

FRIENDLY CENTER, INC.  
FINANCIAL STATEMENTS

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE  
INFORMATION FOR 2018)

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# *Guzman & Gray*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Board of Directors of  
Friendly Center, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Friendly Center, Inc. (the "Center") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## INDEPENDENT AUDITORS' REPORT (Continued)

### **Auditors' Responsibility (Continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Friendly Center's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Guzman & Gray CPAs  
Long Beach, CA  
March 20, 2020

FRIENDLY CENTER, INC.  
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

ASSETS				
	Without Donor Restriction	With Donor Restriction	2019	2018
<b>Current Assets</b>				
Cash and cash equivalents	\$ 868,808	\$ 55,240	\$ 924,048	\$ 931,405
Certificates of deposit	208,731	3,747	212,478	137,169
Receivables	122,194		122,194	128,840
	1,199,733	58,987	1,258,720	1,197,414
 <b>Property and Equipment, Net of Accumulated Depreciation</b>				
Property and equipment				
Land	40,617		40,617	40,617
Building and building improvements	190,631		190,631	241,402
Leasehold improvements	27,723		27,723	27,723
Furniture and equipment	59,190		59,190	92,567
Computers and software	17,555		17,555	7,205
Transportation	35,859		35,859	13,463
	371,575		371,575	422,977
Less accumulated depreciation	(288,839)		(288,839)	(367,551)
	82,736		82,736	55,426
 <b>Other Assets</b>				
Deposits	6,562		6,562	5,526
	6,562		6,562	5,526
<b>TOTAL ASSETS</b>	<b>\$ 1,289,031</b>	<b>\$ 58,987</b>	<b>\$ 1,348,018</b>	<b>\$ 1,258,366</b>
 <b>LIABILITIES AND NET ASSETS</b>				
	Without Donor Restriction	With Donor Restriction	2019	2018
<b>Current Liabilities</b>				
Accounts payable	\$ 40,842		\$ 40,842	\$ 42,645
Tenant deposits	2,196		2,196	2,193
Deferred revenue	18,368		18,368	21,401
Accrued payroll and related	43,370		43,370	33,997
<b>TOTAL LIABILITIES</b>	<b>104,776</b>		<b>104,776</b>	<b>100,236</b>
 <b>Net Assets</b>				
Without donor restriction	1,184,255		1,184,255	1,078,415
With donor restriction		\$ 58,987	58,987	79,715
<b>TOTAL NET ASSETS</b>	<b>1,184,255</b>	<b>58,987</b>	<b>1,243,242</b>	<b>1,158,130</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,289,031</b>	<b>\$ 58,987</b>	<b>\$ 1,348,018</b>	<b>\$ 1,258,366</b>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

FRIENDLY CENTER, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	Without Donor Restriction	With Donor Restriction	2019	2018
<b>SUPPORT AND REVENUE</b>				
<b>Support</b>				
Grants	\$ 590,384	\$ 45,000	\$ 635,384	\$ 675,566
Contributions, individuals	119,846		119,846	86,740
Contributions, churches and other organizations	149,100		149,100	99,059
Donated support	2,463,449		2,463,449	2,898,444
Release of restrictions	65,728	(65,728)	-	-
<b>Total Support</b>	<b>3,388,507</b>	<b>(20,728)</b>	<b>3,367,779</b>	<b>3,759,809</b>
<b>Revenue</b>				
Rent income	101,788		\$ 101,788	99,115
Interest income	4,928		4,928	4,743
Miscellaneous income/(loss)	6,151		6,151	4,254
Fundraising, net	157,020		157,020	119,848
<b>Total Revenue</b>	<b>269,887</b>		<b>269,887</b>	<b>227,596</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,658,394</b>	<b>(20,728)</b>	<b>3,637,666</b>	<b>3,987,405</b>
<b>EXPENSES</b>				
Program services	3,310,084		3,310,084	3,733,427
Support services	242,470		242,470	253,451
<b>TOTAL EXPENSES</b>	<b>3,552,554</b>		<b>3,552,554</b>	<b>3,986,878</b>
<b>CHANGE IN NET ASSETS</b>	<b>105,840</b>	<b>(20,728)</b>	<b>85,112</b>	<b>524</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,078,415</b>	<b>79,715</b>	<b>1,158,130</b>	<b>1,157,606</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,184,255</b>	<b>\$ 58,987</b>	<b>\$ 1,243,242</b>	<b>\$ 1,158,130</b>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

FRIENDLY CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	Program			Supporting			2019	2018
	General Programs	Housing	Total	Management and General	Fund Raising	Total		
Accounting and auditing	\$ 5,800	\$ 6,350	\$ 12,150				\$ 12,150	\$ 11,950
Bank charges				\$ 4,133		\$ 4,133	4,133	626
Contract		8,270	8,270				8,270	4,187
Depreciation	5,600	3,489	9,089				9,089	7,608
Fundraising					\$ 41,699	41,699	41,699	30,151
In-kind facilities	360,000		360,000				360,000	324,000
In-kind food & other	2,081,053		2,081,053				2,081,053	2,574,444
Insurance	17,036	4,069	21,105				21,105	21,110
Professional fees	2,247	151	2,398	301	284	585	2,983	7,245
Repairs and maintenance	279	44	323	2,461		2,461	2,784	5,459
Miscellaneous		2,820	2,820	4,391	5,885	10,276	13,096	5,139
Office supplies	1,525	630	2,155	3,308		3,308	5,463	7,008
Membership dues				1,315		1,315	1,315	1,278
Salaries and wages	603,736	10,346	614,082	86,862	63,412	150,274	764,356	766,186
Employee benefits	16,648	1,278	17,926	2,930	3,748	6,678	24,604	33,270
Payroll taxes	50,198	1,020	51,218	7,222	5,272	12,494	63,712	65,870
Postage				1,047	460	1,507	1,507	1,431
Printing	7,727		7,727	3,909	3,831	7,740	15,467	16,036
Equipment	13,090	5,077	18,167				18,167	6,129
Program	68,204	6,000	74,204				74,204	73,904
Taxes		1,936	1,936				1,936	1,911
Special events					42,922	42,922	42,922	26,574
Transportation	5,687		5,687				5,687	3,999
Utilities	12,205	7,569	19,774				19,774	17,937
Subtotal	\$ 3,251,035	\$ 59,049	\$ 3,310,084	\$ 117,879	\$ 167,513	\$ 285,392	\$ 3,595,476	\$ 4,013,452
Less: Direct donor benefit					(42,922)	(42,922)	(42,922)	(26,574)
Total Expenses	<u>3,251,035</u>	<u>59,049</u>	<u>3,310,084</u>	<u>117,879</u>	<u>124,591</u>	<u>242,470</u>	<u>3,552,554</u>	<u>3,986,878</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

FRIENDLY CENTER, INC.  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 85,112	\$ 524
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,089	7,608
(Increase) decrease in:		
Receivables	6,646	34,511
Deposits	(1,036)	(176)
Increase (decrease) in:		
Accounts payable	(1,803)	877
Accrued payroll and related	9,373	(6,884)
Tenant deposits	3	3
Deferred revenue	(3,033)	(11,706)
	104,351	32,657
NET CASH FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(11,603)	(10,063)
Donated assets received	(22,396)	
Reinvested dividends	(77,709)	(101,024)
	(111,708)	(111,087)
NET CASH FROM INVESTING ACTIVITIES		
NET INCREASE IN CASH	(7,357)	(78,430)
CASH AT BEGINNING OF YEAR	931,405	1,009,835
CASH AT END OF YEAR	\$ 924,048	\$ 931,405
 SUPPLEMENTAL DISCLOSURES		
INTEREST PAID	NONE	NONE
INCOME TAXES PAID	NONE	NONE
 NON-CASH TRANSACTIONS		
Non-monetary contributions	\$ 2,463,449	\$ 2,898,444
Non-monetary contribution of donated stock	NONE	NONE

See Independent Auditors' Report and Accompanying Notes to Financial Statements.



FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Friendly Center, Inc., (the “Center”) a not for profit multi-culture community center, was organized on February 16, 1967. Friendly Center’s primary purpose is to provide information, referrals, emergency services, youth development programs, parenting classes, activity program, and 8 low-income housing units. These services are provided to the public who are economically or educationally disadvantaged.

Basis of Accounting

The Center uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates and Assumptions

In preparing financial statements in conformity with generally accepted accounting principles (GAAP), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Financial Statement Presentation

The accompanying financial statements of the Center are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose

With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of the Center or by the passage of time

The Center has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Center considers cash on hand, demand deposits and highly-liquid investments with original maturities of three months or less.

Pledge and Accounts Receivable

Pledges are recognized when legally enforceable and all conditions to the pledge have been met. Revenues earned but not received are recorded as a receivable.

No allowance for uncollectible pledges has been established as management believes the total amount to be fully collectible within the next year.

Grants

Revenues from grants are recorded when earned, in accordance with the terms of the grant. Grant funds earned, but not received, are accrued.

Property and Equipment

All property and equipment are recorded at cost if purchased, and at fair value, if donated. Depreciation is calculated on a straight-line basis. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

Donated Service and Support

Donated services are reflected as donations at their estimated fair value at the time the services are performed. Only those donated services that will otherwise be performed by salaried personnel, if donated services are not available for the organization to accomplish its purpose, are included in the financial statements. Donated support consists of food, clothing, toys, etc. These items are reflected at their estimated fair value at the time of receipt. Additionally, the Center has facility lease contracts with the cities of Orange and Placentia to occupy for a nominal rent of \$1 a year. The Center records the use of the facilities as a donation, and reflects the donation at its estimated fair value.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date.

Tax Status

The Center has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). The organization is involved in no activities that are subject to unrelated business tax. As a result, no provision for income taxes has been made. The Center recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Center is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for Federal and California state purposes is generally three and four years, respectively.

Reporting of Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through March 20, 2020, the date the financial statements were available to issue.

Due to the Global Outbreak of the coronavirus, and the subsequent measures taken by local, state, and federal government, the Organization is unable to accurately predict how the coronavirus will affect the results of its operation because the disease's severity and the duration of the outbreak are uncertain at this time.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Center is currently evaluating the impact of the adoption of the new standard on the financial statements.

FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Comparative Totals

The financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 2 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for programs	\$58,987	\$75,715
Subject to endowment spending policy	<u>          </u>	<u>4,000</u>
Total Net Assets with donor restrictions	<u>\$58,987</u>	<u>\$79,715</u>

Net Assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

Satisfaction of purpose restrictions	\$58,987	\$64,386
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NOTE 3 - ENDOWMENT

The Endowment consist of \$4,000 established by a donor to provide annual funding for programs. The Board of Directors has interpreted the Uniform Prudent Management of institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity the original value of initial and subsequent gift amounts. The Endowment is invested in a certificate of deposit.

FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of December 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 40,617	\$ 40,617
Building and Building Improvements	190,631	241,402
Leasehold Improvements	27,723	27,723
Furniture and Equipment	59,109	92,567
Computers and software	17,555	7,205
Transportation	<u>35,859</u>	<u>13,463</u>
Total	371,575	422,977
Less Accumulated Depreciation	<u>( 288,839)</u>	<u>( 367,551)</u>
 Net	 <u>\$ 82,736</u>	 <u>\$ 55,426</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$9,089 and \$7,608, respectively.

NOTE 5 – LIQUIDITY AND AVAILABILITY

The Organization maintains and manages adequate operating funds per policies set by the board of directors.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 868,808
Accounts receivable	122,194
Certificates of deposit	<u>208,731</u>
 Total	 <u>\$ 1,199,733</u>

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)

NOTE 6 – DONATED MATERIALS AND SERVICES

Donated materials and services for the years ended December 31, 2019 and 2018 is summarized as follows:

	2019	2018
Food, Gifts & other	\$ 2,042,511	\$2,517,957
Rent	360,000	324,000
Services	60,938	56,484
	\$2,463,449	\$2,898,444

NOTE 7 – CONTINGENCIES AND CONCENTRATIONS

Support

The Center receives a substantial amount of its support from federal, state and local governments. A significant reduction in the level of this support may have an adverse effect on the Center’s programs and activities.

Grant Audit Contingencies

Under the terms of federal and state grants, periodic audits by the grantor agencies are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Previous audits of the organization by the grantor agencies have not resulted in disallowance.

NOTE 8 - LEASE OBLIGATIONS

The Center is obligated under the terms of an operating lease for the rental of equipment until January 11, 2021. Total rental payments were approximately \$5,492 and \$5,448 for the years ended December 31, 2019 and 2018, respectively. This amount is included in equipment expense in the accompanying statement of functional expenses. Future minimum rental payments are:

2020	5,448
	\$ 5,448

FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)

NOTE 9 – CONCENTRATION OF CREDIT RISK

The Center operates in Orange, California, and surrounding areas and is dependent upon the local economy.

The Center maintains cash balances at several financial institutions located in Southern California. The balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and 2018, the Center's uninsured cash balance total \$45,804 and \$5,006, respectively. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences, respectively.

NOTE 10 – FUNDRAISING EVENTS

The Center conducted fundraising events to assist in funding program operations. All revenues received in excess of expenses from the events are used for the current program operations. The costs that are direct benefits to the donors are included in Donor Benefit Expenses.

The fundraising revenues and expenses are as follows for the year ended December 31, 2019:

	<u>Gross Revenue</u>	<u>Donor Benefit Expenses</u>	<u>Revenue Net of Donor Benefit Expenses</u>
Street Fair	\$ 51,386	\$ 15,981	\$ 35,405
Golf Tournament	31,798	10,233	21,565
Partnership Banquet	109,668	16,708	92,960
Other	<u>7,090</u>	<u>-</u>	<u>7,090</u>
	<u>\$199,942</u>	<u>\$ 42,922</u>	<u>\$ 157,020</u>

FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2017)

**NOTE 10 – FUNDRAISING EVENTS (Continued)**

The fundraising revenues and expenses are as follows for the year ended December 31, 2018:

	<u>Gross Revenue</u>	<u>Donor Benefit Expenses</u>	<u>Revenue Net of Donor Benefit Expenses</u>
Street Fair	\$ 37,207	\$ 9,735	\$ 27,472
Golf Tournament	20,422	7,200	13,222
Partnership Banquet	76,819	9,549	67,270
Other	<u>11,500</u>	<u>-</u>	<u>11,500</u>
	<u>\$ 145,948</u>	<u>\$ 26,485</u>	<u>\$ 119,464</u>

**NOTE 11 – FAIR VALUE MEASUREMENTS**

GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Other observable inputs, which include quoted prices for similar assets and liabilities, and market support inputs. These inputs could include such items as interest rates, yield curves, auction prices for equipment or per square foot selling prices for real estate.

Level 3: Inputs that are unobservable inputs for assets and liabilities are based on the Organization's assumptions. These include inputs that are internally developed and estimated.

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair measurement in its entirety.



FRIENDLY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2017)

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

Fair Values Measured on a Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

	<u>Fair Market Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Certificates of deposit	\$ <u>212,478</u>	<u>NONE</u>	<u>\$212,478</u>	<u>NONE</u>

Fair Values Measured on a Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	<u>Fair Market Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Certificates of deposit	\$ <u>137,169</u>	<u>NONE</u>	<u>\$137,169</u>	<u>NONE</u>

Fair values for certificates of deposit are determined by reference to quoted market prices and other relevant information generated by market transactions.

The carrying value of cash and cash equivalents, receivables, other assets, accounts payable, accrued expenses are reasonable estimates of fair value due to the short term nature of these financial instruments and consequently these instruments are not presented in the table shown above, as there are no changes in the valuation of any of these financial instruments.