original purpose was to hold ownership of any real property purchased or acquired by Gamma Pi Chapter and to hold and manage Gamma Pi Chapter’s housing fund. However, when the organization received its tax-exempt status in 2006, it assumed responsibility for funding all of Gamma Pi Chapter’s social action programs. The organization’s name was changed in 2011 to Friendship Charities Foundation, Inc. to better position the organization to solicit corporate and government support to fund social action programs facilitated by the Foundation.

The services provided by Friendship Charities Foundation, Inc. include:

- Community Health Initiative - This component of Friendship Charities is designed to educate and provide effective strategies that can prevent health problems by members of the local community, particularly health disparities that most affect persons in the African American community.
- Children’s and Youth Programs - Two separate projects form the core of Friendship Charities' youth outreach -- Project Enrich and Que Kidz Dayz. Through Project Enrich, Friendship Charities seeks to mentor young men and women from the 9th through 12th grades to prepare them for college. Que Kidz Dayz focuses on wholesome, educational, and fun activities for youth from at-risk communities.
- Senior Citizens' Initiatives - Through this program, Friendship Charities aims to provide seniors with the opportunity to meet and interact with groups of younger adults, other than family and relatives, on a regular basis to discuss community, health, political and social issues that have an impact on their lives.
- Voter Registration - The men of Friendship Charities are committed to helping enable more citizens to exercise their right and their voice at the ballot box through an aggressive, informative and far-reaching non-partisan Voter Registration program.
- Christmas in April - The purpose of this program is to help local communities survive and thrive by supporting strong neighborhoods anchored by quality housing and safe streets.
- Annual Senior Citizens Thanksgiving Turkey Dinner - To provide needed financial relief to seniors living on a fixed income and promote a greater holiday spirit during Thanksgiving, Friendship Charities donates at least 100 turkey dinner meals to the residents in the Windsor Crossing Senior Living facility in Suitland, Maryland. The donation provides all the ingredients needed to prepare a complete Thanksgiving family dinner. Volunteers work with the Foundation to distribute the dinners.

- Annual Senior Citizen's Banquet - Guest speakers are invited to an annual senior citizen's banquet where they address relevant topics and issues confronting the senior population. Past topics have included: preparing wills, powers of attorney, estate planning, identifying and preventing fraud against senior citizens, and proper nutrition awareness. The event in 2019 provided transportation to bring together seniors from various senior living facilities throughout Prince George's County to help seniors meet and interact with new supportive friends.
- Annual Senior Citizens Fish Fry - A senior citizens support program designed to promote socialization and expand individual support and self-help networks. The event has been held during the summer at Watkins Regional Park. Volunteers prepare food for the seniors and activities include ice-breaker games that encourage participants to meet new people and share experiences and common interests.
- Dementia Awareness Program - Participants are able to get dementia screenings, attend a seminar by a practicing physician on understanding dementia, and hear from a lawyer answering questions on legal issues related to dementia and estate planning. Kaiser Permanente provided written materials on how to create durable powers of attorney in Maryland and District of Columbia.
- Monthly Que Kids Daze Program - Youth enrichment program designed to give young people an opportunity to interact with positive male role models. This interaction helps students enhance their cognitive, social, and physical fitness skills through healthy eating choices and other activities. The program occurs on Saturday mornings once a month. The youth are exposed to guest speakers to learn life skills and attend field trips that support educational and historical enrichment, such as trips to local colleges and universities and the National Museum of African American History and Culture. Youth participating in this program may then be recommended for the Project Enrich program, which is a college preparatory program that starts when the students are in the 9th grade and continues until the students graduate from high school.
- Back to School Backpack Program - The Foundation works with other community groups and individuals to sponsor a back to school backpack program at Kentland Community Center and other community centers. The goal each year is to provide 100 backpacks with school supplies to local elementary school students who are returning to school after the summer break.
- Men and Women Homeless Shelter Support - The Foundation collects clothing and toiletry items for local homeless shelters and provides meals and fellowship with the residents at these facilities.
- Christmas Toy Project - The Foundation purchases and distributes toys for disadvantaged children during the Christmas holiday season.

- Scholarships - The Foundation works with the Charles Drew Memorial Scholarship Foundation to provide scholarships for students attending college after graduating from Project Enrich.

Friendship Charities Foundation, Inc. is governed by a Board of Directors, that consist of eight persons (8) including one (1) ex-officio member, who serve without compensation. The Board manages the affairs of the organization and has all the powers and duties necessary or appropriate for the administration of the affairs of the organization. Per the organization's Bylaws, the Board holds regular meetings at least every two (2) months.

The Prince George's County Council appropriates funds to support nonprofit organizations throughout the County in the form of grants. The Non-Departmental budget included funds to fulfill grant requests received from County nonprofit organizations. Non-Departmental grant funds are to be used to support citizen/community-based programs and services that help address the human, social, education, recreation and other service needs of the County's citizens and communities. County Council grants are awarded through a formal application process.

The Prince George's County Council awarded FCFI two (2) grants totaling \$100,000 in fiscal years 2019 and 2020. A summary of the grants awarded is as follows:

<u>Disbursement Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>
12/24/2018	Non-Departmental	50,000
6/10/2020	Non-Departmental	50,000
Total Amount Awarded		<u>\$100,000</u>

The FY 2019 Non-Departmental grant was used to support programs for senior citizens and disadvantaged youth. Programs include health and wellness, youth services, social services, cultural awareness, and assistance to senior citizens including seminars and resource fairs. The organization reported that the FY 2020 Non-Departmental Grant was used to help address the food needs of residents by sponsoring and participating in several food distribution projects.

FCFI receives its revenue from grants, donations, and fundraising events. FCFI received 65% of its income from fundraising (Mardi Gras event) in January 2018 through June 2020. The grants, which were provided by the Prince George's County Government, accounted for 30% of the organization's total revenue in January 2018 through June 2020.

OBJECTIVE, SCOPE AND METHODOLOGY

The objectives of our audit were to: (a) assess the adequacy of the system of internal and management controls over grant funds received and expended; (b) assess whether grant related transactions occurred in a manner consistent with FCFI's grant request application and other generally accepted business practices; and (c) identify factors inhibiting satisfactory performance in these areas, and make recommendations to protect the County's interest concerning the grant funds.

The scope included all transactions related to the receipt and disbursement of the total grant funds received from July 2018 through June 2020 (a total of \$100,000).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by Friendship Charities Foundation, Inc.;
- The organization's accounting policy and procedure manual;
- The United States General Accountability Office Standards for Internal Control publication (GAO-14-704G);
- [Maryland Nonprofit's Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector](#); and
- Internal Revenue Code (IRC)/Internal Revenue Service (IRS) guidelines.

The audit included interviews with key personnel of FCFI and detailed tests including:

- An examination of the organization's monthly bank statements;
- A review of the organization's Federal Form 990 return for 2018 and 2019;
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

The organization maintains its financial records using QuickBooks. The organization operates on a January 1 through December 31 fiscal year. We noted that the organization is registered with the Maryland Secretary of State's Charity Division, as required by law, and is in compliance through 2019. The law requires organizations to file certain information annually, including a signed copy of their IRS Form 990 and a copy of the independent certified public accountant's financial review or audit (when applicable), for the last completed fiscal year to remain in compliance. Organizations have up to 11 months after the end of their fiscal year to file the required information with the Maryland Secretary of State's Charity Division.

We examined the books and records maintained by FCFI and included tests of the accounting records and other auditing procedures, as we determined necessary. Our examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to related invoices. **We noted no instances that led us to believe that County grant funds were used for other than their intended purpose.** However, A&I noted some areas for improvement.

During our audit, A&I noted that bookkeeping and reconciliation functions are not properly segregated and documented. We noted that the Treasurer signs the checks (along with the President) after they have been approved, is responsible for maintaining the general ledger, opens and reviews the bank statements, and performs and reviews the monthly bank reconciliations. Also, during our audit we noted that evidence of review and approval of the reconciliations was not provided.

Lack of segregation of duties increases the likelihood of fraud, misuse, and misappropriation of County Government resources. We therefore recommend that:

- 1. The Board establish policies and procedures to ensure that key financial responsibilities are properly segregated, where practical.**
- 2. The organization should establish a policy of performing an *independent* review of the monthly bank reconciliations and maintain documentation of the reconciliation and review, as indicated with the preparer's signature and reviewer's signatures.**

While reviewing documentation for expenditures selected for testing, we also noted a few instances where the organization had inadequate documentation. Lack of documentation to support the operations of the organization decreases the reliability of financial statements. Based on our assessment, the deficiencies mentioned above may have resulted from not following the organization's written procedures. We recommend that:

- 3. The organization follow its written policies and procedures as it relates to cash disbursement, purchasing, and the documentation and retention of support for all grant funds received and/or dispersed by the organization.**

FCFI operates and reports on a calendar year, however our examination was conducted on a fiscal year basis. For report purposes the attached Statement of Activities, as audited by their independent auditors, is presented on a calendar year consistent with FCFI's operations. The attached Statement of Activities shows the financial activities of the organization for the periods ending December 31, 2018, December 31, 2019, and December 31, 2020.

FRIENDSHIP CHARITIES FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE PERIODS ENDING
DECEMBER 31, 2018, DECEMBER 31, 2019, AND DECEMBER 31, 2020
(ACCRUAL BASIS)

	CY 2018	CY 2019	CY 2020
REVENUES:			
County Grants	\$ 50,000	\$ -	\$ 50,000
Direct Public Support	3,870	800	28,345
Investment Income	464	3,303	12,614
Program Income	78,480	80,384	-
Total Revenues	\$132,814	\$ 84,487	\$ 90,959
EXPENDITURES:			
Fundraising	\$ 71,785	\$ 58,907	\$ -
Social Action Programs	5,538	6,563	44,927
Charles Drew Memorial Scholarship	10,200	11,400	-
Foundation Donations	1,050	-	-
Support Services	7,855	7,104	20,890
Housing	-	10,552	-
Total Expenditures	\$ 96,428	\$ 94,526	\$ 65,817
Excess Revenue Over/(Under) Expenditures	\$ 36,386	\$ (10,039)	\$ 25,142