

**FRIENDS FOUNDATION FOR THE AGING  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**1st DRAFT**

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**1st DRAFT**

Board of Trustees  
Friends Foundation for the Aging  
Langhorne, Pennsylvania

## INDEPENDENT AUDITORS' REPORT

### Opinion

We have audited the accompanying financial statements of Friends Foundation for the Aging (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Foundation for the Aging as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Foundation for the Aging and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Foundation for the Aging'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 generally accepted auditing standards 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 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 generally accepted auditing standards, 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 those 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 Foundation for the Aging's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonable 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 Foundation for the Aging'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.

New Brunswick, New Jersey  
October , 2022

**FRIENDS FOUNDATION FOR THE AGING  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

	<b>ASSETS</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>CURRENT ASSETS</b>		
Cash	\$ 226,887	\$ 148,790
Interest and dividends receivable	405	482
Prepaid expenses	2,906	21,965
Investments at fair value	15,032,784	14,181,551
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$ 15,262,982</u></b>	<b><u>14,352,788</u></b>
 <b>OTHER ASSETS</b>		
Other Investment	<b><u>594,366</u></b>	229,573
 <b>TOTAL ASSETS</b>	<b><u>\$ 15,857,348</u></b>	<b><u>\$ 14,582,361</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
 <b>CURRENT LIABILITIES</b>		
Accrued expense	\$ 23,296	\$ 19,000
Capital commitment payable	318,750	28,750
Grants Payable	-	37,000
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>342,046</u></b>	<b><u>84,750</u></b>
 <b>NET ASSETS UNRESTRICTED</b>	<b><u>15,515,302</u></b>	<b><u>14,497,611</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,857,348</u></b>	<b><u>\$ 14,582,361</u></b>

See accompanying notes

**FRIENDS FOUNDATION FOR THE AGING  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>REVENUE, SUPPORT AND GAINS</b>		
Investment income - interest	\$ 504	\$ 526
Investment income - dividends	365,737	322,150
Net investment income (loss) - Ziegler	4,793	(7,449)
Gain on sale of investments - net	582,549	359,431
Unrealized gain on investments – net	848,815	919,900
Contributions Received	-	250
	1,802,398	1,594,808
<b>EXPENSES</b>		
Program expenses	576,584	516,800
Management and general	132,721	137,537
Investment custodial fees	63,066	56,673
Investment income taxes	12,336	9,118
	784,707	720,128
<b>INCREASE (DECREASE) IN NET ASSETS</b>	1,017,691	874,680
<b>NET ASSETS BEGINNING OF YEAR</b>	14,497,611	13,622,931
<b>NET ASSETS END OF YEAR</b>	\$ 15,515,302	\$ 14,497,611

See accompanying notes

**FRIENDS FOUNDATION FOR THE AGING  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021		2020	
	Program Services	Supporting Services	Program Services	Supporting Services
	Management and General Expenses		Management and General Expenses	
Grants issued	<b>\$ 576,584</b>		\$ 516,800	
Salaries		<b>\$ 76,385</b>		\$ 75,015
Professional Services		<b>31,287</b>		35,120
Payroll taxes		<b>6,004</b>		5,877
Pension expense		<b>7,000</b>		5,000
Office and miscellaneous Expenses		<b>5,158</b>		5,008
Insurance		<b>3,695</b>		3,880
Dues, conference and training		<b>2,005</b>		5,152
Telephone		<b>993</b>		1,156
Travel		<b>194</b>		229
Board meetings and retreats		<b>-</b>		1,100
	<b>\$ 576,584</b>	<b>\$ 132,721</b>	<b>\$ 516,800</b>	<b>\$ 137,537</b>

**FRIENDS FOUNDATION FOR THE AGING  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,017,691	\$ 874,680
Adjustments to reconcile change in net assets to net cash from operating activities		
Net investment (Income) loss – Ziegler	(4,793)	7,449
(Gain) on sale of investments	(582,549)	(359,431)
Unrealized (gain) on investments	(848,815)	(919,900)
Changes in		
Interest and dividends receivable	77	148
Prepaid expenses	19,059	(15,805)
Accrued expenses	4,296	(6,656)
Capital commitment payable	290,000	(21,250)
Grants payable	(37,000)	37,000
<b>Cash From Operating Activities</b>	<u>(142,034)</u>	<u>(403,765)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,766,507)	(5,688,882)
Proceeds from sale of investments	2,986,638	6,000,680
<b>Cash From Investing Activities</b>	<u>220,131</u>	<u>311,798</u>
<b>NET CHANGE IN CASH</b>	<b>78,097</b>	<b>(91,967)</b>
<b>CASH BEGINNING OF YEAR</b>	<u>148,790</u>	<u>240,757</u>
<b>CASH END OF YEAR</b>	<u>\$ 226,887</u>	<u>\$ 148,790</u>

**SUPPLEMENTAL CASH FLOW INFORMATION**

Net Income taxes (received) paid	<u>\$ (9,503)</u>	<u>\$ 34,404</u>
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**FRIENDS FOUNDATION FOR THE AGING  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Religious Society of Friends Foundation for the Aging, Inc., "The Foundation", affiliated with the Religious Society of Friends, supports and promotes high-quality programs and services for older adults that enhance their quality of life through collaboration with other institutions and grant making organizations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Concentration of Credit Risk

For purposes of reporting cash flows, cash includes amounts in demand deposit accounts with federally insured banks and amounts held in cash in the investment brokerage account.

At times throughout the year, the Foundation's cash balance held in demand deposit accounts may exceed the amounts insured by the Federal Deposit Insurance Company (FDIC), of \$250,000.

The Securities Investors Protection Corporation (SIPC) provides against the loss of cash and securities held by financially troubled SIPC-Member brokerage firms. The SIPC limit is \$500,000 for cash and securities, which includes a \$250,000 limit for cash. At December 31, 2021 and 2020 the cash balances held in the brokerage account were not in excess of the \$250,000 insurance limits.

Investments

The Foundation's investments in equity securities and in debt securities are reported at fair value using quoted market prices or net asset values with gains and losses reported as increases or decreases in net assets. See Note 2 for discussion of fair value measurement.

Purchases and sales of securities are recorded on a settlement-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Other investments consist of limited partnership interests and are reported at acquisition cost plus or minus any subsequent net investment income or loss that affects the Foundation's capital account as reported on Schedules K-1 issued to the Internal Revenue Service. See note 3 for details.

Fair Value of Financial Instruments

The carrying value of cash in banks, receivables, prepaids and accrued expenses approximate fair value due to the relative short maturities of these instruments.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation is currently operating under the Internal Revenue Service determination letter for Yearly Meeting Friends Home. As of May 1, 2010 the Foundation no longer qualified as a public charity under Section 509 of the Internal Revenue code and is considered a private foundation. As such, the Foundation is liable for federal excise taxes based on its investment income. The provision for December 31, 2021 and 2020 is included in the accompanying statements of activity and the related asset or liability is included with prepaid expenses or accrued expenses on the Statement of Financial Position. Foreign taxes on investments are paid through the brokerage account at JP Morgan, but are immaterial in amount.

**FRIENDS FOUNDATION FOR THE AGING  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Compensated Absences

Employees of the Foundation are entitled to paid vacation and sick time, depending on their length of service. The Foundation's policy is to recognize the costs of the compensated absences when actually paid to employees, accordingly, no liability has been recorded in the accompanying financial statements.

Subsequent Events

Management has evaluated subsequent events through October XX, 2022, the date the financial statements were available to be issued. (See Note 7)

**NOTE 2 INVESTMENTS**

United States generally accepted accounting principles 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), assets that do not have regular market pricing, but whose fair value can be readily determined based on other data values or market prices (Level 2 measurements), and the lowest priority to unobservable inputs (Level 3 measurements).

The fair values of the Foundation's stocks, bonds and mutual funds have been determined by quoted market prices at December 31, 2021 and 2020 as determined by the custodian, JP Morgan.

The following table sets forth by level, within fair value hierarchy, the Foundation's assets at fair value and unrealized appreciation (depreciation):

	2021				Cost	Unrealized- Appreciation (Depreciation)
	Level 1	Level 2	Level 3	Total		
<b>EQUITIES</b>						
US Large Cap Equity	\$ 4,545,185	\$ -	\$ -	\$ 4,545,185	\$ 2,696,465	\$ 1,848,720
EAFE Equity	1,181,844	-	-	1,181,844	1,001,564	180,280
European Large Cap Equity	545,725	-	-	545,725	468,012	77,713
Japan Large Cap Equity	329,379	-	-	329,379	287,929	41,450
Asia ex-Japan Equity	208,269	-	-	208,269	195,103	13,166
Emerging Market Equity	-	-	-	-	-	-
Total Equities	<b>6,810,402</b>	<b>-</b>	<b>-</b>	<b>6,810,402</b>	<b>4,649,073</b>	<b>2,161,329</b>
<b>FIXED INCOME</b>						
US Fixed Income	2,680,802	-	-	2,680,802	2,629,566	51,236
Non-US Fixed Income	1,463,396	-	-	1,463,396	1,538,955	(75,559)
Total Fixed Income	<b>4,144,198</b>	<b>-</b>	<b>-</b>	<b>4,144,198</b>	<b>4,168,521</b>	<b>(24,323)</b>
<b>TOTAL ASSETS IN THE FAIR VALUE HIERARCHY</b>	<b>10,954,600</b>	<b>-</b>	<b>-</b>	<b>10,954,600</b>	<b>8,817,594</b>	<b>2,137,006</b>
Assets Measured using Net Asset Value (a)	-	-	-	4,078,184	2,768,025	1,310,159
<b>INVESTMENTS AT FAIR VALUE</b>	<b>10,954,600</b>	<b>-</b>	<b>-</b>	<b>15,032,784</b>	<b>11,585,619</b>	<b>3,447,165</b>
Other Assets	-	-	-	594,366	594,366	-
<b>COMBINED ASSETS AT FAIR VALUE</b>	<b>\$ 10,954,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,627,150</b>	<b>\$ 11,812,774</b>	<b>\$ 3,447,165</b>

**FRIENDS FOUNDATION FOR THE AGING  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 2 INVESTMENTS (cont.)**

	2020				Cost	Unrealized- Appreciation (Depreciation)
	Level 1	Level 2	Level 3	Total		
<b>EQUITIES</b>						
US Large Cap Equity	\$ 4,420,306	\$ -	\$ -	\$ 4,420,306	\$ 3,190,813	\$ 1,229,493
EAFE Equity	910,923	-	-	910,923	841,762	69,161
European Large Cap Equity	232,755	-	-	232,755	194,961	37,794
Japan Large Cap Equity	350,308	-	-	350,308	284,406	65,902
Asia ex-Japan Equity	114,734	-	-	114,734	98,061	16,673
Emerging Market Equity	235,628	-	-	235,628	208,888	26,740
Total Equities	<b>6,264,654</b>	-	-	<b>6,264,654</b>	<b>4,818,891</b>	<b>1,445,763</b>
<b>FIXED INCOME</b>						
US Fixed Income	2,591,114	-	-	2,591,114	2,416,147	174,967
Non-US Fixed Income	1,758,077	-	-	1,758,077	1,703,331	54,746
Total Fixed Income	<b>4,349,191</b>	-	-	<b>4,349,191</b>	<b>4,119,478</b>	<b>229,713</b>
<b>TOTAL ASSETS IN THE FAIR VALUE HIERARCHY</b>						
	<b>10,613,845</b>	-	-	<b>10,613,845</b>	<b>8,938,369</b>	<b>1,675,476</b>
Assets Measured using Net Asset Value (a)	-	-	-	3,567,706	2,644,832	922,874
INVESTMENTS AT FAIR VALUE	<b>10,613,845</b>	-	-	<b>14,181,551</b>	<b>11,583,201</b>	<b>2,598,350</b>
Other Assets	-	-	-	229,573	229,573	-
COMBINED ASSETS AT FAIR VALUE	<b>\$ 10,613,845</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,411,124</b>	<b>\$ 11,812,774</b>	<b>\$ 2,598,350</b>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Investments Measured using the Net Asset Value per Share Practical Expedient:

ASU 2016-07 removed investments for which fair value is measured using net asset value per share as a practical expedient from the fair value hierarchy. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value.

The Friends Fiduciary Corp. Fund is a comingled pool invested entirely in equity and fixed income securities that are publicly traded with daily market pricing. The Friends Fiduciary Corporation determines and issues a daily unit value for the fund by taking the comingled pool's market value divided by the number of units held. The daily unit value is then used to determine the market value based on the number of units owned. There are no redemption restrictions for these investments. Transactions (purchases and sales) may occur daily. If the Foundation initiates a full redemption of the comingled pool fund, the issuer may limit the withdrawal to 90% on the day requested, but the final payment for the balance will be processed within 5 business days of the full withdrawal request, once the final market value for withdrawal has been audited.

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2021 and 2020:

2021	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Comingled Pool Fund	\$4,078,184	n/a	Daily	n/a

**FRIENDS FOUNDATION FOR THE AGING  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 2 INVESTMENTS (cont.)**

2020	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Comingled Pool Fund	\$3,567,706	n/a	Daily	n/a

The components of investment return consist of the following:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 504	\$ 526
Dividend income	365,737	322,150
Net realized gain on sale of investments	582,549	359,431
Net unrealized gain (loss) on investments	848,815	919,900
Custodial fees	(63,065)	(56,673)
Total Investment Return	<u>\$ 1,734,540</u>	<u>\$ 1,545,334</u>

**NOTE 3 OTHER INVESTMENTS**

The Foundation entered into Partnership agreements to purchase one unit each of Ziegler Link - Age Fund II, L.P.(Ziegler II), a limited partnership and Ziegler Link-Age Fund III, LP(Ziegler III), a limited partnership. The Funds were formed to invest primarily in companies that provide healthcare services and healthcare technology focused on the post-acute and aging population market. The Funds will not invest in securities that will generate unrelated business taxable income (UBTI). The agreements were dated March 29, 2018 with a capital commitment of \$250,000 for Ziegler II and September 3, 2021 with a capital commitment of \$375,000 for Ziegler III. Both agreements indicate call notices expected on demand. As of December 31, 2021 and 2020 \$306,250 and \$221,250 was funded, respectively. The units are non-transferable without consent of the Funds and are restricted from selling or other transfer of the units. The partnerships report the capital accounts on a tax basis as required by the Internal Revenue Service. The Foundation reports these investments on a tax cost basis with no fair market value adjustments.

**NOTE 4 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. There are no donor restricted amounts at December 31, 2021 or 2020. The Foundation invested in an illiquid investment, which funds were not available within one year of either date.

	<u>12/31/21</u>	<u>12/31/20</u>
Financial assets at period end	\$ 15,857,348	\$ 14,582,361
Less those unavailable for general expenditures within one year due to:		
Other investments – contractually illiquid	(594,366)	(229,573)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,262,982</u>	<u>\$ 14,352,788</u>

**NOTE 5 PENSION PLAN**

The Foundation has a SEP-IRA plan for employees. Employees who are eighteen years old and have performed services for at least one year and earn more than \$450 are eligible. The employer determines the amount of the contribution each year not to exceed certain IRS limits and deposits the money in the employee's designated IRA account. Pension expense under this plan for the years ended December 31, 2021 and 2020 was \$7,000 and \$5,000, respectively.

**FRIENDS FOUNDATION FOR THE AGING  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6 RISKS AND UNCERTAINTIES**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

**NOTE 7 SUBSEQUENT EVENTS**

The Foundation has approved the following grants as of the date of issuance:

<u>Grant Recipient:</u>	<u>Amount</u>	<u>Date Approved</u>	<u>Date Paid</u>
Ujima Friends Peace Center	\$ 37,685	04/21/22	05/11/22
Rise	20,000	04/21/22	05/11/22
Lutheran Social Ministries	7,300	04/21/22	05/11/22
Pendle Hill	22,500	05/17/22	05/24/22
Barclay Friends	10,000	04/21/22	05/11/22
Friends House	38,777	04/21/22	05/11/22
JFCS Philadelphia	20,000	04/21/22	05/11/22
FSA	35,000	04/21/22	05/11/22
Witness to Innocence	40,600	04/21/22	05/11/22
The Hickman	41,800	04/21/22	05/11/22
Meals on Wheels	51,000	04/21/22	05/11/22
New England YM	6,707	04/21/22	05/11/22
Vonzella's Crown	4,000	04/21/22	05/11/22
Camden Coalition	35,000	05/17/22	05/24/22
<b>Total</b>	<b>\$ 370,369</b>		

The Foundation has subsequently received a distribution of capital from Ziegler II in the amount of \$22,500 on September 8, 2022. The Foundation has paid no additional calls for capital against the capital commitment for the purchase in Ziegler III leaving a balance payable of \$318,750. (See note 3).

The stock market has decreased substantially throughout 2022. As of September 30, 2022 the Foundation's Investments at Fair Value were worth \$XXXX, a decrease in value of \$XXXX since December 31, 2021.