Financial Statements and Independent Accountants' Review Report

FRIENDLY HAND FOUNDATION dba THE PEGGY ALBRECHT FRIENDLY HOUSE

Years Ended December 31, 2022 and 2021

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE

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GERBER
& CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

1880 Century Park East
Suite 200
Los Angeles, CA
90067

Telephone
310.552.1600

Fax
310.552.1626

E-mail
info@GerberCo.com

Website
www.GerberCo.com

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, 2022 and 2021 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)

Gerber & Co. Inc.

Gerber & Co., Inc.
Certified Public Accountants
Los Angeles, California
July 21, 2023

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

	December 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 340,770	$ 265,872
Marketable securities	298,805	364,958
Service fees receivable	69,151	46,197
Contributions receivable	348,000	50,000
Other receivables	-	65,987
Prepaid expenses	6,637	4,001
TOTAL CURRENT ASSETS	1,063,363	797,015
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	593,907	616,431
TOTAL ASSETS	$ 1,657,270	$ 1,413,446
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 58,274	$ 53,473
Promissory note - current portion	19,386	18,350
Compensation reserve	-	50,382
Security deposits	3,800	4,000
TOTAL CURRENT LIABILITIES	81,460	126,205
LONG-TERM LIABILITIES		
Line of credit	200,000	-
Promissory note - net of current portion	803,942	822,730
TOTAL LONG-TERM LIABILITIES	1,003,942	822,730
TOTAL LIABILITIES	1,085,402	948,935
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	187,718	417,011
With donor restrictions	384,150	47,500
TOTAL NET ASSETS	571,868	464,511
TOTAL LIABILITIES AND NET ASSETS	$ 1,657,270	$ 1,413,446

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUE AND OTHER SUPPORT			
Public donations	$ 90,642	$ 360,000	$ 450,642
Fee for service	799,960		799,960
Resident donations	351,185	59,500	410,685
Awards luncheon and other	512,648		512,648
Net assets released from restrictions	82,850	(82,850)	-
Total revenue and other support	1,837,285	336,650	2,173,935
FUNCTIONAL EXPENSES			
Program services	1,293,970		1,293,970
Fundraising and annual luncheon	187,715		187,715
Administration	516,872		516,872
Total expenses	1,998,557	-	1,998,557
Change in net assets from operations	(161,272)	336,650	175,378
Nonoperating activities			
Other income	-		-
PPP loan forgiveness	-		-
Investment income/(loss), net	(68,021)		(68,021)
Total nonoperating activities	(68,021)	-	(68,021)
Increase in net assets	(229,293)	336,650	107,357
NET ASSETS, December 31, 2021	417,011	47,500	464,511
NET ASSETS, December 31, 2022	$ 187,718	$ 384,150	$ 571,868

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/(loss), 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

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Activities	Supporting Activities		
	Program	Fundraising & Luncheon	Administration	Total
Administrative and general	$ 19,134	$ -	$ 44,580	$ 63,714
Bank and credit card fees	11,962	6,382	1,254	19,598
Decorations and awards	-	25,290	-	25,290
Event brochure	-	11,369	-	11,369
Event co-ordination	-	23,585	-	23,585
Facility rental and catering	-	94,877	-	94,877
Food services	57,136	-	-	57,136
Insurance	25,990	-	14,072	40,062
Interest	-	-	54,700	54,700
Legal and professional	-	-	157,271	157,271
Marketing and promotion	-	18,000	97,015	115,015
Medical expense	73,138	-	-	73,138
Occupancy	127,408	-	6,706	134,114
Other services	-	-	33,249	33,249
Printing	4,860	8,212	540	13,612
Program activities	26,961	-	-	26,961
Salaries and benefits	916,722	-	104,078	1,020,800
Supplies	12,757	-	1,418	14,175
Telephone	6,216	-	691	6,907
Transportation	11,686	-	1,298	12,984
Total expenses	$ 1,293,970	$ 187,715	$ 516,872	$ 1,998,557

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 brochure	-			-
Event co-ordination	-	14,500	-	14,500
Facility rental and catering	-			-
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
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 107,357	$ (28,152)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	22,524	28,823
Realized/unrealized (gain) / loss on investments	66,153	(9,588)
PPP Loan forgiveness	-	(147,755)
(Increase)/decrease in operating assets:		
Contributions receivable	(320,954)	1,998
Other receivables	65,987	(65,987)
Prepaid expenses	(2,636)	(1,724)
Increase/(decrease) in liabilities:		
Accounts payable	4,801	32,710
Compensation reserve	(50,382)	9,201
Security deposits	(200)	(3,850)
Net cash used for operating activities	(107,350)	(184,324)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit - disbursement	200,000	-
PPP loan - disbursement	-	147,755
Promissory note - settlement	(20,975)	(20,001)
Loan fees - settled	3,223	6,886
Net cash provided by financing activities	182,248	134,640
Net increase / (decrease) in cash and cash equivalents	74,898	(49,684)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	265,872	315,556
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 340,770	$ 265,872
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 51,478	$ 39,846
NONCASH FINANCING ACTIVITES		
PPP loan forgiveness	$ -	(147,755)

See accompanying notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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. Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic ASC 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the year ending December 2022. Management has determined this ASU does not have a significant impact on the financial statements as there are no material leases.

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 $69,151 and $46,197 on December 31, 2022 and 2021, respectively.

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 $348,000 and $50,000 on December 31, 2022 and 2021, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fair Value

The Foundation estimates that the fair value of all financial instruments on December 31, 2022 and 2021 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 5% 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.

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:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Property and Equipment (Continued)

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, 2022, the Foundation renewed the lease on one of its residential facilities for an additional 5 years through October 2027. 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 $348,000 and $40,000 for the years ended December 31, 2022 and 2021, respectively. The Foundation determined that $52,000 and $48,000 was the fair market value of the use of the facilities in 2022 and 2021 respectively. Therefore, $52,000 and $48,000 were transferred in 2022 and 2021, respectively 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 $1,000 and $16,000 for the years ended December 31, 2022 and 2021, 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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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
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 2020, 2021 and 2022 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. $86,271 and Zero of the bank balance was uninsured as of December 31, 2022 and 2021, 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, 2022, 14 donors accounted for 75% of contributions received. As of December 31, 2021, 15 donors accounted for 66% of contributions received.

S. Reclassifications

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

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, 2022, are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	$ 340,770	$ 340,770	$ -	$ -
Marketable securities:				
Common stocks	112,659	112,659	-	-
Mutual funds	186,146	186,146	-	-
Total	$ 639,575	$ 639,575	$ -	$ -

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	$ -	$ -

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 6% 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, 2022	December 31, 2021
Opening balance	$ 364,958	$ 355,370
Dividends	7,378	6,241
Interest	-	1
Net unrealized gain	(65,759)	2,776
Net realized gain / (loss)	(7,960)	8,791
Costs	(4,594)	(5,093)
Other	4,782	(3,128)
Market value	$ 298,805	$ 364,958

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	December 31, 2022	December 31, 2021
Donations of property & facilities	$ 348,000	$ 40,000
Pledges receivable	-	10,000
Total	$ 348,000	$ 50,000

6. PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	December 31, 2022	December 31, 2021
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	(285,490)	(262,966)
	$ 593,907	$ 616,431

Depreciation expense totaled $22,524 and $28,823 for the years ended December 31, 2022 and 2021, respectively. Land and Buildings used as collateral for Promissory note. See note 10.

7. AVAILABILITY AND LIQUIDITY

The following represents The Foundation's financial assets as of December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Financial assets at year-end:		
Cash and cash equivalents	$ 340,770	$ 265,872
Contributions receivable	348,000	50,000
Service fees receivable	69,151	46,197
Marketable securities	298,805	364,958
Total financial assets	$ 1,056,726	$ 727,027
Less amounts not available to be used within one year:		
Net assets with donor restrictions	$ 276,000	$ -
	$ 276,000	$ -
Financial assets available to meet general expenditures over the next twelve months	$ 780,726	$ 727,027

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 has a line of credit for $300,000 with American Business Bank, which is also accessible to maintain operating reserves to meet expense obligations into 2023. $200,000 of this line of credit was used during the year.

8. INVESTMENT (LOSS)/INCOME, NET

Investment (loss) / income is composed of the following:

	December 31, 2022	December 31, 2021
Interest	$ -	$ 1
Dividends	10,292	6,241
Net realized (loss)/gain	(73,719)	8,791
Net unrealized (loss)/gain	-	2,776
Investment advisory fees	(4,594)	(5,093)
Total	$ (68,021)	$ 12,716

9. LINE OF CREDIT

The Foundation obtained a line credit of $300,000 with American Business Bank at an interest rate of 7.25% with no collateral required. Any advances on the line of credit have monthly interest only payments, with settlement due on March 15, 2025. The balance outstanding as of December 31, 2022 and 2021 was $200,000 and zero, respectively.

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 are 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, 2022 and 2021 was $3,223.

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, 2022. Land and Buildings used as collateral for Promissory note. See note 6.

The balances for this loan as of December 31, 2022 and 2021 were $843,027 and $864,002, respectively.

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

	Debt	Debt issuance costs	Net
Years ending December 31,			
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
2027	27,275	(3,223)	24,052
Thereafter	718,592	(3,584)	715,008
Total	$ 843,027	$ (19,699)	$ 823,328

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, 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
Received in 2022	59,500	360,000	419,500
Utilized in 2022	(30,850)	(52,000)	(82,850)
Balance, December 31, 2022	$ 36,150	$ 348,000	$ 384,150

Net assets without donor restrictions for the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Undesignated	$ 187,718	$ 417,011
Total	$ 187,718	$ 417,011

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 Zero and $50,382 on December 31, 2022 and 2021, 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. SUBSEQUENT EVENTS

The Foundation obtained comprehensive accreditation for Behavioral Health Care and Human Services effective from March 25, 2023. This is valid for 36 months.

The Foundation's State of California Department of Health Care Services License now includes Incidental Medical Services effective from March 09, 2023.

There was a complaint of discrimination made by an ex-employee of the Foundation to the State of California Civils Rights department on March 16, 2023. This complaint was subsequently withdrawn on April 27, 2023.

Management has evaluated subsequent events from the balance sheet date through July 21, 2023, 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.