

**FRIENDS LIFE COMMUNITY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2020**

**FRIENDS LIFE COMMUNITY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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## CPA for the Not-For-Profit Sector

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Friends Life Community  
Nashville, Tennessee

#### **Opinion**

We have audited the accompanying statements of Friends Life Community, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends Life Community as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends Life Community, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends Life Community's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to the risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends Life Community's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends Life Community's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in blue ink, appearing to read "Thomas F. Faria".

March 26, 2021

**FRIENDS LIFE COMMUNITY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 463,910
Accounts receivable	5,481
Grants receivable	57,071
Prepays	5,332
Total current assets	<u>531,794</u>

**Property and Equipment** (net of  
accumulated depreciation of \$98,444)

84,919

**Other Assets**

Long-term investments	415,120
Deposits	4,000
Total assets	<u><u>\$ 1,035,833</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 4,999
Deferred revenue	5,338
Accrued liabilities	44,072
Total current liabilities	<u>54,409</u>

**Net Assets**

Board-designated	569,706
Undesignated	411,718
Total net assets without donor restrictions	<u>981,424</u>
Total liabilities and net assets	<u><u>\$ 1,035,833</u></u>

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Public Support:			
Contributions	\$ 377,552	\$ -	\$ 377,552
Government grant revenue	105,400	-	105,400
Other grant revenue	139,219	-	139,219
Special event revenue:			
Revenue	103,370	-	103,370
Less direct costs	(8,466)	-	(8,466)
Net revenue from special events	94,904	-	94,904
Total public support	717,075	-	717,075
 Revenue:			
Tuition	273,321	-	273,321
Less: scholarships	(12,787)	-	(12,787)
Net tuition	260,534	-	260,534
Transportation fees	7,918	-	7,918
Life skills fees	36,620	-	36,620
Performing and visual arts	3,013	-	3,013
Other program fees	1,898	-	1,898
Merchandise sales	12,264	-	12,264
Less: cost of sales	(8,883)	-	(8,883)
Net merchandise sales	3,381	-	3,381
	-	-	-
Investment income, net	19,244	-	19,244
Total revenue	332,608	-	332,608
Net assets released from restrictions	52,500	(52,500)	-
Total public support and revenue	1,102,183	(52,500)	1,049,683
 <b>Expenses</b>			
Program services:			
Life skills	150,714	-	150,714
Service learning	139,170	-	139,170
Arts	263,329	-	263,329
Total program services	553,213	-	553,213
 Supporting services:			
Management and general	204,755	-	204,755
Fundraising	148,602	-	148,602
Total supporting services	353,357	-	353,357
Total expenses	906,570	-	906,570
<b>Change in net assets</b>	195,613	(52,500)	143,113
Net assets at beginning of year	785,811	52,500	838,311
<b>Net assets at end of year</b>	<u>\$ 981,424</u>	<u>\$ -</u>	<u>981,424</u>

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services				Supporting Services			Total Expenses
	Life Skills	Service Learning	Arts	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 95,848	\$ 95,848	\$ 191,697	\$ 383,393	\$ 122,112	\$ 116,114	\$ 238,226	\$ 621,619
Employee benefits	8,407	8,407	19,831	36,645	5,659	8,394	14,053	50,698
Payroll taxes	6,997	6,997	14,014	28,008	8,904	8,406	17,310	45,318
Total compensation	111,252	111,252	225,542	448,046	136,675	132,914	269,589	717,635
Professional fees	200	200	400	800	16,474	-	16,474	17,274
Direct program services	14,919	3,376	6,953	25,248	-	-	-	25,248
Transportation	1,962	1,962	-	3,924	-	-	-	3,924
Telephone and internet	-	-	-	-	3,918	-	3,918	3,918
Technology	2,627	2,627	2,628	7,882	876	-	876	8,758
Office supplies	207	207	332	746	526	-	526	1,272
Development expense	-	-	-	-	-	13,243	13,243	13,243
Insurance	3,022	3,022	4,532	10,576	4,532	-	4,532	15,108
Professional development	178	178	118	474	59	59	118	592
Travel and meetings	273	273	100	646	1,033	50	1,083	1,729
Facility expense	9,569	9,569	14,353	33,491	31,833	-	31,833	65,324
Direct expenses of special events	-	-	-	-	-	8,466	8,466	8,466
Bank fees	-	-	-	-	3,204	2,336	5,540	5,540
Miscellaneous	2,747	2,746	2,746	8,239	-	-	-	8,239
Depreciation	3,758	3,758	5,625	13,141	5,625	-	5,625	18,766
Total expenses	150,714	139,170	263,329	553,213	204,755	157,068	361,823	915,036
Less: expenses netted with revenue on statement of activities;								
Direct expenses of special events	-	-	-	-	-	(8,466)	(8,466)	(8,466)
Total expenses by function	\$ 150,714	\$ 139,170	\$ 263,329	\$ 553,213	\$ 204,755	\$ 148,602	\$ 353,357	\$ 906,570
Current year's percentages	16.62%	15.35%	29.05%	61.02%	22.59%	16.39%	38.98%	100.00%

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Cash Flows From Operating Activities:**

Change in net assets	\$ 143,113
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	18,766
Investment income, net	(19,244)
Changes in operating assets and liabilities:	
Accounts receivable	4,463
Contributions receivable	23,514
Grants receivable	(33,557)
Prepays	2,342
Accounts payable	1,789
Accrued liabilities	9,620
Net cash provided by operating activities	<u>150,806</u>

**Cash Flows From Investing Activities:**

Purchases of property and equipment	(51,000)
Net purchases of investments	<u>(412,161)</u>
Net cash used in investing activities	<u>(463,161)</u>
Net change in cash and cash equivalents	(312,355)
Cash and cash equivalents at beginning of year	776,265
Cash and cash equivalents at end of year	<u>\$ 463,910</u>

**Supplemental disclosure of non-cash operating activities**

In-kind contribution of special event expenses	\$ 8,179
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The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Friends Life Community (the “Organization”) is a nonprofit organization chartered in the State of Tennessee in 2007, to create the opportunity for teenagers and adults with disabilities to develop socially, grow personally, and enjoy community as they experience life together. The Organization earns income from tuition and is supported primarily through individual contributions and special events.

**Basis of Presentation**

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

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**FRIENDS LIFE COMMUNITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Basis of Presentation-continued**

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At December 31, 2020, the Organization had no cash equivalents.

**Tuition Revenue and Related Receivables**

Participant tuition and program fees are recorded as revenues during the year the related program services are rendered. Financial aid provided by the Organization as well as sponsorships paid by individual contributions for tuition and educational fees are reflected as reductions in tuition and program fees.

The Organization periodically evaluates the balances on a student-by-student basis based on payment history to determine if any balances are uncollectible. When the Organization determines that a receivable is uncollectible, the balance is removed from the receivables balance and charged directly against tuition revenue. The Organization believes that all tuition receivables are fully collectible. Accordingly, no allowance for doubtful accounts is required as of December 31, 2020.

**Property and Equipment**

Property and equipment are recorded at cost to the Organization, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. Estimated useful lives are 5-7 years for office furniture, computers, equipment and vehicles and 39 years for leasehold improvements.

Expenditures for repairs and maintenance are charged to operations when incurred.

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Contributions Receivable**

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. All contributions are expected to be collected in less than one year.

**Grants Receivable**

The Organization considers grants receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Contributions**

Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

**In-Kind Contributions**

The Organization received contributions in a form other than cash or investments. The Organization received contributions of special event expenses with an estimated fair value of \$8,179, during the year ended December 31, 2020. Donated special event expenses are reported as contributions revenue and as special event expense in the statement of activities for year ended December 31, 2020.

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Investments**

Investments are stated at fair market value. Unrealized gains and losses, investment fees and interest and dividends are reflected in the statement of activities as investment income, net.

**Income Taxes**

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

**Expense Recognition and Allocation**

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Facility rent, and other expenses that cannot be directly identified are also allocated on the basis of activity reports prepared by key personnel.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the website is updated with requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

**FRIENDS LIFE COMMUNITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Financial Instruments**

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 2 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

*Investments* – Equity securities and mutual funds are valued at the closing price reported on the active market which they are traded, and are classified within level 1 of the valuation hierarchy.

While the Organization believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The table below represents financial assets available for general expenditures within one year at December 31, 2020:

Financial assets at year-end:	
Cash	\$463,910
Accounts receivable	5,481
Grants receivable	<u>57,071</u>
Financial assets available to meet general expenditures within one year	<u>\$526,462</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2020:

Vehicles	\$ 104,219
Office furniture	39,095
Building improvements	15,900
Office equipment	4,186
Computers	8,013
Website	<u>11,950</u>
	\$ 183,363
Less accumulated depreciation	( <u>98,444</u> )
	<u>\$ 84,919</u>

**FRIENDS LIFE COMMUNITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 4 – FAIR VALUE MEASUREMENTS**

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31, 2020

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Investments:				
Bond funds	\$195,683	\$ -	\$ -	\$195,683
Exchange traded funds	127,054			127,054
Equity funds	<u>92,383</u>	<u>-</u>	<u>-</u>	<u>92,383</u>
	<u>\$415,120</u>	<u>-</u>	<u>-</u>	<u>\$415,120</u>

**NOTE 5 – CONCENTRATION OF RISK**

Amounts held in a financial institution occasionally are in excess of the Federal Deposit Insurance Corporation limit. The organization deposits its cash with a high-quality financial institution, and management believes the organization is not exposed to significant credit risk on those amounts.

**NOTE 6 – BOARD-DESIGNATED NET ASSETS**

In 2009, the Organization received \$600,000 donation from a local family foundation. The Board approved for these monies to be placed in a board designated fund and such funds are currently residing in an investment portfolio comprised of money market funds, bond funds, exchange traded funds and equity funds. Any proposed use of these funds must be submitted in writing for consideration and approval by the Board. Remaining unspent funds totals \$569,706 as of December 31, 2020.

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Purchase of a vehicle	\$ 45,000
Performing & visual arts	<u>7,500</u>
Total	<u>\$ 52,500</u>

**FRIENDS LIFE COMMUNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 8 – RETIREMENT PLAN**

The Organization sponsors a salary reduction contribution plan covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary or a fixed dollar amount to the plan. The Organization makes a matching contribution to employees' salary reduction contribution up to a limit of 3% of annual compensation. Contributions amounted to \$12,753 for year ended December 31, 2020.

**NOTE 9 – OTHER RISKS AND UNCERTAINTIES**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Organization's results of future operations, financial position, and liquidity in fiscal year 2021.

**NOTE 10 – SUBSEQUENT EVENTS**

On February 12, 2021, the Organization was granted a loan from Pinnacle Bank in the aggregate amount of \$105,400, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act ("CARES"). The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, rent, and utilities. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The Organization evaluated subsequent events through March 26, 2021, the issuance of the Organization's financial statements.