

FRIENDS LIFE COMMUNITY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022

**FRIENDS LIFE COMMUNITY
FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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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, 2022, 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, 2022, 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.

Thomas Financial Resources

April 7, 2023

**FRIENDS LIFE COMMUNITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets

Cash and cash equivalents	\$ 759,157
Employee retention credit receivable	204,437
Grants receivable	33,750
Accounts receivable	8,344
Prepays	9,410
Total current assets	<u>1,015,098</u>

Property and Equipment (net of
accumulated depreciation of \$138,644)

75,362

Other Assets

Long-term investments	599,951
Deposits	4,000
Total assets	<u><u>\$ 1,694,411</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 22,361
Accrued liabilities	53,551
Deferred revenue	2,946
Total current liabilities	<u>78,858</u>

Net Assets

With donor restrictions	145,750
Without donor restrictions	
Board-designated	617,225
Undesignated	852,578
Total net assets without donor restrictions	<u>1,469,803</u>
Total net assets	<u>1,615,553</u>
Total liabilities and net assets	<u><u>\$ 1,694,411</u></u>

The accompanying notes are an integral part of these financial statements

**FRIENDS LIFE COMMUNITY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 649,065	\$ 28,750	\$ 677,815
Grant revenue	17,750	92,000	109,750
Other revenue	2,648	-	2,648
Special event revenue:			
Revenue	205,310	-	205,310
Less direct costs	(37,780)	-	(37,780)
Net revenue from special events	167,530	-	167,530
Total public support	836,993	120,750	957,743
Revenue:			
Tuition	377,599	-	377,599
Less: scholarships	(23,275)	-	(23,275)
Net tuition	354,324	-	354,324
Coaching	17,664	-	17,664
Transportation fees	13,448	-	13,448
Performing and visual arts	13,837	-	13,837
Social club fees	10,493	-	10,493
Additional service fees	19,597	-	19,597
Social enterprise - treat truck	46,709	-	46,709
Merchandise sales	27,790	-	27,790
Less: cost of sales	(16,795)	-	(16,795)
Net merchandise sales	10,995	-	10,995
Interest income	3,243	-	3,243
Investment income, net	(98,634)	-	(98,634)
Total revenue	391,676	-	391,676
Net assets released from restrictions	50,000	(50,000)	-
Total public support and revenue	1,278,669	70,750	1,349,419
Expenses			
Program services:			
Advocacy through the arts	276,697	-	276,697
Service learning and employment	246,322	-	246,322
Life skills	242,256	-	242,256
Total program services	765,275	-	765,275
Supporting services:			
Management and general	233,204	-	233,204
Fundraising	210,517	-	210,517
Total supporting services	443,721	-	443,721
Total expenses	1,208,996	-	1,208,996
Change in net assets	69,673	70,750	140,423
Net assets at beginning of year, as restated	1,400,130	75,000	1,475,130
Net assets at end of year	\$ 1,469,803	\$ 145,750	1,615,553

The accompanying notes are an integral part of these financial statements

FRIENDS LIFE COMMUNITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services		
	Advocacy Through The Arts	Service Learning & Employment	Life Skills	Total Program Services	Management and General	Fundraising	Total Supporting Services Expenses
Salaries	\$ 193,190	\$ 153,899	\$ 167,413	\$ 514,502	\$ 129,497	\$ 119,194	\$ 248,691
Employee benefits	16,101	12,711	13,559	42,371	7,604	7,681	15,285
Payroll taxes	15,466	12,210	13,024	40,700	8,068	6,963	15,031
Total compensation	224,757	178,820	193,996	597,573	145,169	133,838	279,007
Professional fees	-	-	-	-	30,542	-	30,542
Direct program services	8,058	27,789	11,314	47,161	-	-	47,161
Transportation	1,488	6,694	6,694	14,876	-	-	14,876
Telephone and internet	-	-	-	-	2,539	-	2,539
Technology	3,778	3,778	3,778	11,334	1,260	-	1,260
Development expense	-	-	-	-	-	66,176	66,176
Insurance	4,014	2,676	2,676	9,366	4,014	-	4,014
Dues and subscriptions	829	829	829	2,487	829	830	1,659
Taxes and license fees	-	-	-	-	2,343	-	2,343
Travel and meetings	498	2,273	248	3,019	769	769	1,538
Professional development	782	684	489	1,955	-	-	-
Facility expense	23,219	15,480	15,480	54,179	23,219	-	23,219
Direct expenses of special events	-	-	-	-	-	-	-
Bank and credit card fees	-	945	105	1,050	-	37,780	37,780
Miscellaneous	514	514	807	1,835	8,679	7,394	16,073
Depreciation	8,760	5,840	5,840	20,440	5,081	1,510	6,591
Total expenses	276,697	246,322	242,256	765,275	233,204	248,297	481,501
Less: expenses netted with revenue on statement of activities;	-	-	-	-	-	(37,780)	(37,780)
Direct expenses of special events	-	-	-	-	-	(37,780)	(37,780)
Total expenses by function	\$ 276,697	\$ 246,322	\$ 242,256	\$ 765,275	\$ 233,204	\$ 210,517	\$ 443,721
Current year's percentages	22.89%	20.37%	20.04%	63.30%	19.29%	17.41%	36.70%
							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, 2022**

Cash Flows From Operating Activities:

Change in net assets	\$ 140,423
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,200
Investment income, net	98,634
Donated vehicles	(26,000)
Changes in operating assets and liabilities:	
Grants receivable	41,250
Accounts receivable	(4,034)
Prepays	(6,168)
Accounts payable	15,775
Deferred revenue	2,946
Accrued liabilities	1,454
Net cash provided by operating activities	<u>293,480</u>

Cash Flows From Investing Activities:

Purchases of property and equipment	<u>(4,265)</u>
Net cash used in investing activities	<u>(4,265)</u>
 Net change in cash and cash equivalents	 289,215
Cash and cash equivalents at beginning of year	469,942
Cash and cash equivalents at end of year	<u><u>\$ 759,157</u></u>

Supplemental disclosure of non-cash operating activities

In-kind contribution of vehicles	\$ 26,000
In-kind contribution of special event expense	5,402
Total In-kind contributions	<u><u>\$ 31,402</u></u>

The accompanying notes are an integral part of these financial statements

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 from 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, 2022**

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, 2022, the Organization had no cash equivalents.

Accounts Receivables

The Organization periodically evaluates the balances on individual accounts 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 or related program service revenue. The Organization believes that all accounts receivables are fully collectible. Accordingly, no allowance for doubtful accounts is required as of December 31, 2022.

Grants Receivable

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

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, 2022

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.

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.

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.

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 two vehicles and special event expenses with an estimated fair value of \$26,000 and \$5,402, respectively, during the year ended December 31, 2022. In-kind contributions of vehicles are reported as property and equipment in statement of financial position and in-kind contributions of special event expenses are recorded as contributions revenue and related special event expenses in statement of activities for year ended December 31, 2022.

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

The Organization recognizes revenue when it transfers the promised goods or services to a customer in a contract, performance obligation, in an amount that reflects consideration to which the entity expects to be entitled to in exchange for those goods and services. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Participant tuition and program fees: Tuition and related program fees are recognized over the course of the fiscal year for which it is earned, regardless of when it is received. Financial aid provided by the Organization as well as sponsorships paid by individual contributions for tuition and program fees are reflected as reductions in tuition and program fees.

Social enterprise – treat truck and merchandise sales: Social enterprise – treat truck and merchandise sales are recognized at the time of delivery to the customer and when collectability is reasonably assured. Such revenue is included in related revenue in the accompanying statement of activities.

Deferred revenue represents cash received in advance of the program services rendered. Such revenues will be recognized in the subsequent year.

New Accounting Pronouncement

On January 1, 2022, the Organization adopted Financial Accounting Standards Board issued Accounting Standards Update 2016-02, Leases (Topic 842). The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. The Organization has no leases with lease terms over 12 months as of December 31, 2022.

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Instruments-continued

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.

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, 2022:

Financial assets at year-end:	
Cash	\$647,157
Employee retention credit receivable	204,437
Accounts receivable	<u>8,344</u>
Financial assets available to meet general expenditures within one year	<u>\$859,938</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.

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 – EMPLOYEE RETENTION CREDIT

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) contains the Employee Retention Credit (“ERC”), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the COVID-19 outbreak. The Organization qualified for \$204,437 of ERC for various quarters during the year ended December 31, 2020 and December 31, 2021. The Organization selected ASC 958-605 as the applicable standard for accounting for ERC and, as such, recognized the ERC when the qualifying wages were incurred. At December 31, 2022, a receivable of \$204,437 for ERC was outstanding in the statement of financial position and the corresponding amount increased beginning net assets at beginning of year for year ended December 31, 2022. See Note 9 – Restatement of Net Position.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

Vehicles	\$ 130,219
Office furniture	41,116
Building improvements	15,900
Computers	14,821
Website	<u>11,950</u>
	\$ 214,006
Less accumulated depreciation	(<u>138,644</u>)
	<u>\$ 75,362</u>

NOTE 5 – 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, 2022.

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Investments:				
Bond funds	\$ 66,433	\$ -	\$ -	\$ 66,433
Exchange traded funds	401,810			401,810
Equity funds	<u>131,708</u>	<u>-</u>	<u>-</u>	<u>131,708</u>
	<u>\$599,951</u>	<u>-</u>	<u>-</u>	<u>\$599,951</u>

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 – 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 7 – 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, 2022 amounted to \$599,951.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, net assets with donor restrictions are available for the following purposes:

Treat Truck events	\$ 25,000
Life Skills program	92,000
Gazebo project	20,000
Advocacy through the Arts	<u>8,750</u>
Total	<u>\$145,750</u>

NOTE 9 – RESTATEMENT OF NET ASSETS

For the year ended December 31, 2021, recognition of employee retention credit receivable and related reduction in payroll expenses was incorrectly not made. The impact on the financial statements was an increase to beginning net assets as follows:

Net assets – beginning of year, as previously reported	\$1,270,693
Adjustment to record employee retention credit receivable	<u>204,437</u>
Net assets – beginning of year, as restated	<u>\$1,475,130</u>

FRIENDS LIFE COMMUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 10 – 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 \$14,213 for year ended December 31, 2022.

NOTE 11 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through April 7, 2023, the issuance of the Organization's financial statements.