Financial Statements and Independent Accountants' Review Report

FRIENDLY HAND FOUNDATION dba THE PEGGY ALBRECHT FRIENDLY HOUSE

Years Ended December 31, 2020 and 2019

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Friendly Hand Foundation
dba The Peggy Albrecht Friendly House

We have reviewed the accompanying financial statements of Friendly Hand Foundation, dba The Peggy Albrecht Friendly House (a nonprofit organization), comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT (Continued)

Emphasis of Matter

The spread of a novel strain of coronavirus (COVID-19) in the first quarter of 2020 has caused significant volatility in the United States marketplace. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on residents, employees and vendors, all of which are uncertain and cannot be determined at this time. The financial statements have not been adjusted as a result of this uncertainty.

Gerber & Co Inc.

Gerber & Co., Inc.
Certified Public Accountants
Los Angeles, California
August 6, 2021

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENTS OF FINANCIAL POSITION

	December 31, 2020		December 31, 2019	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	315,556	$	811,344
Marketable securities		355,370		335,768
Service fees receivable		10,195		10,368
Contributions receivable		88,000		142,691
Prepaid expenses		2,277		6,335
TOTAL CURRENT ASSETS		771,398		1,306,506
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation		645,254		682,107
TOTAL ASSETS	$	1,416,652	$	1,988,613
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Line of credit	$	-	$	200,000
Accounts payable		20,763		24,134
Loans payable		-		45,000
Mortgage payable - current portion		17,361		990,362
Compensation reserve		41,181		126,751
Security deposits		7,850		6,600
TOTAL CURRENT LIABILITIES		87,155		1,392,847
LONG-TERM LIABILITIES				
Mortgage payable - net of current portion		836,834		-
TOTAL LONG-TERM LIABILITIES		836,834		-
TOTAL LIABILITIES		923,989		1,392,847
COMMITMENTS AND CONTINGENCIES				
NET ASSETS				
Without donor restrictions		404,663		459,766
With donor restrictions		88,000		136,000
TOTAL NET ASSETS		492,663		595,766
TOTAL LIABILITIES AND NET ASSETS	$	1,416,652	$	1,988,613

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUE AND OTHER SUPPORT			
Public donations	$ 32,747	$	$ 32,747
Fee for service	460,288		460,288
Resident donations	517,727		517,727
Awards luncheon	182,234		182,234
Net assets released from restrictions	48,000	(48,000)	-
Total revenue and other support	1,240,996	(48,000)	1,192,996
FUNCTIONAL EXPENSES			
Program services	1,006,512		1,006,512
Fundraising and annual luncheon	33,523		33,523
Administration	433,275		433,275
Total expenses	1,473,310	-	1,473,310
Change in net assets from operations	(232,314)	(48,000)	(280,314)
Nonoperating activities			
PPP loan forgiveness	147,700		147,700
Settlement discount	19,318		19,318
Investment income, net	10,193		10,193
Total nonoperating activities	177,211	-	177,211
Decrease in net assets	(55,103)	(48,000)	(103,103)
NET ASSETS, December 31, 2019	459,766	136,000	595,766
NET ASSETS, December 31, 2020	$ 404,663	$ 88,000	$ 492,663

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUE AND OTHER SUPPORT			
Public donations	$ 180,280	$	$ 180,280
Fee for service	278,119		278,119
Resident donations	448,818		448,818
Awards luncheon	506,825		506,825
Net assets released from restrictions	52,000	(52,000)	-
Total revenue and other support	1,466,042	(52,000)	1,414,042
FUNCTIONAL EXPENSES			
Program services	991,598	-	991,598
Fundraising and annual luncheon	205,770	-	205,770
Administration	369,253	-	369,253
Total expenses	1,566,621	-	1,566,621
Change in net assets from operations	(100,579)	(52,000)	(152,579)
Nonoperating activities			
Investment income, net	48,697	-	48,697
Total nonoperating activities	48,697	-	48,697
Decrease in net assets	(51,882)	(52,000)	(103,882)
NET ASSETS, December 31, 2018	511,648	188,000	699,648
NET ASSETS, December 31, 2019	$ 459,766	$ 136,000	$ 595,766

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Activities	Supporting Activities		
	Program	Fundraising & Luncheon	Administration	Total
Administrative and general	$ 4,180	$ -	$ 22,250	$ 26,430
Bank and credit card fees	19,509	4,313	840	24,662
Event co-ordination	-	17,100	-	17,100
Food services	37,137	-	-	37,137
Insurance	23,155	-	9,778	32,933
Interest	-	-	72,590	72,590
Legal and professional	4,800	4,250	82,900	91,950
Marketing and promotion	-	7,860	80,761	88,621
Medical expense	33,682	-	-	33,682
Occupancy	121,528	-	6,396	127,924
Other services	-	-	9,525	9,525
Program activities	64,982	-	-	64,982
Salaries and benefits	665,290	-	144,651	809,941
Supplies	10,742	-	1,194	11,936
Telephone	6,263	-	696	6,959
Transportation	15,244	-	1,694	16,938
Total expenses	$ 1,006,512	$ 33,523	$ 433,275	$ 1,473,310

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Activities	Supporting Activities		
	Program	Fundraising & Luncheon	Administration	Total
Administrative and general	$ 5,147	$ -	$ 18,538	$ 23,685
Bank and credit card fees	15,015	9,390	111	24,516
Decorations and awards	-	30,127	-	30,127
Event brochure	-	16,189	-	16,189
Event co-ordination	-	23,287	-	23,287
Facility rental and catering	-	72,876	-	72,876
Food services	37,452	-	-	37,452
Insurance	19,832	-	7,533	27,365
Interest	-	-	112,355	112,355
Legal and professional	10,525	23,300	63,900	97,725
Marketing and promotion	-	19,643	41,840	61,483
Medical expense	35,251	-	-	35,251
Occupancy	129,976	-	6,841	136,817
Other services	28,142	-	-	28,142
Printing	5,877	10,958	653	17,488
Program activities	44,371	-	-	44,371
Salaries and benefits	628,064	-	113,933	741,997
Supplies	5,495	-	610	6,105
Telephone	6,952	-	772	7,724
Transportation	19,499	-	2,167	21,666
Total expenses	$ 991,598	$ 205,770	$ 369,253	$ 1,566,621

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (103,103)	$ (103,882)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	39,270	56,356
Realized/unrealized (gain) / loss on investments	(19,602)	(25,282)
(Increase)/decrease in operating assets:		
Service fees receivable	173	(232)
Contributions receivable	54,691	52,709
Prepaid expenses	4,058	1,420
Increase/(decrease) in liabilities:		
Accounts payable	(3,371)	4,739
Compensation reserve	(85,570)	(44,145)
Security deposits	1,250	2,800
Net cash used by operating activities	(112,204)	(55,517)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment - acquisition	-	(3,900)
Net cash used by investing activities	-	(3,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit	(200,000)	-
Loans payable	(45,000)	-
Mortgage payable - settlement	(1,015,997)	-
Mortgage payable - disbursement	900,000	-
Loan fees - settled	9,638	-
Loan fees - incurred	(32,225)	-
Net cash used by financing activities	(383,584)	-
Net decrease in cash and cash equivalents	(495,788)	(59,417)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	811,344	870,761
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 315,556	$ 811,344
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 60,535	$ 93,078

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

1. FOUNDATION

The Friendly Hand Foundation, doing business as The Peggy Albrecht Friendly House (the "Foundation"), was established in 1951 for the purpose of assisting in the recovery and rehabilitation of women whose lives have been disrupted by the effects of substance abuse. Its mission is to provide an environment in which women can achieve stabilized recovery from addiction, renew family relationships, and reintegrate themselves into the community.

The Foundation operates two residences in the greater Los Angeles area.

In July 2016 one of the Foundation's facilities became licensed by the California Department of Health Care Services. The license permits the Foundation to change its business model from Sober Living/Transitional Housing to Detox and Residential Treatment (Rehab). The Foundation now provides a range of services that they did not offer previously such as Sub Acute Medical Detox, Case Management, Trauma Therapy, and various support groups administered by licensed and certified individuals. In addition, services provided at the Foundation's licensed facility are covered under various insurance plans. The Foundation accepts cash paying clients, insurance covered clients and offers scholarships to those who are not able to pay.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and in conformity with the professional standards recommended by the Financial Accounting Standards Board. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein have been classified and are reported as follows:

Net assets without donor restrictions – Revenue from contributions are reported as net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation management and the board of directors.

Net assets with donor restrictions – Revenue from contributions which are represented by resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Foundation or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Donor restricted contributions that are met in the same period as received, are recorded as an increase to net assets without donor restrictions. As of December 31, 2020 and 2019, the Foundation's net assets are composed of without donor restrictions and with donor restrictions net assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

C. Accounting Pronouncement

In June 2018, FASB issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958) –*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is reciprocal. The ASU is effective for annual periods beginning after December 15, 2018 for resource recipients and after December 15, 2019 for resource providers, with early adoption permissible.

The Foundation has determined itself to be a resource provider and a resource recipient. As a resource recipient, the Foundation has adopted this amendment effective January 1, 2019 and has determined it will have no impact to the accompanying financial statements. As a resource provider, the Foundation has chosen to follow the guidance effective January 1, 2019 and it has determined that it will have no impact on the Foundation's financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2014-09 Revenue from Contracts with Customers which is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance is effective for the year ending December 31, 2020. Management has determined this ASU does not have a significant impact on the financial statements.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fee for Service

Fee for service revenues represent amounts received from insurance companies for treatment and rehabilitation services provided. Since there is considerable uncertainty about the actual amount of the third-party reimbursement, revenues are recorded using the collection method whereby income is recognized when cash payments are received. An accrual is provided for cash payments received in subsequent periods relating to services rendered prior to year-end.

F. Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Friendly House's contributions receivable totaled $88,000 and $142,691 on December 31, 2020 and 2019, respectively.

G. Fair Value

The Foundation estimates that the fair value of all financial instruments on December 31, 2020 and 2019 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The Foundation's financial instruments include cash, contributions receivable, other receivables, accounts payable and accrued expenses and other liabilities. The fair value of these instruments approximates their carrying value due to the relatively short maturities and the fact that current US Treasury rates are less than 2% and the adjustment would be minimal.

H. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Friendly House groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Marketable Securities

Available for sale marketable securities, composed of common stocks and mutual funds, are stated at fair value. See Note 3 for a description of fair value measurements.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized appreciation (depreciation) on investments resulting from market fluctuations is recorded in the statement of activities in the period that such fluctuations occur.

J. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Betterments and renewals are capitalized. Maintenance and repair expenses are recognized when incurred. The Foundation depreciates property and equipment using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	30 - 50 years
Furniture and equipment	3 -7 years
Automobiles	5 years

K. Deferred Financing Costs

Deferred financing costs, which consist of lender fees, legal, title and other third-party costs related to the issuance of debt, are capitalized and are reported as a deduction from the face amount of the related debt and are amortized over the term of the related debt agreements on a straight-line basis which approximates the effective interest method. Amortization of deferred financing costs is included in interest expense in the statement of functional expenses.

L. Contributed Property Facilities and Services

On October 31, 2017, the Foundation renewed the lease on one of its residential facilities for an additional 5 years through October 2022. The owner of the property provides use of the facility to the Foundation at no charge. Revenue is recognized as a contribution with donor restrictions each time the lease is renewed. The contribution receivable with donor restrictions was estimated at $88,000 and $136,000 for the years ended December 31, 2020 and 2019, respectively. The Foundation determined that $48,000 was the fair market value of the use of the facilities. Therefore, $48,000 were transferred in 2020 and 2019, from contributions with donor restrictions to contributions without donor restrictions in the statement of activities.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations such as how long a contributed asset may be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Contributed Property Facilities and Services (Continued)

Volunteers provide mentoring, counseling, transportation, pro-bono legal services and limited medical services to the Foundation. The total value of the services is included as revenue and program expense on the statement of activities and was estimated at $10,750 and $10,500 for the years ended December 31, 2020 and 2019, respectively.

M. Net Appreciation (Depreciation) in Fair Value of Investments

Net appreciation (depreciation) in fair value of investments is based on the fair value of the assets at the beginning of the year, or at the time of purchase during the year, and the related fair value on the day investments are sold with respect to realized appreciation (depreciation), or on the last day of the year with respect to unrealized appreciation (depreciation).

Realized and unrealized appreciation (depreciation) are recorded in the accompanying statement of activities under investment income as net realized gain and net unrealized gain/(loss). See Note 8 for the breakdown of investment income.

N. Compensated Absences

Employees of the Foundation are entitled to paid vacation, depending upon length of service. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

Management believes that the liability for compensated absences would not be material and accordingly, no liability has been recorded in the accompanying financial statements.

O. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of allocation
Administrative and general	Time and effort
Bank and credit card fees	Time and effort
Decorations and awards	Full Time Equivalent
Event brochure	Full Time Equivalent
Event co-ordination	Full Time Equivalent
Facility rental and catering	Full Time Equivalent
Food services	Time and effort
Insurance	Time and effort
Interest	Full Time Equivalent

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Functional Allocation of Expenses (Continued)

Expense	Method of allocation
Legal and professional	Full Time Equivalent
Marketing and promotion	Time and effort
Medical expense	Time and effort
Occupancy	Square footage
Other services	Full Time Equivalent
Printing	Full Time Equivalent
Program activities	Time and effort
Salaries and benefits	Time and effort
Supplies	Time and effort
Telephone	Time and effort
Transportation	Time and effort

P. Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 of the California Revenue Taxation Code. As such, the Foundation is not taxed on income derived from its exempt functions. However, the Foundation may be subject to tax on unrelated business income, which is generated from the Foundation's investment income and other activities not related to their stated exempt purposes. The Foundation has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2018, 2019 and 2020 tax years.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of uninsured cash balances. The Foundation places its cash deposits with high-credit quality financial institutions. At times, balances in the Foundation's accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limit of $250,000 or the Securities Investor Protection Corporation (SIPC) limit of $500,000. $37,793 and $565,856 of the bank balance was uninsured as of December 31, 2020 and 2019, respectively. The Foundation has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk related to its cash balances.

As of December 31, 2020, 23 donors accounted for 68% of contributions received. As of December 31, 2019, 7 donors accounted for 55% of contributions received.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

T. COVID-19

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Foundation and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which we operate and the related impact on consumer confidence and spending, all of which are highly uncertain.

3. FAIR VALUE

A. Fair Value Measurements

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement

Recurring Basis

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis on December 31, 2020, are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	$ 315,556	$ 315,556	$ -	$ -
Marketable securities:				
Common stocks	118,585	118,585	-	-
Mutual funds	236,785	236,785	-	-
Total	$ 670,926	$ 670,926	$ -	$ -

3. FAIR VALUE (Continued)

A. Fair Value Measurements (Continued)

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis on December 31, 2019, are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	$ 811,344	$ 811,344	$ -	$ -
Marketable securities:				
Common stocks	124,968	124,968	-	-
Mutual funds	210,800	210,800	-	-
Total	$ 1,147,112	$ 1,147,112	$ -	$ 153,059

B. Fair Value of Financial Instruments

The Foundation's methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

- The carrying values of cash and cash equivalents approximate the fair value of these financial instruments.
- Investments, including marketable securities, are reported at fair value based on quoted market prices.

The carrying amount of contributions receivable is estimated by discounting expected future cash flows using a rate of return based on the yields of U.S. Treasury securities with maturity dates similar to the expected collection and payment periods. Contributions receivable have been valued at cost as current US Treasury rates are less than 2% and the adjustment would be minimal.

4. MARKETABLE SECURITIES

Marketable securities have been classified according to managements' intent. The amortized cost of securities and their approximate fair values are as follows:

	December 31, 2020		December 31, 2019	
Opening balance	$	335,768	$	310,486
Dividends		17,254		20,401
Interest		39		52
Net unrealized gain		7,844		14,439
Net realized (loss) / gain		(11,111)		16,846
Costs		(3,833)		(3,041)
Other		9,409		(23,415)
Market value	$	355,370	$	335,768

Marketable securities on December 31, 2020 were no longer required as collateral for the line of credit repaid during 2020 or as collateral for the new line of credit. See Note 9.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	December 31, 2020		December 31, 2019	
Donations of property & facilities	$	88,000	$	142,691
Total	$	88,000	$	142,691

6. PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	December 31, 2020		December 31, 2019	
Land	$	38,579	$	38,579
Buildings improvements		742,021		742,021
Automobiles		24,810		24,810
Furniture and equipment		73,987		73,987
		879,397		879,397
Less: Accumulated depreciation		(234,143)		(197,290)
	$	645,254	$	682,107

Depreciation expense totaled $36,853 and $37,079 for the years ended December 31, 2020 and 2019, respectively.

7. AVAILABILITY AND LIQUIDITY

The following represents The Foundation's financial assets as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Financial assets at year-end:		
Cash and cash equivalents	$ 315,556	$ 811,344
Contributions receivable	88,000	142,691
Service fees receivable	10,195	10,368
Marketable securities	355,370	335,768
Total financial assets	$ 769,121	$ 1,300,171
Less amounts not available to be used within one year:		
Net assets with donor restrictions	$ 40,000	$ 88,000
	$ 40,000	$ 88,000
Financial assets available to meet general expenditures over the next twelve months	$ 729,121	$ 1,212,171

Friendly Hand Foundation's goal is to maintain an operating reserve that will be no less than 6 months and no more than 12 months of the annual operating budget. As part of its liquidity plan, excess cash is invested in short-term investments, including money market account and certificates of deposit. Friendly Hand Foundation had a $200,000.00 line of credit from City National Bank (CNB) which was fully paid off during the course of 2020 and replaced it with a new line of credit for $300,000 with American Business Bank.

8. INVESTMENT (LOSS)/INCOME, NET

Investment income is composed of the following:

	December 31, 2020	December 31, 2019
Interest	$ 39	$ 52
Dividends	17,254	20,401
Net realized (loss)/gain	(11,111)	16,846
Net unrealized (loss)/gain	7,844	14,439
Investment advisory fees	(3,833)	(3,041)
Total	$ 10,193	$ 48,697

9. LINE OF CREDIT

The Foundation obtained a $200,000 line of credit in September 2017, secured by their marketable securities. This line of credit was renewed in September 2019 for another 12 months with a new maturity date of September 7, 2020. Interest on the line of credit was 5.25% as of December 31, 2019. Unpaid principal and accrued interest, if any, are payable in full upon maturity. The balance outstanding was zero and $200,000 for years ended December 31, 2020 and 2019, respectively. This facility was paid off in July 2020 and replaced by a new line of $300,000 with American Business Bank at an interest rate of 4.25% with no collateral required. The new line remained unused at as of December 31, 2020.

10. PROMISSORY NOTES

In May 2018, the Foundation had two promissory notes from its board members. These consisted of a $25,000 note with interest only payments, at 5% per annum and a $20,000 note with 0% interest. Both loans commenced in May 2018 and were to be settled in May 2020, the maturity date, at which time the remaining unpaid principal and interest became due in full. Both notes were unsecured. Both notes were repaid during the course of 2020. The balance outstanding was zero and $45,000 for the year ended December 31, 2020 and 2019, respectively.

11. MORTGAGE PAYABLE

In June 2018, the Foundation obtained a loan for $1,000,000 secured by the residential facility that it owns. See note 6. The loan requires monthly interest only payments at 7.9% per annum for the first 12 months and 8.30% for the remaining 12 months through June 30, 2020, the maturity date. All unpaid principal and accrued interest, if any, were payable in full by maturity date.

Deferred financing costs of $38,553 is presented as a reduction of the carrying amount of the loan and amortized over the term of the loan. The amortization fee for the year ended December 31, 2019 was $19,277. The balance outstanding was $990,362 on December 31, 2019. This loan was repaid in March 2020 and replaced by a new mortgage of $900,000 from American Business Bank.

The principal amount of the new loan is $900,000 with an interest rate of 4.7% and is due in monthly installments including principal and interest of $5,141 plus all unpaid principal and accrued interest, if any, on the maturity date of March 15, 2030. Deferred financing costs of $32,225 is presented as a reduction of the carrying amount of the loan and amortized over the term of the loan. The amortization fee for the year ended December 31, 2020 was $2,417. The terms of the loan agreement include the requirement that the borrower maintain various financial ratios, which it was in compliance with as of December 31, 2020.

The balances for these loans as of December 31, 2020 and 2019 were $884,003 and $1,000,000, respectively.

11. MORTGAGE PAYABLE (Continued)

Maturities of long-term debt for each of the succeeding years are as follows:

	Debt	Debt issuance costs	Net
Years ending December 31,			
2021	$ 20,584	$ (3,223)	$ 17,361
2022	21,573	(3,223)	18,350
2023	22,609	(3,223)	19,386
2024	23,694	(3,223)	20,471
2025	24,832	(3,223)	21,609
Thereafter	770,711	(13,693)	757,018
Total	$ 884,003	$ (29,808)	$ 854,195

12. NET ASSETS

Activity in the Foundation's two funds with donor restrictions (passage of time) was as follows:

	Scholarship Fund	**Facility Rental Fund**	**Total**
Balance, December 31, 2018	$ 4,000	$ 184,000	$ 188,000
Received in 2019	-	-	-
Utilized in 2019	(4,000)	(48,000)	(52,000)
Balance, December 31, 2019	$ -	$ 136,000	$ 136,000
Received in 2020	-	-	-
Utilized in 2020	-	(48,000)	(48,000)
Balance, December 31, 2020	$ -	$ 88,000	$ 88,000

Net assets without donor restrictions for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Undesignated	$ 404,663	$ 459,766
Total	$ 404,663	$ 459,766

13. COMMITMENTS AND CONTINGENCIES

Compensation Reserve

Effective March 1, 2017, the Foundation revised the employment agreements with two key employees. The agreements provide for compensation in the event that the employee's term of employment is terminated either by resignation, disability, death or by the Foundation, without cause. The actual terms under which the compensation is payable are detailed in the employees' respective employment agreements.

In April 2018, Peggy Albrecht passed away. Ms. Albrecht had dedicated the last 34 years of her life working as the Executive Director of the Foundation and was appointed Board Chair in February 2018. She was succeeded by the current Executive Director, who has been with the Foundation since 2007. In accordance with Ms. Albrecht's employment agreement, the Foundation shall pay to her estate all accrued and unpaid salary through the date of death plus any accrued and unused vacation. During 2020 a once off settlement was negotiated and agreed between Ms. Albrecht's trust and the Foundation to fully settle the outstanding amount. The balance of Ms. Albrecht's compensation reserve totaled zero and $92,099 on December 31, 2020 and 2019 respectively.

The compensation reserve totaled $41,181 and $126,751 on December 31, 2020 and 2019, respectively.

Contingencies

The Foundation may periodically become involved in various lawsuits that arise in the normal course of business. Management believes that losses resulting from these matters, if any, would be covered under the Foundation's liability insurance policy and would not have a material effect on financial position. Accordingly, no provision for potential contingent liabilities is reflected in the accompanying financial statements.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events from the balance sheet date through August 6, 2021, the date the financial statements were available for use. No events have occurred during this period that would require adjustment to, or disclosure in, the financial statements.