

Financial Statements and Independent Accountants' Review Report

**FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT
FRIENDLY HOUSE**

Years Ended December 31, 2023 and 2022

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

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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, 2023 and 2022 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 the 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.



INDEPENDENT ACCOUNTANTS' REVIEW REPORT (Continued)

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.

Gerber & Co. LLP

Gerber & Co., LLP
Certified Public Accountants
Los Angeles, California
July 15, 2024

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

| | December 31, | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 141,686 | \$ 340,770 |
| Marketable securities | 224,868 | 298,805 |
| Service fees receivable | 59,510 | 69,151 |
| Contributions receivable | 276,000 | 348,000 |
| Prepaid expenses | 15,428 | 6,637 |
| TOTAL CURRENT ASSETS | <u>717,492</u> | <u>1,063,363</u> |
| PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation | <u>571,879</u> | <u>593,907</u> |
| TOTAL ASSETS | <u>\$ 1,289,371</u> | <u>\$ 1,657,270</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 44,304 | \$ 58,274 |
| Promissory note - current portion | 20,471 | 19,386 |
| Security deposits | 2,600 | 3,800 |
| TOTAL CURRENT LIABILITIES | <u>67,375</u> | <u>81,460</u> |
| LONG-TERM LIABILITIES | | |
| Line of credit | 200,000 | 200,000 |
| Promissory note - net of current portion | 784,081 | 803,942 |
| TOTAL LONG-TERM LIABILITIES | <u>984,081</u> | <u>1,003,942</u> |
| TOTAL LIABILITIES | <u>1,051,456</u> | <u>1,085,402</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Without donor restrictions | (75,262) | 187,718 |
| With donor restrictions | 313,177 | 384,150 |
| TOTAL NET ASSETS | <u>237,915</u> | <u>571,868</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,289,371</u> | <u>\$ 1,657,270</u> |

See accompanying independent accountants' report and notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------|
| Operating activities | | | |
| REVENUE AND OTHER SUPPORT | | | |
| Public donations | \$ 143,361 | \$ - | \$ 143,361 |
| Fee for service | 936,095 | | 936,095 |
| Resident donations | 345,667 | 29,627 | 375,294 |
| Awards luncheon and other | 395,386 | | 395,386 |
| Net assets released from restrictions | 100,600 | (100,600) | - |
| Total revenue and other support | <u>1,921,109</u> | <u>(70,973)</u> | <u>1,850,136</u> |
| FUNCTIONAL EXPENSES | | | |
| Program services | 1,470,491 | | 1,470,491 |
| Fundraising and annual luncheon | 206,788 | | 206,788 |
| Administration | 540,294 | | 540,294 |
| Total expenses | <u>2,217,573</u> | <u>-</u> | <u>2,217,573</u> |
| Change in net assets from operations | (296,464) | (70,973) | (367,437) |
| Nonoperating activities | | | |
| Investment income/(loss), net | 33,484 | | 33,484 |
| Total nonoperating activities | <u>33,484</u> | <u>-</u> | <u>33,484</u> |
| Decrease in net assets | (262,980) | (70,973) | (333,953) |
| NET ASSETS, December 31, 2022 | <u>187,718</u> | <u>384,150</u> | <u>571,868</u> |
| NET ASSETS, December 31, 2023 | <u>\$ (75,262)</u> | <u>\$ 313,177</u> | <u>\$ 237,915</u> |

See accompanying independent accountants' report and 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 |
|---|-------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| 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 | <u>1,837,285</u> | <u>336,650</u> | <u>2,173,935</u> |
| 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 | <u>1,998,557</u> | <u>-</u> | <u>1,998,557</u> |
| 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 | <u>(68,021)</u> | <u>-</u> | <u>(68,021)</u> |
| Increase in net assets | (229,293) | 336,650 | 107,357 |
| NET ASSETS, December 31, 2021 | <u>417,011</u> | <u>47,500</u> | <u>464,511</u> |
| NET ASSETS, December 31, 2022 | <u>\$ 187,718</u> | <u>\$ 384,150</u> | <u>\$ 571,868</u> |

See accompanying independent accountants' report and notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Program Activities | Supporting Activities | | |
|------------------------------|-----------------------|---------------------------|-------------------|---------------------|
| | Program | Fundraising & Luncheon | Administration | Total |
| Administrative and general | \$ 21,692 | \$ - | \$ 39,404 | \$ 61,096 |
| Bank and credit card fees | 11,514 | 2,068 | 1,272 | 14,854 |
| Decorations and awards | - | 32,608 | - | 32,608 |
| Event brochure | - | 10,260 | - | 10,260 |
| Event co-ordination | - | 34,686 | - | 34,686 |
| Facility rental and catering | - | 90,730 | - | 90,730 |
| Food services | 58,589 | - | - | 58,589 |
| Insurance | 26,018 | - | 10,881 | 36,899 |
| Interest | - | - | 61,673 | 61,673 |
| Legal and professional | - | - | 151,529 | 151,529 |
| Marketing and promotion | - | 28,960 | 100,347 | 129,307 |
| Medical expense | 153,624 | - | - | 153,624 |
| Occupancy | 134,618 | - | 7,215 | 141,833 |
| Other services | - | - | 46,153 | 46,153 |
| Printing | - | 7,476 | - | 7,476 |
| Program activities | 24,343 | - | - | 24,343 |
| Salaries and benefits | 1,010,333 | - | 118,679 | 1,129,012 |
| Supplies | 11,496 | - | 1,111 | 12,607 |
| Telephone | 6,425 | - | 714 | 7,139 |
| Transportation | 11,839 | - | 1,316 | 13,155 |
| Total expenses | \$ 1,470,491 | \$ 206,788 | \$ 540,294 | \$ 2,217,573 |

See accompanying independent accountants' report and notes to financial statements.

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

| | Program Activities | | Supporting Activities | | Total |
|------------------------------|---------------------|------------------------|-----------------------|-----------|------------------|
| | Program | Fundraising & Luncheon | Administration | | |
| 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 independent accountants' report and notes to financial statements.

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

| | Years Ended December 31, | |
|---|---------------------------------|-------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (333,953) | \$ 107,357 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 22,028 | 22,524 |
| Realized/unrealized (gain) / loss on investments | 73,937 | 66,153 |
| (Increase)/decrease in operating assets: | | |
| Contributions receivable | 81,641 | (320,954) |
| Other receivables | - | 65,987 |
| Prepaid expenses | (8,791) | (2,636) |
| Increase/(decrease) in liabilities: | | |
| Accounts payable | (13,970) | 4,801 |
| Compensation reserve | - | (50,382) |
| Security deposits | (1,200) | (200) |
| Net cash used for operating activities | (180,308) | (107,350) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Line of credit - disbursement | - | 200,000 |
| Promissory note - settlement | (21,998) | (20,975) |
| Loan fees - settled | 3,222 | 3,223 |
| Net cash (used for) / provided by financing activities | (18,776) | 182,248 |
| Net (decrease) / increase in cash and cash equivalents | (199,084) | 74,898 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 340,770 | 265,872 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 141,686 | \$ 340,770 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest | \$ 58,451 | \$ 51,478 |

See accompanying independent accountants' report and notes to financial statements.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 and 2022

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, 2023 and 2022, the Foundation's net assets are composed of without donor restrictions and with donor restrictions net assets.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 and 2022

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. Current Expected Credit Loss

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires certain financial assets to be measured at amortized cost net of an allowance for current estimated credit losses ("CECL"), such that the net receivable represents the present value of expected cash collection. Topic 326 also requires that certain financial assets be measured at amortized cost reflecting an allowance for estimated credit losses that are expected to occur over the life of the assets. This estimate must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. Management have determined this standard has no impact on the foundation.

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 \$59,510 and \$69,151 on December 31, 2023 and 2022, 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 \$276,000 and \$348,000 on December 31, 2023 and 2022, respectively.

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fair Value

The Foundation estimates that the fair value of all financial instruments on December 31, 2023 and 2022 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 around 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:

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 and 2022

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 \$276,000 and \$348,000 for the years ended December 31, 2023 and 2022, respectively. The Foundation determined that \$72,000 and \$52,000 was the fair market value of the use of the facilities in 2023 and 2022, respectively. Therefore, \$72,000 and \$52,000 were transferred in 2023 and 2022, 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 \$500 and \$1,000 for the years ended December 31, 2023 and 2022, respectively. There were also donated supplies with estimated \$1,500 value in 2023.

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).

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 and 2022

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 |

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 and 2022

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 2021, 2022 and 2023 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. The bank balance did not exceed this limit as of December 31, 2023 and 2022. 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, 2023, 12 donors accounted for 36% of contributions received. As of December 31, 2022, 14 donors accounted for 75% of contributions received.

S. Reclassifications

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

FRIENDLY HAND FOUNDATION
dba THE PEGGY ALBRECHT FRIENDLY HOUSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 and 2022

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, 2023, are as follows:

| | <u>Fair Value</u> | <u>Fair Value Measurements at Reporting Date Using:</u> | | |
|-----------------------------|-------------------|---|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Cash and money market funds | \$ 141,686 | \$ 141,686 | \$ - | \$ - |
| Marketable securities: | | | | |
| Common stocks | 88,450 | 88,450 | - | - |
| Mutual funds | <u>136,418</u> | <u>136,418</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 366,554</u> | <u>\$ 366,554</u> | <u>\$ -</u> | <u>\$ -</u> |

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:

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

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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, | |
|----------------------------------|--------------|------------|
| | 2023 | 2022 |
| Opening balance | \$ 298,805 | \$ 364,958 |
| Dividends | 6,574 | 7,378 |
| Transfer from sale of securities | (106,000) | - |
| Net unrealized gain | 30,808 | (65,759) |
| Net realized gain / (loss) | - | (7,960) |
| Costs | (3,898) | (4,594) |
| Other | (1,421) | 4,782 |
| Market value | \$ 224,868 | \$ 298,805 |

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

| | December 31, | |
|------------------------------------|--------------|------------|
| | 2023 | 2022 |
| Donations of property & facilities | \$ 276,000 | \$ 348,000 |
| Total | \$ 276,000 | \$ 348,000 |

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6. PROPERTY AND EQUIPMENT

Property and equipment are as follows:

| | December 31, | |
|--------------------------------|--------------|------------|
| | 2023 | 2022 |
| 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 | (307,518) | (285,490) |
| | \$ 571,879 | \$ 593,907 |

Depreciation expense totaled \$22,028 and \$22,524 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022:

| | December 31, | |
|--|--------------|--------------|
| | 2023 | 2022 |
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 141,686 | \$ 340,770 |
| Contributions receivable | 276,000 | 348,000 |
| Service fees receivable | 59,510 | 69,151 |
| Marketable securities | 224,868 | 298,805 |
| Total financial assets | \$ 702,064 | \$ 1,056,726 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | \$ 204,000 | \$ 276,000 |
| | \$ 204,000 | \$ 276,000 |
| Financial assets available to meet general expenditures over the next twelve months | \$ 498,064 | \$ 780,726 |

The 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 prior year.

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8. INVESTMENT INCOME / (LOSS), NET

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

| | December 31, | |
|--------------------------|--------------|-------------|
| | 2023 | 2022 |
| Dividends | \$ 6,574 | \$ 10,292 |
| Net realized (loss)/gain | 30,808 | (73,719) |
| Investment advisory fees | (3,989) | (4,594) |
| Total | \$ 33,484 | \$ (68,021) |

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, 2023 and 2022 was \$200,000. See note 13 for further information.

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, 2023 and 2022 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, 2023. Land and Buildings used as collateral for Promissory note. See note 6.

The balances for this loan as of December 31, 2023 and 2022 were \$821,029 and \$843,027, respectively.

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

| | Debt | Debt issuance costs | Net |
|---------------------------|------------|------------------------|------------|
| Years ending December 31, | | | |
| 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 |
| 2028 | 28,585 | (3,223) | 25,362 |
| Thereafter | 690,618 | (362) | 690,256 |
| Total | \$ 821,029 | \$ (16,477) | \$ 804,552 |

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11. NET ASSETS

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

| | Scholarship | Facility | |
|-----------------------------------|--------------------|-------------------|-------------------|
| | Fund | Rental | Total |
| | <u>Fund</u> | <u>Fund</u> | <u>Total</u> |
| Balance, December 31, 2021 | \$ 7,500 | \$ 40,000 | \$ 47,500 |
| Received in 2022 | 59,500 | 360,000 | 419,500 |
| Utilized in 2022 | <u>(30,850)</u> | <u>(52,000)</u> | <u>(82,850)</u> |
| Balance, December 31, 2022 | \$ 36,150 | \$ 348,000 | \$ 384,150 |
| Received in 2023 | 29,627 | - | 29,627 |
| Utilized in 2023 | <u>(28,600)</u> | <u>(72,000)</u> | <u>(100,600)</u> |
| Balance, December 31, 2023 | <u>\$ 37,177</u> | <u>\$ 276,000</u> | <u>\$ 313,177</u> |

Net (deficit) / assets without donor restrictions for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, | |
|--------------|--------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| Undesignated | \$ (75,262) | \$ 187,718 |
| Total | <u>\$ (75,262)</u> | <u>\$ 187,718</u> |

12. COMMITMENTS AND CONTINGENCIES

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

Management has evaluated subsequent events from the balance sheet date through July 15, 2024, the date the financial statements were available for use. With the exception of the below paragraph, no additional events have occurred during this period that would require adjustment to, or disclosure in, the financial statements.

After year end, management refinanced its \$300,000 line of credit with a new \$600,000 line. The Foundation obtained a promissory note of \$600,000 with SJ JackRabbit, LLC at an interest rate of 13.5% with second Trust Deed on 347 S Normandie Ave, Los Angeles, CA 90020. Payments are \$6,750 monthly interest only payments, with a maturity settlement of \$600,000 due on August 1, 2026.