

FRAMELINE, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

CONTENTS

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7-15 |

INDEPENDENT AUDITOR'S REPORT

September 20, 2021

Board of Directors
Frameline, Inc.
San Francisco, California

I have audited the accompanying financial statements of Frameline, Inc. (a nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Frameline, Inc.
Page Two

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frameline, Inc. 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.

Healy and Associates
Healy and Associates
Concord, California

FRAMELINE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

| | |
|---|------------|
| Cash and cash equivalents | \$ 444,803 |
| Investments | 24,297 |
| Accounts receivable, net | 11,597 |
| Contributions receivable, current portion | 213,481 |
| Prepaid expenses | 11,215 |

TOTAL CURRENT ASSETS 705,393

| | |
|---|---------|
| Contributions receivable, long-term portion | 270,000 |
| Investment in LLC | 351,798 |
| Property and equipment, net | 27,696 |

TOTAL ASSETS \$ 1,354,887

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------------------|-----------|
| Grants payable | \$ 25,000 |
| Accounts payable and accrued expenses | 66,594 |
| Accrued vacation | 32,243 |
| Rent payable | 28,261 |
| Deferred revenue | 41,210 |
| Line of credit | - |

TOTAL CURRENT LIABILITIES 193,308

| | |
|-------------------|---------|
| PPP grant payable | 243,130 |
|-------------------|---------|

436,438

COMMITMENTS AND CONTINGENCIES

NET ASSETS

| | |
|----------------------------|---------|
| Without donor restrictions | 439,949 |
| With donor restrictions | 478,500 |

TOTAL NET ASSETS 918,449

TOTAL LIABILITIES AND NET ASSETS \$ 1,354,887

See Notes to Financial Statements

FRAMELINE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| <u>SUPPORT AND REVENUE</u> | | | |
| Support | | | |
| Foundation grants and awards | \$ 223,500 | \$ 140,000 | \$ 363,500 |
| Contributions | 174,814 | - | 174,814 |
| Government awards | 140,499 | - | 140,499 |
| In-kind goods | 10,057 | - | 10,057 |
| In-kind services | 300 | - | 300 |
| | <u>549,170</u> | <u>140,000</u> | <u>689,170</u> |
| Revenue | | | |
| Membership | 364,333 | - | 364,333 |
| Sponsorship revenue | 331,850 | - | 331,850 |
| Ticket sales | 195,940 | - | 195,940 |
| Distribution revenue | 104,690 | - | 104,690 |
| Merchandise sales and entry fees | 26,523 | - | 26,523 |
| Interest income | 554 | - | 554 |
| Unrealized gain | 832 | - | 832 |
| Other income (loss) | (3,145) | - | (3,145) |
| | <u>1,021,577</u> | <u>-</u> | <u>1,021,577</u> |
| Net assets released from restriction | <u>100,000</u> | <u>(100,000)</u> | <u>-</u> |
| Total Support and Revenue | <u>1,670,747</u> | <u>40,000</u> | <u>1,710,747</u> |
| <u>EXPENSES</u> | | | |
| Program | 1,313,555 | - | 1,313,555 |
| Management and General | 204,581 | - | 204,581 |
| Fundraising | 136,203 | - | 136,203 |
| | <u>1,654,339</u> | <u>-</u> | <u>1,654,339</u> |
| Change in net assets, before investment activity | <u>16,408</u> | <u>40,000</u> | <u>56,408</u> |
| Loss on investment in LLC | <u>(12,372)</u> | <u>-</u> | <u>(12,372)</u> |
| Change in net assets | 4,036 | 40,000 | 44,036 |
| NET ASSETS, beginning of year | <u>435,913</u> | <u>438,500</u> | <u>874,413</u> |
| NET ASSETS, end of year | <u>\$ 439,949</u> | <u>\$ 478,500</u> | <u>\$ 918,449</u> |

See Notes to Financial Statements

FRAMELINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 492,411 | \$ 44,761 | \$ 70,580 | \$ 607,752 |
| Payroll taxes | 40,415 | 4,093 | 6,650 | 51,158 |
| Employee benefits | 66,268 | 6,710 | 10,905 | 83,883 |
| Total Personnel and Benefits | <u>599,094</u> | <u>55,564</u> | <u>88,135</u> | <u>742,793</u> |
| Other professional fees | 224,870 | 9,340 | 15,369 | 249,579 |
| Advertising and promotion | 140,338 | 1,361 | 73 | 141,772 |
| Occupancy | 104,967 | 5,460 | 5,451 | 115,878 |
| Supplies and office expenses | 58,074 | 8,822 | 7,875 | 74,771 |
| Information technology | 30,764 | 38,042 | 4,852 | 73,658 |
| Royalties | 64,528 | - | - | 64,528 |
| Accounting fees | - | 52,007 | - | 52,007 |
| Service fees and other expenses | 10,054 | 20,774 | 306 | 31,134 |
| Grants and awards | 25,000 | - | - | 25,000 |
| Insurance | 10,488 | 6,386 | 1,726 | 18,600 |
| Travel and meals | 15,202 | 1,150 | 323 | 16,675 |
| Film rental and lab cost | 13,574 | - | - | 13,574 |
| In-kind expenses | - | - | 10,357 | 10,357 |
| Depreciation and amortization | 8,255 | 758 | - | 9,013 |
| Bad debt | 2,335 | 4,044 | 1,601 | 7,980 |
| Equipment rental and maintenance | 5,999 | 218 | 133 | 6,350 |
| Interest expense | 13 | 655 | 2 | 670 |
| Total Expenses | <u>\$ 1,313,555</u> | <u>\$ 204,581</u> | <u>\$ 136,203</u> | <u>\$ 1,654,339</u> |

See Notes to Financial Statements

FRAMELINE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ 44,036 |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | |
| Depreciation and amortization | 9,013 |
| Unrealized gain | (832) |
| Loss on investment in LLC | 12,372 |
| CHANGES IN ASSETS AND CURRENT LIABILITIES: | |
| Accounts receivable | 289,107 |
| Contributions receivable | (213,481) |
| Prepaid expenses | 21,092 |
| Accounts payable and accrued expenses | 59,600 |
| Deferred revenue | (13,484) |
| Grants payable | (4,996) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>202,427</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Investments | (23,465) |
| Purchase and acquisition of equipment | <u>(15,340)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(38,805)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Repayment on line of credit | (73,942) |
| PPP grant funds | <u>243,130</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>169,188</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 332,810 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>111,993</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 444,803</u> |
| SUPPLEMENTAL INFORMATION: | |
| Interest paid | <u>\$ 670</u> |

See Notes to Financial Statements

NOTE A – NATURE OF ACTIVITIES

The Frameline, Inc. (Organization) is a California nonprofit public benefit corporation, founded in 1977, incorporated in 1982, with operations in San Francisco. Frameline's mission is to change the world through the power of queer cinema. As a media arts nonprofit, Frameline's programs connect filmmakers and audiences in the San Francisco Bay Area and around the world. Frameline presents the San Francisco International LGBTQ Film Festival, the longest running, largest and most widely recognized LGBTQ film exhibition event in the world. Established in 1981, Frameline Distribution serves an international audience of hundreds of thousands and is the leading educational distributor solely dedicated to LGBTQ film and video. Since 1990, more than 150 films have been completed with assistance from the Frameline Completion Fund. Frameline Voices exhibits 100+ films serving underrepresented constituents within the LGBTQ community and available for free via online streaming. Finally, Frameline's Youth in Motion program provides professionally developed educational curricula and media to over 28,000 students in over 1,400 schools nationwide. The Organization is supported primarily through programming fees, foundation grants and awards, government grants, and contributions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts and Contributions Receivable

Accounts and contributions receivable consist primarily of unsecured non-interest bearing amounts due from distribution contracts, pledges, sponsorships and memberships that are expected to be collected within one year at net realizable value. The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management has an allowance for doubtful accounts receivable as of December 31, 2020 of \$21,500.

Fixed Assets

Fixed asset additions of \$1,000 or greater are recorded at cost, or if donated, at fair value on the date of donation. Additions are capitalized and depreciated over their respective useful lives, which range from five to fifteen years, using the straight-line method. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Donated Facilities Use, Goods, and Services (In-kind)

The Organization records donated goods, facilities use, and services at their estimated fair value on the date of receipt if they meet the criteria for recognition. In-kind revenue for the year ended December 31, 2020 was \$10,357, respectively, as reflected in the accompanying statement of activities.

Revenue Recognition

The Organization receives membership payments that contain both contributive and exchange elements. The Organization defers a portion of the exchange element which will be recognized in the subsequent year. The Organization recognizes the exchange portion of membership revenue on a straight-line basis over the term of the membership. The unearned portion of membership proceeds is included in deferred revenue as of December 31, 2020.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Ticket sales consist primarily of admissions and passes for the Organization's annual film festival. The Organization recognizes ticket sale revenue in the period in which the related film festival activity occurs. Its current policy is to open registration for the annual film festival in the same year as the related festival activity, and so it does not generally hold funds at fiscal year-end for future festivals.

Distribution revenue consists primarily of film sales, rentals, and streaming. The Organization recognizes distribution revenue in the period in which the sale, rental or streaming service occurs.

The Organization receives sponsorships in support of its annual film festival. The Organization may acknowledge qualified sponsorship payments by displaying sponsor logos or tag lines that do not contain qualitative or comparative descriptions of products or services, may list sponsors locations, website or contact information and may include value neutral displays or visual descriptions of products or services. Minor exchange elements may be connected with sponsorships such as access to an event. The Organization has evaluated such exchange elements and determined they are not material for separate presentation.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statement of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited based on time spent in the functional area.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exemption Status

Frameline, Inc. is exempt from income tax under IRC section 501(c)(3) and Section 23701(d) of the State of California Revenue and Taxation Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code(s). The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization's returns are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents and investments measured using Level 1 inputs. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1**— Quoted prices for identical assets in active markets.
- **Level 2**—Observable inputs other than Level 1, which 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.
- **Level 3**— Unobservable inputs that cannot be corroborated by observable market data.

Newly Adopted Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization adopted the standard on January 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

FRAMELINE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Relevant Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new standard establishes a comprehensive new lease accounting model. The standard clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

NOTE C – ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

At December 31, 2020, accounts and contributions receivable are expected to be received as follows:

| | |
|-------------------------------------|-------------------|
| <u>Due within one year</u> | |
| Accounts receivable | \$33,097 |
| Allowance for doubtful accounts | (21,500) |
| Contributions receivable | 213,481 |
| <u>Due within two to five years</u> | |
| Contributions | 270,000 |
| Total receivables | <u>\$ 495,078</u> |

NOTE D – INVESTMENTS

The composition and fair value of investments at December 31, 2020 is as follows:

| | |
|-------------------------------|------------------|
| <u>Short Term Investments</u> | <u>Level 1</u> |
| Cash in investment accounts | \$ 10,924 |
| Stock, options, ETFs | 10,772 |
| Mutual funds | 2,601 |
| Total investments | <u>\$ 24,297</u> |

Activity in investments for the year ended December 31, 2020 is as follows:

| | |
|---------------------------------------|------------------|
| Beginning balance, December 31, 2019: | \$ - |
| Securities received | 23,495 |
| Unrealized gain | 832 |
| Investment fees | (30) |
| Ending balance, December 31, 2020 | <u>\$ 24,297</u> |

FRAMELINE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE E – LLC INVESTMENT

The Organization is one of four organizations promoting film arts which each have an undivided interest of 25% of a limited liability corporation (LLC) that owns commercial property in San Francisco where the organization has its offices. As of December 31, 2020, the investment in the LLC is as follows:

| | |
|---|-------------------|
| Investment in LLC (25%) – equity method | \$ 92,548 |
| Note receivable from LLC | 259,250 |
| Ending balance, December 31, 2020 | <u>\$ 351,798</u> |

The LLC is party to a mortgage secured by the building at 145 Ninth Street in San Francisco, California. All four organizations are engaged in fundraising to pay down the mortgage, and their payments to the LLC are treated as no-interest loans to the LLC rather than increases in capital share. Contributions from each organization result in a reduction in rent as these loans were made to the LLC to reduce its indebtedness to Wells Fargo Bank and the concomitant interest expense. The note receivable due from the LLC at December 31, 2020 is \$259,250, is stated at its historical cost or value on date of contribution, and is due when the LLC sells the building.

Each organization holds an undivided interest in the LLC, which owns the property at 145 Ninth Street, San Francisco, and is a guarantor of 25% of the mortgage payable by the 145 Ninth Street LLC. As of December 31, 2020, the remaining balance due for the mortgage was \$2,606,245 and the Organization's share of the guarantee was \$651,561.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at December 31 consist of the following:

| | |
|---|------------------|
| Website | \$ 46,500 |
| Digital masters | 1,800 |
| Furniture and fixtures | 3,740 |
| Computer equipment and software | 12,986 |
| Less: Accumulated depreciation/amortization | <u>(37,330)</u> |
| Total fixed assets, net | <u>\$ 27,696</u> |

Depreciation and amortization expense for the year ended December 31, 2020 is \$1,663 and \$7,350, respectively, for a total of \$9,013.

FRAMELINE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE G – DEFERRED REVENUE

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2020.

| | Deferred at 12/31/19 | Revenue Recognized | Deferred for future | Deferred at 12/31/20 |
|---------------|-------------------------|-----------------------|------------------------|----------------------------|
| Memberships | \$ 54,694 | (\$ 54,694) | \$ 37,593 | \$ 37,593 |
| Other revenue | - | - | 3,617 | 3,617 |
| Total | <u>\$ 54,694</u> | <u>(\$ 54,694)</u> | <u>\$ 41,210</u> | <u>\$41,210</u> |

NOTE H – COMMITMENTS AND CONTINGENCIES

The Organization leases office space through 2021 and various office equipment through 2025. Rent expense for the year ended December 31, 2020 is \$56,696. Future commitments with respect to these leases are as follows:

| <u>Year Ended December 31</u> | |
|-------------------------------|-----------|
| 2021 | \$ 91,170 |
| 2022 | \$ 4,188 |
| 2023 | \$ 4,188 |
| 2024 | \$ 4,188 |
| 2025 | \$ 1,047 |

The Organization holds an ownership interest in an LLC with note payables, to which the Organization is a guarantor (see Note E).

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management believes the Organization has complied with the terms of all grants.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. While the Organization has revised operations in light of COVID-19, it remains uncertain as to how this matter will continue to impact its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

FRAMELINE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE I – LINE OF CREDIT

During 2014, the Organization established an unsecured line of credit in the amount of \$125,000, bearing interest at 5.5%. At December 31, 2020, there was no outstanding balance.

NOTE J – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|--|------------------------------|
| Cash | \$ 444,803 |
| Accounts and contributions receivable | 495,078 |
| Investments | 24,297 |
| Total financial assets | <u>964,178</u> |
| Less: | |
| Net assets with purpose restrictions to be met in one year | <u>(478,500)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 485,678</u></u> |

As part of the Organization’s liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements, if available, in short-term investments. To help manage liquidity needs, the Organization has a committed line of credit in the amount of \$125,000 which it could draw upon.

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions had the following activity for the year ended December 31, 2020:

| | <u>12/31/19</u> | <u>Revenue</u> | <u>Releases</u> | <u>12/31/20</u> |
|--------------------|------------------|------------------|--------------------|------------------|
| Time restricted | \$ 400,000 | \$140,000 | (\$100,000) | \$440,000 |
| General operations | 36,000 | - | - | 36,000 |
| GayUSA | 2,500 | - | - | 2,500 |
| | <u>\$438,500</u> | <u>\$140,000</u> | <u>(\$100,000)</u> | <u>\$478,500</u> |

FRAMELINE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE L – EMPLOYEE BENEFITS

The Organization offers a deferred compensation plan to employees who meet the criteria for participation. The voluntary 403(b) plan does not provide any matching contribution for the employees.

Employees accumulate vacation hours during their employment. The total accrued vacation payable at December 31, 2020 is \$32,243 and is reflected in the accompanying statement of financial position.

NOTE M – CONCENTRATIONS OF CREDIT

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents accounts in financial institutions exceeding federally insured limits. To date, the Organization has not experienced losses in any of these accounts, and the liquidity of the financial institution is monitored by management. At December 31, 2020 the Organization had \$212,031 in excess of federally insured limits.

The Organization received approximately 12% of its revenue during the year ended December 31, 2020 from one funder. The loss of such funding could have an impact on the Organization's ability to continue operations.

Receivables at December 31, 2020 contain concentrations as 89% of receivables are due from two funders (61% and 28%).

NOTE N – PPP LOAN PAYABLE

In May 2020, the Organization received \$243,130 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The PPP carries an interest rate of 1% and becomes payable two years after issuance. The Organization plans to seek forgiveness of the small business loan in the fiscal year ended December 31, 2021, however the total amount of forgiveness is not known at December 31, 2020.

NOTE O – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 20, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2020, have been incorporated into these financial statements.