Financial Statements and Independent Accountants' Review Report

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT
FRIENDLY HOUSE

Years Ended December 31, 2021 and 2020

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), which comprise the statements of financial position as of December 31, 2021 and 2020 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.

We are required to be independent of the Friendly Hand Foundation, dba The Peggy Albrecht Friendly House and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our review.

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
September 28, 2022

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

	December 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 265,872	$ 315,556
Marketable securities	364,958	355,370
Service fees receivable	46,197	10,195
Contributions receivable	50,000	88,000
Other receivables	65,987	-
Prepaid expenses	4,001	2,277
TOTAL CURRENT ASSETS	797,015	771,398
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	616,431	645,254
TOTAL ASSETS	$ 1,413,446	$ 1,416,652
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 53,473	$ 20,763
Promissory note - current portion	18,350	17,361
Compensation reserve	50,382	41,181
Security deposits	4,000	7,850
TOTAL CURRENT LIABILITIES	126,205	87,155
LONG-TERM LIABILITIES		
Promissory note - net of current portion	822,730	836,834
TOTAL LONG-TERM LIABILITIES	822,730	836,834
TOTAL LIABILITIES	948,935	923,989
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	417,011	404,663
With donor restrictions	47,500	88,000
TOTAL NET ASSETS	464,511	492,663
TOTAL LIABILITIES AND NET ASSETS	$ 1,413,446	$ 1,416,652

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUE AND OTHER SUPPORT			
Public donations	$ 80,822	$ 7,500	$ 88,322
Fee for service	614,007		614,007
Resident donations	487,116		487,116
Awards luncheon	169,955		169,955
Net assets released from restrictions	48,000	(48,000)	-
Total revenue and other support	1,399,900	(40,500)	1,359,400
FUNCTIONAL EXPENSES			
Program services	1,074,567		1,074,567
Fundraising and annual luncheon	49,776		49,776
Administration	448,680		448,680
Total expenses	1,573,023	-	1,573,023
Change in net assets from operations	(173,123)	(40,500)	(213,623)
Nonoperating activities			
Other income	25,000		25,000
PPP loan forgiveness	147,755		147,755
Investment income, net	12,716		12,716
Total nonoperating activities	185,471	-	185,471
Increase in net assets	12,348	(40,500)	(28,152)
NET ASSETS, December 31, 2020	404,663	88,000	492,663
NET ASSETS, December 31, 2021	$ 417,011	$ 47,500	$ 464,511

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
Settelment 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Activities	Supporting Activities		
	Program	Fundraising & Luncheon	Administration	Total
Administrative and general	$ 9,913	$ -	$ 21,280	$ 31,193
Bank and credit card fees	16,043	3,891	1,268	21,202
Decorations and awards	-	31,385	-	31,385
Event co-ordination	-	14,500	-	14,500
Food services	40,105	-	-	40,105
Insurance	24,385	-	9,247	33,632
Interest	-	-	43,068	43,068
Legal and professional	-	-	124,400	124,400
Marketing and promotion	-	-	89,391	89,391
Medical expense	60,506	-	-	60,506
Occupancy	129,977	-	5,366	135,343
Other services	-	-	21,190	21,190
Printing	-	-	5,491	5,491
Program activities	69,657	-	-	69,657
Salaries and benefits	699,054	-	125,210	824,264
Supplies	8,365	-	929	9,294
Telephone	6,066	-	674	6,740
Transportation	10,496	-	1,166	11,662
Total expenses	$ 1,074,567	$ 49,776	$ 448,680	$ 1,573,023

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

See accompanying notes to financial statements.

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

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (28,152)	$ (103,103)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	28,823	39,270
Realized/unrealized (gain) / loss on investments	(9,588)	(19,602)
PPP Loan forgiveness	(147,755)	(147,700)
(Increase)/decrease in operating assets:		
Service fees receivable	-	173
Contributions receivable	1,998	54,691
Other receivables	(65,987)	-
Prepaid expenses	(1,724)	4,058
Increase/(decrease) in liabilities:		
Accounts payable	32,710	(3,371)
Compensation reserve	9,201	(85,570)
Security deposits	(3,850)	1,250
Net cash used by operating activities	(184,324)	(259,904)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit	-	(200,000)
Loans payable	-	(45,000)
PPP loan - disbursement	147,755	147,700
Mortgage payable - settlement	-	(1,000,000)
Promissory note - disbursement	-	900,000
Promissory note - settlement	(20,001)	(15,997)
Loan fees - settled	6,886	9,638
Loan fees - incurred	-	(32,225)
Net cash provided / (used) by financing activities	134,640	(235,884)
Net decrease in cash and cash equivalents	(49,684)	(495,788)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	315,556	811,344
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 265,872	$ 315,556
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 39,846	$ 60,535
NONCASH FINANCING ACTIVITES		
PPP loan forgiveness	$ (147,755)	(147,700)

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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 is 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, 2021 and 2020, 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. Nonoperating activities are limited to investment related fees, gains or losses, interest and dividends, 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 from the year ending December 31, 2020. Management has determined this ASU does not have a significant impact on the financial statements.

In March 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-03, Not-for-Profit Entities (Topic 958) – Updating the Definition of Collections, which amends the accounting guidance related to (1) the definition of the term, collections, (2) the requirement that a collection-holding entity disclose its policy for the use of proceeds from when the collected item(s) is (are) deaccessioned or removed from a collection and (3) any entity to have a policy and disclosure that allows proceeds from deaccessioned collections items to be used for direct care. This ASU is effective for annual periods beginning after December 15, 2019 with early adoption permissible and should be applied on a prospective basis.

The Foundation does not hold any collection(s) as of December 31, 2021 and 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Accounting Pronouncement (Continued)

In May 2019, the FASB issued ASU No. 2019-06, Not-for-Profit Entities (Topic 958) – Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities, which amends the accounting guidance related to (1) the amortization of goodwill based on either the straight-line basis over ten years or shorter useful life if the shorter useful life is deemed more appropriate and (2) the testing of goodwill for impairment when a triggering event occurs that indicates that the fair value of the entity, or a reporting unit, may be below its carrying amount. This ASU is effective upon the issuance of this update and should be applied prospectively.

The Foundation does not have any goodwill as of December 31, 2021 and 2020.

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which amends the accounting guidance related to (1) present contributed nonfinancial assets as a separate line item in the statements 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. The disclosure for contributed nonfinancial assets include qualitative information about whether the contributed nonfinancial asses were either monetized or utilized, the Foundation's policy regarding monetization or utilization, any applicable donor-imposed restrictions, and fair value components such as valuation techniques and principal market. This ASU is effective for annual periods beginning after June 15, 2021 with early adoption permissible and should be applied on a retrospective basis.

The Foundation has determined that it does not have contributed nonfinancial assets as of December 31, 2021 and 2020.

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.

E. Fee for Service

Fee for service revenues represent amounts received from insurance companies for treatment and rehabilitation services provided. The Foundation has a contract with Kaiser Permanente where rates are fixed and collectible. Consequently, all outstanding Kaiser receivables are recognized as current year revenues and accrued at the end of the year. For other insurers there are no contracts, so there is considerable uncertainty about the actual amount of the third-party reimbursement, therefore 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. Friendly House's services fees receivable totaled $46,197 and $10,195 on December 31, 2021 and 2020, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $50,000 and $88,000 on December 31, 2021 and 2020, respectively.

G. Fair Value

The Foundation estimates that the fair value of all financial instruments on December 31, 2021 and 2020 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Long-lived assets, betterments and renewals with a value in excess of $1,000 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. Debt Issuance Costs

Debt issuance 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 debt issuance 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 $40,000 and $88,000 for the years ended December 31, 2021 and 2020, respectively. The Foundation determined that $48,000 was the fair market value of the use of the facilities. Therefore, $48,000 were transferred in 2021 and 2020, from contributions with donor restrictions to contributions without donor restrictions in the statement of activities, the rent is included in the Occupancy expense category in the Statement of Functional Expenses.

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.

Volunteers provided pro-bono legal services for general and employment issues to the Foundation. The total value of these services is included as revenue and administration expense on the statement of activities. The estimated value of donated services was $16,000 and $10,750 for the years ended December 31, 2021 and 2020, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or (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 co-ordination	Full Time Equivalent
Food services	Time and effort
Insurance	Time and effort
Interest	Full Time Equivalent
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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019, 2020 and 2021 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. Zero and $37,793 of the bank balance was uninsured as of December 31, 2021 and 2020, 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, 2021, 15 donors accounted for 66% of contributions received. As of December 31, 2020, 23 donors accounted for 68% of contributions received.

S. Reclassifications

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021, are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	$ 265,872	$ 265,872	$ -	$ -
Marketable securities:				
Common stocks	133,730	133,730	-	-
Mutual funds	231,228	231,228	-	-
Total	$ 630,830	$ 630,830	$ -	$ -

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, 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	$ -	$ -

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, 2021	December 31, 2020
Opening balance	$ 355,370	$ 335,768
Dividends	6,241	17,254
Interest	1	39
Net unrealized gain	2,776	7,844
Net realized gain / (loss)	8,791	(11,111)
Costs	(5,093)	(3,833)
Other	(3,128)	9,409
Market value	$ 364,958	$ 355,370

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, 2021	December 31, 2020
Donations of property & facilities	$ 40,000	$ 88,000
Pledges receivable	10,000	-
Total	$ 50,000	$ 88,000

6. PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	December 31, 2021	December 31, 2020
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	(262,966)	(234,143)
	$ 616,431	$ 645,254

Depreciation expense totaled $28,823 and $36,853 for the years ended December 31, 2021 and 2020, respectively.

7. AVAILABILITY AND LIQUIDITY

The following represents The Foundation's financial assets as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Financial assets at year-end:		
Cash and cash equivalents	$ 265,872	$ 315,556
Contributions receivable	50,000	88,000
Service fees receivable	46,197	10,195
Marketable securities	364,958	355,370
Total financial assets	$ 727,027	$ 769,121
Less amounts not available to be used within one year:		
Net assets with donor restrictions	$ -	$ 40,000
	$ -	$ 40,000
Financial assets available to meet general expenditures over the next twelve months	$ 727,027	$ 729,121

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. This was replaced with a new line of credit for $300,000 with American Business Bank, which is also accessible to maintain operating reserves to meet expense obligations into 2022.

8. INVESTMENT (LOSS)/INCOME, NET

Investment income is composed of the following:

	December 31, 2021	December 31, 2020
Interest	$ 1	$ 39
Dividends	6,241	17,254
Net realized (loss)/gain	8,791	(11,111)
Net unrealized (loss)/gain	2,776	7,844
Investment advisory fees	(5,093)	(3,833)
Total	$ 12,716	$ 10,193

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. 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, 2021. See Note 14.

10. PROMISSORY NOTE

In March 2020, the Foundation obtained a loan for $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.

Debt issuance costs of $28,561 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 years ended December 31, 2021 and 2020 was $3,223 and $2,417, respectively.

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, 2021.

The balances for this loan as of December 31, 2021 and 2020 was $864,002 and $884,003, respectively.

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

	Debt	Debt issuance costs	Net
Years ending December 31,			
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
2026	26,025	(3,223)	22,802
Thereafter	745,269	(6,807)	738,462
Total	$ 864,002	$ (22,922)	$ 841,080

11. 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, 2019	$ -	$ 136,000	$ 136,000
Received in 2020	-	-	-
Utilized in 2020	-	(48,000)	(48,000)
Balance, December 31, 2020	$ -	$ 88,000	$ 88,000
Received in 2021	7,500	-	7,500
Utilized in 2021	-	(48,000)	(48,000)
Balance, December 31, 2021	$ 7,500	$ 40,000	$ 47,500

Net assets without donor restrictions for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Undesignated	$ 417,011	$ 404,663
Total	$ 417,011	$ 404,663

12. COMMITMENTS AND CONTINGENCIES

Compensation Reserve

Effective March 1, 2017, the Foundation revised the employment agreement with a key employee. The agreement provides 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 employee's employment agreement.

The compensation reserve totaled $50,382 and $41,181 on December 31, 2021 and 2020, 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.

13. OTHER INCOME

During the year the Organization applied for and received a Paycheck Protection Program (PPP) Loan as established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief to certain organizations impacted by the COVID-19 pandemic. The Organization applied for and received full forgiveness of this loan as provided for by the CARES act during 2021. The gain resulting from this debt extinguishment of $147,755 is included in other income.

14. SUBSEQUENT EVENTS

There were three draws on the line of credit with the American Business Bank in March, May and June 2022 for a total of $200,000.

The Health Care Services Agreement with Kaiser Foundation Hospitals was renewed in May 2022 for a period of two years with automatic subsequent successive one year renewals unless terminated by either party.

Management has evaluated subsequent events from the balance sheet date through September 28, 2022, the date the financial statements were available for use. With exception to the paragraphs above, no events have occurred during this period that would require adjustment to, or disclosure in, the financial statements.