

FRIENDLY CENTER, INC.
FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE
INFORMATION FOR 2020)

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16

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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 Center), which comprise the statement of financial position as of December 31, 2021, 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 Center as of December 31, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Guzman & Gray CPAs
Long Beach, CA
June 3, 2022

FRIENDLY CENTER, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

ASSETS				
	Without Donor Restrictions	With Donor Restrictions	2021	2020
Current Assets				
Cash and cash equivalents	\$ 1,033,126	\$ 81,572	\$ 1,114,698	\$ 1,336,079
Certificates of deposit	103,529	-	103,529	103,015
Receivables	64,380	-	64,380	67,184
Prepaid expenses	2,247	-	2,247	
	<u>1,203,282</u>	<u>81,572</u>	<u>1,284,854</u>	<u>1,506,278</u>
Investments	254,586	-	254,586	-
Property and Equipment, Net of Accumulated Depreciation				
Property and equipment				
Land	40,617	-	40,617	40,617
Building and building improvements	256,446	-	256,446	190,631
Leasehold improvements	34,634	-	34,634	27,723
Furniture and equipment	62,677	-	62,677	62,677
Computers and software	30,090	-	30,090	19,969
Transportation	35,859	-	35,859	35,859
	<u>460,323</u>	<u>-</u>	<u>460,323</u>	<u>377,476</u>
Less accumulated depreciation	<u>(312,693)</u>	<u>-</u>	<u>(312,693)</u>	<u>(304,247)</u>
	<u>147,630</u>	<u>-</u>	<u>147,630</u>	<u>73,229</u>
Other Assets				
Deposits	3,141	-	3,141	9,343
TOTAL ASSETS	<u>\$ 1,608,639</u>	<u>\$ 81,572</u>	<u>\$ 1,690,211</u>	<u>\$ 1,588,850</u>
LIABILITIES AND NET ASSETS				
	Without Donor Restrictions	With Donor Restrictions	2021	2020
Current Liabilities				
Accounts payable	\$ 19,422	-	\$ 19,422	\$ 18,429
Tenant deposits	2,665	-	2,665	2,199
Deferred revenue	13,015	-	13,015	13,121
Accrued payroll and related	55,426	-	55,426	42,870
TOTAL LIABILITIES	<u>90,528</u>	<u>-</u>	<u>90,528</u>	<u>76,619</u>
Net Assets				
Without donor restrictions	1,518,111	-	1,518,111	1,426,397
With donor restrictions		\$ 81,572	81,572	85,834
TOTAL NET ASSETS	<u>1,518,111</u>	<u>81,572</u>	<u>1,599,683</u>	<u>1,512,231</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,608,639</u>	<u>\$ 81,572</u>	<u>\$ 1,690,211</u>	<u>\$ 1,588,850</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

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

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
SUPPORT AND REVENUE				
Support				
Grants	\$ 361,269	\$ 68,158	\$ 429,427	\$ 582,187
Contributions, individuals	162,233	-	162,233	155,790
Contributions, churches and other organizations	267,120	-	267,120	309,637
Donated support	1,114,397	-	1,114,397	910,022
Release of restrictions	72,420	(72,420)	-	-
Total Support	1,977,439	(4,262)	1,973,177	1,957,636
Revenue				
Investment income, net	6,053	-	6,053	5,061
Miscellaneous income	4,872	-	4,872	11,238
Fundraising, net	115,539	-	115,539	53,512
PPP loan recognition	-	-	-	152,932
Total Revenue	126,464	-	126,464	222,743
TOTAL SUPPORT AND REVENUE	2,103,903	(4,262)	2,099,641	2,180,379
EXPENSES				
Program services	1,846,184	-	1,846,184	1,737,687
Support services	211,036	-	211,036	203,496
TOTAL EXPENSES	2,057,220	-	2,057,220	1,941,183
CHANGE IN NET ASSETS FROM OPERATIONS	46,683	(4,262)	42,421	239,196
CHANGE IN NET ASSETS FROM DISCONTINUED OPERATIONS (NOTE 11)	45,031	-	45,031	30,469
TOTAL CHANGE IN NET ASSETS	91,714	(4,262)	87,452	269,665
NET ASSETS, BEGINNING OF YEAR	1,426,397	85,834	1,512,231	1,242,566
NET ASSETS, END OF YEAR	\$ 1,518,111	\$ 81,572	\$ 1,599,683	\$ 1,512,231

See Independent Auditors' Report and Accompanying Notes to Financial Statements

FRIENDLY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	Support Services			2021	2020
	Program Services	Management and General	Fund Raising		
Accounting and auditing	\$ 5,900	-	-	-	-
Bank charges	-	\$ 5,755	-	\$ 5,755	5,755
Bad debts	-	-	-	-	-
Contract	-	-	-	-	-
Depreciation	11,935	-	-	-	-
Fundraising	-	-	\$ 23,165	23,165	11,919
In-kind facilities	207,456	-	-	-	11,353
In-kind food & other	906,941	-	-	-	283,196
Insurance	23,566	-	-	-	626,825
Professional fees	1,490	199	189	388	23,566
Repairs and maintenance	140	1,241	-	1,241	23,765
Miscellaneous	-	5,678	7,611	13,289	1,878
Office supplies	2,518	5,459	-	5,459	3,418
Membership dues	-	928	-	928	1,381
Salaries and wages	542,667	78,076	56,998	135,074	3,666
Employee benefits	12,007	2,113	2,704	4,817	1,318
Payroll taxes	43,269	6,225	4,545	10,770	5,788
Postage	-	739	324	1,063	928
Printing	9,072	4,589	4,498	9,087	1,318
Equipment	10,051	-	-	-	1,318
Program	58,354	-	-	-	1,318
Special events	-	-	33,752	33,752	677,741
Transportation	1,113	-	-	-	764,708
Utilities	9,705	-	-	-	9,979
Subtotal	1,846,184	111,002	133,786	244,788	54,039
Less: Direct donor benefit	-	-	(33,752)	(33,752)	63,081
Total Expenses	<u>\$ 1,846,184</u>	<u>\$ 111,002</u>	<u>\$ 100,034</u>	<u>\$ 211,036</u>	<u>\$ 2,090,972</u>
					<u>\$ 1,941,183</u>

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

FRIENDLY CENTER, INC.
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 87,452	\$ 269,665
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,935	15,408
Unrealized (gain)loss on investments	520	-
(Increase) decrease in:		
Receivables	2,804	55,010
Prepaid expenses	(2,247)	-
Deposits	6,202	(2,781)
Increase (decrease) in:		
Accounts payable	993	(22,413)
Accrued payroll and related	12,556	(500)
Tenant deposits	466	3
Deferred revenue	(106)	(5,247)
NET CASH FROM OPERATING ACTIVITIES	120,575	309,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(86,336)	(5,901)
Purchases of investments	(264,278)	-
Proceeds from sale of investments	9,172	-
Change in certificates of deposit	(514)	108,787
NET CASH FROM INVESTING ACTIVITIES	(341,956)	102,886
NET INCREASE IN CASH	(221,381)	412,031
CASH AT BEGINNING OF YEAR	1,336,079	924,048
CASH AT END OF YEAR	\$ 1,114,698	\$ 1,336,079
 SUPPLEMENTAL DISCLOSURES		
INTEREST PAID	NONE	NONE
INCOME TAXES PAID	NONE	NONE
 NON-CASH TRANSACTIONS		
Non-monetary contributions	\$ 1,114,397	\$ 910,021
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, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 1 – CENTER AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Center

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, food distribution, and 8 low-income housing units. These services are provided to the public who are economically or educationally disadvantaged.

Basis of Accounting

The Center prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

Net Assets Released from Donor Restrictions – Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors.

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

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 1 – CENTER 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.

Investments

Investments purchased by the Center are stated at market value. Contributed investments are stated at their market value on the date of donation. Realized gains and losses on sale of securities are determined based on the cost of the individual securities and the sale price at the date of sale. Unrealized gains and losses on investments are calculated as the difference between cost and market value at December 31, 2021.

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.

Revenue Recognition

A summary of significant revenue recognition policies are as follows:

Grant Revenues and Receivables

Grants received are recorded as either net assets with or without donor restrictions depending on the existence and the nature of the restriction. Restrictions met in the same reporting period are reported as net assets without donor restrictions.

Grant revenues earned, but not received, are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenue. Grant expenditures are recorded when the liability is incurred.

No allowance for uncollectible amounts has been established as management believes the total amount to be fully collectible.

Pledges and Pledges 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.

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

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

Grants

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

Special Events

The Center conducts special events in order to assist programing and supporting services. All events are conducted in accordance with applicable Federal, State, and local laws and ordinances. Revenues received from such events in excess of expenses are used to cover program and management support expenses.

Contributions

Contributions received are recorded as restricted support depending on the existence and/or the nature of any donor restrictions. Restrictions met in the same reporting period are reported as unrestricted support.

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 Center 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 a facility lease contract with the city of Orange 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.

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).

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

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

Tax Status (Continued)

The Center 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.

Accounting Pronouncements Adopted by the Center

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*. The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services using a five-step approach. The Center's adoption of ASU 2014-09 does not have a material impact on the Center's financial statements.

Recent Accounting Pronouncements Not Adopted by the Center

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position 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 statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Center is currently evaluating the impact of the guidance on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Center is currently evaluating the impact of the guidance on its financial statements.

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 1 – CENTER 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, 2020, from which the summarized information was derived.

Management's Evaluation of Subsequent Events

The Center has evaluated subsequent events through June 3, 2022, which represents the date the financial statements were available to be issued. Except for the event disclosed below, there were no subsequent events requiring adjustments to the financial statements or disclosures as stated herein.

NOTE 2 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Restricted due to purpose and time Program purposes	<u>\$81,572</u>	<u>\$85,834</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, 2021 and 2020:

Satisfaction of purpose restrictions	<u>\$72,420</u>	<u>\$38,153</u>
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NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of December 31, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 40,617	\$ 40,617
Building and Building Improvements	216,539	190,631
Leasehold Improvements	34,634	27,723
Furniture and Equipment	102,584	62,677
Computers and software	30,090	19,969
Transportation	<u>35,859</u>	<u>35,859</u>
Total	460,323	377,476
Less Accumulated Depreciation	<u>(312,693)</u>	<u>(304,247)</u>
	<u>\$ 147,630</u>	<u>\$ 73,229</u>

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 3 – PROPERTY AND EQUIPMENT, NET (Continued)

Depreciation expense for the years ended December 31, 2021 and 2020 was \$11,935 and \$15,408, respectively.

NOTE 4 – DONATED MATERIALS AND SERVICES

Donated materials and services for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021	2020
Food, Gifts & other	\$ 853,719	\$ 606,704
Rent	207,456	283,196
Services	53,222	20,122
	\$ 1,114,396	\$ 910,022

NOTE 5 – LIQUIDITY AND AVAILABILITY

The Center 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	\$ 1,114,698
Accounts receivable	64,380
Investments	254,586
Certificates of deposit	103,529
Financial assets available to meet cash needs for general Expenditures within one year	\$ 1,537,193

NOTE 6 – CONTINGENCY, RISKS, CONCENTRATION AND UNCERTAINTIES

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.

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 6 – CONTINGENCY, RISKS, CONCENTRATION AND UNCERTAINTIES
(Continued)

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 Center by the grantor agencies have not resulted in disallowance.

Market and Interest Rate Risks

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Credit Risk

The Center maintains cash in various financial institutions located in Southern California. All accounts at an insured depository institution, including all non-interest bearing accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, the SIPC does not protect against losses in market value. At times, cash balances may exceed federally insured limits, but management believes the Center was not exposed to any significant credit risk. The uninsured balances at December 31, 2021 totaled \$25,751.

Uncertainties

On June 15, 2021, the California Governor temporarily lifted certain COVID-19 restrictions and put in place a public health order. California continues to follow certain COVID-19 public health guidance for certain establishments. Any unknown increased risk exposure from the COVID-19 pandemic could have an adverse financial impact on the Center's programs and business.

NOTE 7 - LEASE OBLIGATIONS

The Center is obligated under the terms of an operating lease for the rental of equipment until August 9, 2023. Total rental payments were approximately \$6,346 and \$6,346 for the years ended December 31, 2021 and 2020, respectively. This amount is included in equipment expense in the accompanying statement of functional expenses. Future minimum rental payments are:

2023	<u>\$ 454</u>
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FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 8 – FUNDRAISING EVENTS

The Center conducted fundraising events to assist in funding program and support services. All revenues received in excess of expenses from the events are used for the program and support services. The costs that are direct benefits to the donors are included in Donor Benefit Expenses and presented on the statement of activities and changes in net assets.

The fundraising revenues and expenses are as follows for the year ended December 31, 2021:

	<u>Gross Revenue</u>	<u>Donor Benefit Expenses</u>	<u>Revenue Net of Donor Benefit Expenses</u>
Golf Tournament	\$ 48,274	\$ 16,504	\$ 31,770
Gala	90,694	17,248	73,446
Other	<u>10,323</u>	<u>-</u>	<u>10,323</u>
	<u>\$ 149,291</u>	<u>\$ 33,752</u>	<u>\$ 115,539</u>

The fundraising revenues and expenses are as follows for the year ended December 31, 2020:

	<u>Gross Revenue</u>	<u>Donor Benefit Expenses</u>	<u>Revenue Net of Donor Benefit Expenses</u>
Golf Tournament	\$ 14,018	\$ 493	\$ 13,525
Gala	44,168	4,870	39,298
Other	<u>689</u>	<u>-</u>	<u>689</u>
	<u>\$ 58,875</u>	<u>\$ 5,363</u>	<u>\$ 53,512</u>

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 9 – INVESTMENTS, net

The Center carries its investments at fair market value as determined by recognized market exchanges. Investments consist of stock securities, mutual funds, and certificates of deposit. The difference between fair market value and basis (acquisition value) is recorded as an unrealized gain or loss.

The unrealized gains for the years ended December 31, 2021, is as follows:

	<u>FMV</u>	<u>COST</u>	<u>UNREALIZED GAINS (LOSSES)</u>
Mutual Funds	\$ 193,461	\$ 196,380	(\$ 2,919)
Securities	<u>61,125</u>	<u>58,726</u>	<u>2,399</u>
	254,586	255,106	(520)
Certificates of deposit	<u>103,529</u>	<u>103,529</u>	<u> </u>
	<u>\$ 358,115</u>	<u>\$ 254,586</u>	<u>(\$ 520)</u>

A summary of investment income for the year ended December 31, 2021 is as follows:

	<u>2021</u>
Dividends and interest	\$ 3,726
Net realized gains on sale of investments	3,510
Net unrealized gains and losses	(520)
Investment fees	<u>(663)</u>
	<u>\$ 6,053</u>

NOTE 10 – 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 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 Center's assumptions. These include inputs that are internally developed and estimated.

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

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.

Fair Values Measured on a Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	Fair Market Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds	\$ 193,461	\$ 193,461	\$ NONE	\$ NONE
Securities	61,125	61,125		
	254,586	254,586		
Certificates of deposit	103,529		103,529	
	<u>\$ 358,115</u>	<u>\$ 254,586</u>	<u>\$ 103,529</u>	<u>\$ NONE</u>

Fair values of assets measured on a recurring basis at December 31, 2020 are as follows:

	Fair Market Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Certificates of deposit	<u>\$ 103,015</u>	<u>NONE</u>	<u>\$ 103,015</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.

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

NOTE 11 – SUBSEQUENT EVENTS

Discontinued Operations

The Center has discontinued its HUD program in April 2022. The property used for the HUD program and support activities was sold in fiscal year 2022. The income and expense activity related to the HUD program at December 31, 2021 and 2020 are as follows:

Balance sheet amounts related to discontinued operation:

	<u>2021</u>	<u>2020</u>
Cash	\$ 14,374	\$ 506
Accounts receivable	770	733
Prepaid expense	2,247	-
Property and equipment, net	106,432	37,128
Other Assets		
Deposits	<u>3,140</u>	<u>3,138</u>
 Total Assets	 <u>\$ 126,963</u>	 <u>\$ 41,505</u>
 Accounts payable	 \$ 3,023	 \$ 2,969
Tenant deposits	2,665	2,199
Total Liabilities	<u>5,688</u>	<u>5,168</u>
Net Assets		
Net assets without donor restrictions	<u>121,275</u>	<u>36,337</u>
 Total Liabilities and Net Assets	 <u>\$ 126,963</u>	 <u>\$ 41,505</u>

Income statement amounts related to discontinued operation:

	<u>2021</u>	<u>2020</u>
HUD Program Income	\$ 106,179	\$ 105,545
HUD Program Expenses	<u>(61,148)</u>	<u>(75,076)</u>
 Change in Net Assets	 <u>\$ 45,031</u>	 <u>\$ 30,469</u>