

FRIENDLY CENTER, INC.
FINANCIAL STATEMENTS

DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE
INFORMATION FOR 2021)

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Guzman & Gray

Certified Public Accountants

4510 East Pacific Coast Highway, Suite 270
Long Beach, California 90804
(562) 498-0997 Fax: (562) 597-7359

Patrick S. Guzman, C.P.A.
Mark Gray, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of Friendly Center, Inc.

Opinion

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, 2022, 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 Friendly Center, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Friendly Center, 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 Friendly Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Report on Summarized Comparative Information

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



Long Beach, California

April 11, 2023

FRIENDLY CENTER, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

ASSETS				
	Without Donor Restrictions	With Donor Restrictions	2022	2021
Current Assets				
Cash and cash equivalents	\$ 932,175	\$ 165,841	\$ 1,098,016	\$ 1,114,698
Certificates of deposit	103,693	-	103,693	103,529
Accounts receivable	80,479	-	80,479	64,380
Prepaid expenses	22,775	-	22,775	2,247
	<u>1,139,122</u>	<u>165,841</u>	<u>1,304,963</u>	<u>1,284,854</u>
Investments	2,197,225	-	2,197,225	254,586
Property and Equipment, Net of Accumulated Depreciation				
Property and equipment				
Land	-	-	-	40,617
Building and building improvements	-	-	-	256,446
Leasehold improvements	3,800	-	3,800	34,634
Furniture and equipment	15,393	-	15,393	62,677
Computers and software	9,400	-	9,400	30,090
Transportation	22,395	-	22,395	35,859
	<u>50,988</u>	<u>-</u>	<u>50,988</u>	<u>460,323</u>
Less accumulated depreciation	(28,409)	-	(28,409)	(312,693)
	<u>22,579</u>	<u>-</u>	<u>22,579</u>	<u>147,630</u>
Deposits	3,140	-	3,140	3,141
Right of use assets	475,701	-	475,701	-
TOTAL ASSETS	<u>\$ 3,837,767</u>	<u>\$ 165,841</u>	<u>\$ 4,003,608</u>	<u>\$ 1,690,211</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 25,299	-	\$ 25,299	\$ 19,422
Tenant deposits	2,665	-	2,665	2,665
Deferred revenue	-	-	-	13,015
Accrued payroll and related	64,401	-	64,401	55,426
Lease liabilities	74,374	-	74,374	-
	<u>166,739</u>	<u>-</u>	<u>166,739</u>	<u>90,528</u>
Non Current Assets				
Lease liabilities	401,327	-	401,327	-
	<u>401,327</u>	<u>-</u>	<u>401,327</u>	<u>-</u>
TOTAL LIABILITIES	<u>568,066</u>	<u>-</u>	<u>568,066</u>	<u>90,528</u>
Net Assets				
Without donor restrictions	3,269,701	-	3,269,701	1,518,111
With donor restrictions	-	\$ 165,841	165,841	81,572
TOTAL NET ASSETS	<u>3,269,701</u>	<u>165,841</u>	<u>3,435,542</u>	<u>1,599,683</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,837,767</u>	<u>\$ 165,841</u>	<u>\$ 4,003,608</u>	<u>\$ 1,690,211</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

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

DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	2022	2021
SUPPORT AND REVENUE				
Support				
Grants	\$ 380,730	\$ 163,300	\$ 544,030	\$ 429,427
Contributions, individuals	222,629	-	222,629	162,233
Contributions, churches and other organizations	214,670	-	214,670	267,120
Donated support	1,074,530	-	1,074,530	1,114,397
Release of restrictions	79,031	(79,031)	-	-
Total Support	<u>1,971,590</u>	<u>84,269</u>	<u>2,055,859</u>	<u>1,973,177</u>
Revenue				
Gain on sale of fixed assets	1,889,400	-	1,889,400	-
Investment income, net	(41,816)	-	(41,816)	6,053
Miscellaneous income	120	-	120	4,872
Fundraising, net				
Gross revenue	189,995			
Donor benefit expenses	(28,360)			
Total Revenue	<u>2,009,339</u>	<u>-</u>	<u>2,009,339</u>	<u>126,464</u>
TOTAL SUPPORT AND REVENUE	<u>3,980,929</u>	<u>84,269</u>	<u>4,065,198</u>	<u>2,099,641</u>
EXPENSES				
Program services	1,921,768	-	1,921,768	1,846,184
Support services	376,375	-	376,375	211,036
TOTAL EXPENSES	<u>2,298,143</u>	<u>-</u>	<u>2,298,143</u>	<u>2,057,220</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>1,682,786</u>	<u>84,269</u>	<u>1,767,055</u>	<u>42,421</u>
CHANGE IN NET ASSETS- FROM DISCONTINUED OPERATIONS (NOTE 11)	<u>68,804</u>	<u>-</u>	<u>68,804</u>	<u>45,031</u>
TOTAL CHANGE IN NET ASSETS	<u>1,751,590</u>	<u>84,269</u>	<u>1,835,859</u>	<u>87,452</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,518,111</u>	<u>81,572</u>	<u>1,599,683</u>	<u>1,512,231</u>
NET ASSETS, END OF YEAR	<u>\$ 3,269,701</u>	<u>\$ 165,841</u>	<u>\$ 3,435,542</u>	<u>\$ 1,599,683</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

FRIENDLY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	Support Services				2021
	Program Services	Management and General	Fund Raising	Total	
Accounting and auditing	\$ 12,750	-	-	-	\$ 12,750
Bank charges	-	\$ 12,818	-	\$ 12,818	5,900
Depreciation	12,532	-	-	-	12,818
Fundraising	-	-	\$ 75,609	75,609	11,935
In-kind facilities	343,980	-	-	-	23,165
In-kind food, gifts & other	654,734	-	-	-	207,456
In-kind services	14,129	61,687	-	61,687	853,720
Insurance	27,557	-	-	-	53,221
Professional fees	1,872	251	237	488	23,566
Repairs and maintenance	243	2,143	-	2,143	1,878
Miscellaneous	-	7,913	10,607	18,520	1,381
Office supplies	3,146	6,823	-	6,823	13,289
Membership dues	-	1,091	-	1,091	7,977
Salaries and wages	676,017	97,261	71,004	168,265	928
Employee benefits	14,907	2,623	3,357	5,980	677,741
Payroll taxes	52,419	7,542	5,506	13,048	16,824
Postage	-	780	342	1,122	54,039
Printing	8,767	4,434	4,347	8,781	1,063
Equipment	12,800	-	-	-	18,159
Occupancy	15,158	-	-	-	10,051
Program	56,333	-	-	-	-
Special events	-	-	28,360	28,360	58,354
Transportation	3,243	-	-	-	33,752
Utilities	11,181	-	-	-	1,113
Subtotal	1,921,768	205,366	199,369	404,735	2,090,972
Less: Direct donor benefit	-	-	(28,360)	(28,360)	(33,752)
Total Expenses	\$ 1,921,768	\$ 205,366	\$ 171,009	\$ 376,375	\$ 2,298,143
					\$ 2,057,220

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

FRIENDLY CENTER, INC.
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 1,835,859	\$ 87,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,532	11,935
Unrealized (gain)loss on investments	58,149	520
(Gain) from sale of fixed assets	(1,889,400)	-
(Increase) decrease in:		
Receivables	(16,099)	2,804
Prepaid expenses	(20,527)	(2,247)
Deposits		6,202
Increase (decrease) in:		
Accounts payable	5,877	993
Accrued payroll and related	8,975	12,556
Tenant deposits		466
Deferred revenue	(13,015)	(106)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(17,649)	120,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets		(86,336)
Purchases of investments	(4,962,057)	(264,278)
Proceeds from sale of fixed assets	2,100,000	-
Proceeds from sale of investments	2,863,188	9,172
Change in certificates of deposit	(164)	(514)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	967	(341,956)
NET DECREASE IN CASH	(16,682)	(221,381)
CASH AT BEGINNING OF YEAR	1,114,698	1,336,079
CASH AT END OF YEAR	\$ 1,098,016	\$ 1,114,698
 SUPPLEMENTAL DISCLOSURES		
INTEREST PAID	NONE	NONE
INCOME TAXES PAID	NONE	NONE
 NON-CASH TRANSACTIONS		
Non-monetary contributions	\$ 1,074,530	\$ 1,114,397
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, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

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 and food distribution. 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, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

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, 2022.

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, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

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 facility license agreements with the city of Orange and with the City of Buena Park to occupy city facilities for program use. The Center records the use of the facilities as a donation. 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, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

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.

Adoption of FASB ASC 842

Effective January 1, 2022, the Center adopted FASB ASC 842, Leases. The Center determines if an arrangement contains a lease at inception based on whether the Center has the right to control the asset during the contract period and other facts and circumstances. The Center elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things allowed the Center to carry forward the historical lease classification.

Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the Center's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Center's statement of activities or cash flows.

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, 2021, from which the summarized information was derived.

Management's Evaluation of Subsequent Events

The Center has evaluated subsequent events through April 11, 2023, which represents the date the financial statements were available to be issued. There are no known subsequent events requiring adjustments to financial statements or disclosure.

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

NOTE 2 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Restricted due to purpose and time Program purposes	<u>\$165,841</u>	<u>\$81,572</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, 2022 and 2021:

Satisfaction of purpose restrictions	\$ 79,031	\$72,420
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NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of December 31, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ -	\$ 40,617
Building and Building Improvements	-	216,539
Leasehold Improvements	3,800	34,634
Furniture and Equipment	15,393	102,584
Computers and software	9,400	30,090
Transportation	22,395	35,859
Total	50,988	460,323
Less Accumulated Depreciation	(28,409)	(312,693)
	<u>\$ 22,579</u>	<u>\$ 147,630</u>

During the year, the Center sold property used to operate the HUD program for \$2,100,000. Realized gains on the sale of property totaled \$1,889,400 and reflected on the statement of activities and changes in net assets. The Center plans to use the funds from the sale of property for program and support services.

Depreciation expense for the years ended December 31, 2022 and 2021 was \$12,532 and \$11,935, respectively.

NOTE 4 – DONATED MATERIALS AND SERVICES

Donated materials and services for the years ended December 31, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Food, Gifts & other	\$ 654,734	\$ 853,719
Rent	343,980	207,456
Services	75,816	53,222
	<u>\$ 1,074,530</u>	<u>\$ 1,114,396</u>

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

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	\$ 1,098,016
Accounts receivable	80,479
Investments	2,197,225
Certificates of deposit	103,693
	<hr/>
	3,479,413
Less: Cash held for donor restricted purposes	(165,841)
Financial assets available to meet cash needs for general Expenditures within one year	<hr/>
	\$ 3,313,572

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.

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.

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

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

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 at this time.

Uncertainties

On June 15, 2022, 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 ACTIVITIES

The following summarizes the line items in the statement of financial position which includes amounts for operating lease at December 31, 2022:

	Facility	Equipment	Total
Operating lease right-of-use assets	<u>\$ 447,420</u>	<u>\$ 28,281</u>	<u>\$ 475,701</u>
Lease liability, current portion	\$ 68,797	\$ 5,577	\$ 74,374
Lease liability, non-current portion	<u>378,623</u>	<u>22,704</u>	<u>401,327</u>
Total operating lease liabilities	<u>\$ 447,420</u>	<u>\$ 28,281</u>	<u>\$ 475,701</u>

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2022:

Weighted Average Remaining Lease Term	
Operating lease	<u>5.46 years</u>
Weighted Average Discount Rate	
Operating lease	<u>3.65%</u>

FRIENDLY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

NOTE 7 - LEASE ACTIVITIES (Continued)

The maturities of lease liabilities are as follows at December 31, 2022:

<u>Year Ending December 31,</u>	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 84,451	\$ 5,959	90,410
2024	86,984	5,959	92,943
2025	89,594	5,959	95,553
2026	92,281	5,959	98,240
2027	95,050	5,503	100,553
Thereafter,	48,829	-	48,829
Total lease payments	497,189	29,339	526,528
Less: Interest	(49,769)	(1,058)	(50,827)
Present value of lease liabilities	<u>\$ 447,420</u>	<u>\$ 28,281</u>	<u>\$475,701</u>

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2022:

Operating lease cost	<u>\$ 3,437</u>
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The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$7,973</u>
Lease assets obtained in exchange for lease obligations:	
Operating leases	<u>\$7,459</u>

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.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 8 – FUNDRAISING EVENTS (Continued)

The fundraising revenues and expenses are as follows for the year ended December 31, 2022:

	Gross <u>Revenue</u>	Donor Benefit <u>Expenses</u>	Revenue Net of Donor Benefit <u>Expenses</u>
Golf Tournament	\$ 46,610	\$ 3,424	\$ 43,186
Gala	140,005	24,936	115,069
Other	<u>3,380</u>	<u>-</u>	<u>3,380</u>
	<u>\$189,995</u>	<u>\$ 28,360</u>	<u>\$ 161,635</u>

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

	Gross <u>Revenue</u>	Donor Benefit <u>Expenses</u>	Revenue Net of Donor Benefit <u>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>

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, 2022, is as follows:

	<u>FMV</u>	<u>COST</u>	UNREALIZED GAINS (LOSSES)
Investments			
Mutual Funds	\$ 627,844	\$ 670,379	(\$ 42,535)
Securities	<u>1,516,509</u>	<u>1,527,928</u>	<u>(11,419)</u>
	2,144,353	2,198,307	(53,954)
Cash held in investments	<u>52,872</u>	<u>52,872</u>	<u>-</u>
Total Held Investments	2,197,225	2,251,179	(53,954)
Certificates of deposit	<u>103,693</u>	<u>103,693</u>	<u>-</u>
	<u>\$ 2,300,918</u>	<u>\$ 2,354,872</u>	<u>(\$ 53,954)</u>

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NOTE 9 – INVESTMENTS, net (Continued)

A summary of investment income for the year ended December 31, 2022 is as follows:

	<u>2022</u>
Dividends and interest	\$ 31,957
Net realized gains on sale of investments	(11,379)
Net unrealized gains and losses	(58,149)
Investment fees	<u>(4,245)</u>
	<u>(\$ 41,816)</u>

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

	<u>FMV</u>	<u>COST</u>	<u>UNREALIZED GAINS (LOSSES)</u>
Investments			
Mutual Funds	\$ 193,461	\$ 196,380	(\$ 2,919)
Securities	<u>61,125</u>	<u>58,726</u>	<u>2,399</u>
Total held in investments	254,586	255,106	(520)
Certificates of deposit	<u>103,529</u>	<u>103,529</u>	<u> </u>
	<u>\$ 358,115</u>	<u>\$ 358,635</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>

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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.

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, 2022 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	\$ 627,844	\$ 627,844	\$ NONE	\$ NONE
Securities	1,516,509	1,516,509		
	2,144,353	2,144,353		
Certificates of deposit	103,693		103,693	
	<u>\$ 358,115</u>	<u>\$2,144,353</u>	<u>\$ 103,693</u>	<u>\$ NONE</u>

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NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

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		
	<u>254,586</u>	<u>254,586</u>		
Certificates of deposit	103,529		103,529	
	<u>\$ 358,115</u>	<u>\$ 254,586</u>	<u>\$ 103,529</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.

NOTE 11 – DISCONTINUED OPERATION

The Center has discontinued its HUD program in April 2022. The property used for the HUD program and support activities was sold during the year.

The income and expense activity related to the HUD program at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Program income	\$ 87,488	\$ 106,179
Program expense	<u>(18,684)</u>	<u>(61,148)</u>
	<u>\$ 68,804</u>	<u>\$ 45,031</u>