

FRIENDS LIFE COMMUNITY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021

**FRIENDS LIFE COMMUNITY
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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, 2021, 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, 2021, 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.



April 4, 2022

**FRIENDS LIFE COMMUNITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Current Assets

Cash and cash equivalents	\$ 469,942
Accounts receivable	4,310
Grants receivable	75,000
Prepays	3,242
Total current assets	<u>552,494</u>

Property and Equipment (net of
accumulated depreciation of \$118,501)

73,790

Other Assets

Long-term investments	699,092
Deposits	4,000
Total assets	<u><u>\$ 1,329,376</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 6,586
Accrued liabilities	52,097
Total current liabilities	<u>58,683</u>

Net Assets

With donor restrictions	75,000
Without donor restrictions	
Board-designated	715,859
Undesignated	479,834
Total net assets without donor restrictions	<u>1,195,693</u>
Total net assets	<u>1,270,693</u>
Total liabilities and net assets	<u><u>\$ 1,329,376</u></u>

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 442,598	\$ -	\$ 442,598
Government grant revenue	105,400	-	105,400
Other grant revenue	83,332	75,000	158,332
Special event revenue:			
Revenue	170,389	-	170,389
Less direct costs	(22,230)	-	(22,230)
Net revenue from special events	148,159	-	148,159
Total public support	779,489	75,000	854,489
Revenue:			
Tuition	303,948	-	303,948
Less: scholarships	(7,681)	-	(7,681)
Net tuition	296,267	-	296,267
Coaching	20,765	-	20,765
Transportation fees	9,000	-	9,000
Performing and visual arts	14,318	-	14,318
Social club fees	8,518	-	8,518
Additional service fees	6,057	-	6,057
Social enterprise - treat truck	16,188	-	16,188
Merchandise sales	24,246	-	24,246
Less: cost of sales	(14,102)	-	(14,102)
Net merchandise sales	10,144	-	10,144
Interest income	243	-	243
Investment income, net	47,763	-	47,763
Total revenue	429,263	-	429,263
Net assets released from restrictions	-	-	-
Total public support and revenue	1,208,752	75,000	1,283,752
Expenses			
Program services:			
Advocacy through the arts	261,951	-	261,951
Service learning and employment	205,953	-	205,953
Life skills	182,503	-	182,503
Total program services	650,407	-	650,407
Supporting services:			
Management and general	178,395	-	178,395
Fundraising	165,681	-	165,681
Total supporting services	344,076	-	344,076
Total expenses	994,483	-	994,483
Change in net assets	214,269	75,000	289,269
Net assets at beginning of year	981,424	-	981,424
Net assets at end of year	\$ 1,195,693	\$ 75,000	1,270,693

The accompanying notes are an integral part of these financial statements

FRIENDS LIFE COMMUNITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services		
	Advocacy Through The Arts	Service Learning & Employment	Life Skills	Program Services	Management and General	Fundraising	Total Supporting Services
Salaries	\$ 185,245	\$ 135,476	\$ 125,752	\$ 446,473	\$ 95,115	\$ 111,147	\$ 206,262
Employee benefits	12,111	8,074	8,651	28,836	10,189	9,749	19,938
Payroll taxes	13,090	8,727	9,350	31,167	9,692	8,100	17,792
Total compensation	210,446	152,277	143,753	506,476	114,996	128,996	243,992
Professional fees	-	-	-	-	24,251	20,000	44,251
Direct program services	9,977	17,616	5,692	33,285	-	-	33,285
Transportation	764	3,440	3,440	7,644	-	-	7,644
Telephone and internet	-	-	-	-	3,111	-	3,111
Technology	3,481	3,480	3,480	10,441	1,161	-	1,161
Development expense	-	-	-	-	-	6,080	6,080
Insurance	5,210	3,473	3,473	12,156	5,211	-	5,211
Dues and subscriptions	1,163	1,163	1,163	3,489	1,162	1,162	2,324
Taxes and license fees	1,559	1,039	866	3,464	-	-	-
Travel and meetings	144	686	80	910	896	550	1,446
Professional development	313	313	313	939	1,149	-	1,149
Facility expense	19,924	13,282	13,282	46,488	19,924	-	19,924
Direct expenses of special events	-	-	-	-	-	22,230	22,230
Bank and credit card fees	1,537	3,760	1,537	6,834	512	8,893	9,405
Miscellaneous	1,410	1,409	1,409	4,228	-	-	-
Depreciation	6,023	4,015	4,015	14,053	6,022	-	6,022
Total expenses	261,951	205,953	182,503	650,407	178,395	187,911	366,306
Less: expenses netted with revenue on statement of activities;	-	-	-	-	-	(22,230)	(22,230)
Direct expenses of special events	-	-	-	-	-	(22,230)	(22,230)
Total expenses by function	\$ 261,951	\$ 205,953	\$ 182,503	\$ 650,407	\$ 178,395	\$ 165,681	\$ 344,076
Current year's percentages	26.34%	20.71%	18.35%	65.40%	17.94%	16.66%	34.60%
							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, 2021**

Cash Flows From Operating Activities:

Change in net assets	\$ 289,269
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,075
Investment income, net	(47,763)
Changes in operating assets and liabilities:	
Accounts receivable	1,171
Grants receivable	(17,929)
Prepays	2,090
Accounts payable	1,587
Deferred revenue	(5,338)
Accrued liabilities	8,025
Net cash provided by operating activities	<u>251,187</u>

Cash Flows From Investing Activities:

Purchases of property and equipment	(8,929)
Net purchases of investments	<u>(236,226)</u>
Net cash used in investing activities	<u>(245,155)</u>
 Net change in cash and cash equivalents	 6,032
Cash and cash equivalents at beginning of year	463,910
Cash and cash equivalents at end of year	<u><u>\$ 469,942</u></u>

Supplemental disclosure of non-cash operating activities

In-kind contribution of facility repairs and maintenance	\$ 7,200
In-kind contribution of program service expense	2,200
Total In-kind contributions	<u><u>\$ 9,400</u></u>

The accompanying notes are an integral part of these financial statements

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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, 2021

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, 2021, 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, 2021.

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, 2021

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 facility repair and maintenance expense and program services expense with an estimated fair value of \$7,200 and \$2,200, respectively, during the year ended December 31, 2021. In-kind contributions are reported as contributions revenue and related facility repair and maintenance expense and program service expenses in statement of activities for year ended December 31, 2021.

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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, 2021

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, 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year at December 31, 2021:

Financial assets at year-end:	
Cash	\$453,175
Accounts receivable	<u>4,310</u>
Financial assets available to meet general expenditures within one year	<u>\$457,485</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, 2021:

Vehicles	\$ 104,219
Office furniture	39,094
Building improvements	15,900
Office equipment	4,186
Computers	16,942
Website	<u>11,950</u>
	\$ 192,291
Less accumulated depreciation	<u>(118,501)</u>
	<u>\$ 73,790</u>

**FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

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, 2021.

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Investments:				
Bond funds	\$197,895	\$ -	\$ -	\$197,895
Exchange traded funds	297,631			297,631
Equity funds	<u>203,566</u>	<u>-</u>	<u>-</u>	<u>203,566</u>
	<u>\$699,092</u>	<u>-</u>	<u>-</u>	<u>\$699,092</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. In 2021, the Board approved additional board designated funds in the amount of \$100,000 and transferred such funds from Organization’s operating account to the investment portfolio. Any proposed use of these funds must be submitted in writing for consideration and approval by the Board. Such board designated funds in investment portfolio as of December 31, 2021 amounted to \$715,859.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021, net assets with donor restrictions are available for the following purpose or period:

Purpose restriction – Treat Truck events	\$ 75,000
--	-----------

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 \$15,188 for year ended December 31, 2021.

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 – GOVERNMENT GRANT INCOME

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"). Funds from the loan were used for qualifying expenses including payroll costs, costs used to continue group health care benefits, rent, and utilities. As such, the conditions for forgiveness had been met and on June 22, 2021, the PPP loan was forgiven. This forgiveness is recognized in the Statement of Activities in the revenue section as government grant income.

NOTE 11 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through April 4, 2022, the issuance of the Organization's financial statements.