

FRAMELINE, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020)

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INDEPENDENT AUDITOR'S REPORT

August 30, 2022

To the Board of Directors
of Frameline, Inc.
San Francisco, California

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Frameline, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Frameline, Inc.'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

My 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 my 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, 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 generally accepted auditing standards, I:

- 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 Frameline, Inc.'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frameline, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Report on Summarized Comparative Information

I have previously audited Frameline, Inc.'s 2020 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated September 20, 2021. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Healy and Associates
Concord, California

FRAMELINE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(WITH SUMMARIZED INFORMATION AS OF DECEMBER 31, 2020)

	December 31	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 95,134	\$ 444,803
Investments	33,819	24,297
Accounts receivable	2,350	11,597
Contributions receivable, current portion	294,500	213,481
Prepaid expenses	7,507	11,215
TOTAL CURRENT ASSETS	433,310	705,393
Contributions receivable, long-term portion	224,500	270,000
Investment in LLC	334,217	351,798
Property and equipment, net	58,790	27,696
TOTAL ASSETS	\$ 1,050,817	\$ 1,354,887
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants payable	\$ -	\$ 25,000
Accounts payable and accrued expenses	65,358	66,594
Accrued vacation	42,343	32,243
Rent payable	-	28,261
Deferred revenue	140,503	41,210
Line of credit	-	-
TOTAL CURRENT LIABILITIES	248,204	193,308
PPP grant payable	-	243,130
TOTAL LIABILITIES	248,204	436,438
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	315,113	439,949
With donor restrictions	487,500	478,500
TOTAL NET ASSETS	802,613	918,449
TOTAL LIABILITIES AND NET ASSETS	\$ 1,050,817	\$ 1,354,887

See Notes to Financial Statements

FRAMELINE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total All Funds	
			2021	2020
<u>SUPPORT AND REVENUE</u>				
Support				
PPP forgiveness	\$ 243,130	\$ -	\$ 243,130	\$ -
Contributions	230,947	-	230,947	174,814
Government grants	114,543	109,000	223,543	140,499
Foundation grants and awards	20,018	-	20,018	363,500
In-kind contributions	46,828	-	46,828	10,357
	<u>655,466</u>	<u>109,000</u>	<u>764,466</u>	<u>689,170</u>
Total Support				
Revenue				
Sponsorship revenue	356,300	-	356,300	331,850
Membership	333,966	-	333,966	364,333
Ticket sales	207,853	-	207,853	195,940
Distribution revenue	127,083	-	127,083	104,690
Other income (loss)	40,944	-	40,944	(3,145)
Unrealized gain	6,659	-	6,659	832
Interest income	1,689	-	1,689	554
Merchandise sales and entry fees	1,398	-	1,398	26,523
	<u>1,075,892</u>	<u>-</u>	<u>1,075,892</u>	<u>1,021,577</u>
Total Revenue				
Net assets released from restriction	100,000	(100,000)	-	-
	<u>1,831,358</u>	<u>9,000</u>	<u>1,840,358</u>	<u>1,710,747</u>
Total Support and Revenue				
<u>EXPENSES</u>				
Program	1,563,177	-	1,563,177	1,313,555
Management and General	230,176	-	230,176	204,581
Fundraising	145,260	-	145,260	136,203
	<u>1,938,613</u>	<u>-</u>	<u>1,938,613</u>	<u>1,654,339</u>
Total Expenses				
Change in net assets, before investment activity	(107,255)	9,000	(98,255)	56,408
	<u>(17,581)</u>	<u>-</u>	<u>(17,581)</u>	<u>(12,372)</u>
Loss on investment in LLC				
Change in net assets	(124,836)	9,000	(115,836)	44,036
NET ASSETS, beginning of year	439,949	478,500	918,449	874,413
	<u>439,949</u>	<u>478,500</u>	<u>918,449</u>	<u>874,413</u>
NET ASSETS, end of year	\$ 315,113	\$ 487,500	\$ 802,613	\$ 918,449
	<u>\$ 315,113</u>	<u>\$ 487,500</u>	<u>\$ 802,613</u>	<u>\$ 918,449</u>

See Notes to Financial Statements

FRAMELINE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Program	Management and General	Fundraising	Total All Funds	
				2021	2020
Salaries and wages	\$ 635,488	\$ 57,768	\$ 91,087	\$ 784,343	\$ 607,752
Payroll taxes	59,362	6,012	9,768	75,142	51,158
Employee benefits	65,249	6,607	10,737	82,593	83,883
Total Personnel and Benefits	<u>760,099</u>	<u>70,387</u>	<u>111,592</u>	<u>942,078</u>	<u>742,793</u>
Professional fees	178,289	7,405	12,185	197,879	249,579
Event production and venue rental	143,691	1,394	75	145,160	141,772
Occupancy	109,219	5,681	5,672	120,572	115,878
Supplies and office expenses	63,644	9,668	8,630	81,942	74,771
Royalties	79,892	-	-	79,892	64,528
Information technology	27,273	33,726	4,301	65,300	73,658
Accounting fees	-	64,145	-	64,145	52,007
Advertising	55,862	541	29	56,432	
In-kind expenses	46,828	-	-	46,828	10,357
Service fees and other expenses	13,474	27,842	410	41,726	31,134
Grants and awards	27,750	-	-	27,750	25,000
Depreciation and amortization	18,450	1,694	-	20,144	9,013
Insurance	8,219	5,004	1,353	14,576	18,600
Film rental and lab cost	12,615	-	-	12,615	13,574
Travel and meals	11,120	841	236	12,197	16,675
Equipment rental and maintenance	5,806	211	129	6,146	6,350
Bad debt	946	1,637	648	3,231	7,980
Total Expenses	<u>\$ 1,563,177</u>	<u>\$ 230,176</u>	<u>\$ 145,260</u>	<u>\$ 1,938,613</u>	<u>\$ 1,654,339</u>

FRAMELINE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (115,836)	\$ 44,036
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation and amortization	20,144	9,013
Unrealized gain	(6,659)	(832)
Loss on investment in LLC	17,581	12,372
Forgiveness of PPP	(243,130)	-
CHANGES IN ASSETS AND CURRENT LIABILITIES:		
Accounts receivable	9,247	289,107
Contributions receivable	(35,519)	(213,481)
Prepaid expenses	3,708	21,092
Accounts payable and accrued expenses	(19,397)	59,600
Deferred revenue	99,293	(13,484)
Grants payable	(25,000)	(4,996)
NET CASH USED BY OPERATING ACTIVITIES	<u>(295,568)</u>	<u>202,427</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments	(2,863)	(23,465)
Purchase and acquisition of equipment	(51,238)	(15,340)
NET CASH USED BY INVESTING ACTIVITIES	<u>(54,101)</u>	<u>(38,805)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment on line of credit	-	(73,942)
PPP grant funds	-	243,130
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>169,188</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(349,669)	332,810
CASH AND CASH EQUIVALENTS, beginning of year	444,803	111,993
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 95,134</u>	<u>\$ 444,803</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ 670</u>

See Notes to Financial Statements

FRAMELINE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

NOTE A – NATURE OF ACTIVITIES

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 non-profit, 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, contributions, government grants, and events.

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.

FRAMELINE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

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 amount receivable which extends beyond one year from the balance sheet date is classified as long-term receivable and is expected to be received during the year ended December 31, 2023. 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, 2021 of \$0.

Fixed Assets

Fixed asset additions of \$3,000 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 three 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, 2021 was \$46,828, 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 with any unearned portion reflected in deferred revenue.

FRAMELINE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED 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.

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

FRAMELINE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exemption Status (Continued)

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.

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. It 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 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.

FRAMELINE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Comparative Financial Information and Reclassifications**

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Certain reclassifications have been made in the 2020 comparative totals to conform to the classifications used in 2021. The reclassifications had no impact on previously reported net assets. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

NOTE C – ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

At December 31, 2021 and 2020, accounts and contributions receivable are expected to be received as follows:

<u>Due within one year</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 2,350	\$ 11,597
Contributions receivable	294,500	213,481
<u>Due within two years</u>		
Contributions	224,500	270,000
Total receivables	<u>\$ 521,350</u>	<u>\$ 495,078</u>

NOTE D – INVESTMENTS

The composition and fair value of investments at December 31, 2021 and 2020 is as follows:

	<u>(Level 1)</u>	
<u>Short Term Investments</u>	<u>2021</u>	<u>2020</u>
Cash in investment accounts	\$ 11,095	\$ 10,924
Stock, options, ETFs	19,414	10,772
Mutual funds	3,310	2,601
Total investments	<u>\$ 33,819</u>	<u>\$ 24,297</u>

Activity in investments for the year ended December 31, 2021 is as follows:

Beginning balance, December 31, 2020:	\$ 24,297
Securities received	2,863
Unrealized gain	6,659
Ending balance, December 31, 2021	<u>\$ 33,819</u>

FRAMELINE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE 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, 2021, the investment in the LLC is as follows:

Investment in LLC (25%) – equity method	\$ 74,967
Note receivable from LLC	259,250
Ending balance, December 31, 2021	<u>\$ 334,217</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, 2021 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, 2021, the remaining balance due for the mortgage was approximately \$2,590,560 and the Organization’s share of the guarantee was approximately \$647,640.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Website	\$ 96,500	\$ 46,500
Digital masters	1,800	1,800
Furniture and fixtures	3,740	3,740
Computer equipment and software	14,224	12,986
Less: Accumulated depreciation/amortization	(57,474)	(37,330)
Total fixed assets, net	<u>\$ 58,790</u>	<u>\$ 27,696</u>

Depreciation and amortization expense for the year ended December 31, 2021 is \$1,314 and \$18,830, respectively, for a total of \$20,144.

FRAMELINE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE 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, 2021.

	<u>Deferred at 12/31/2020</u>	<u>Revenue Recognized</u>	<u>Deferred for future</u>	<u>Deferred at 12/31/2021</u>
Memberships	\$ 37,593	(\$ 37,593)	\$ 140,338	\$ 140,338
Other revenue	3,617	(3,617)	165	165
Total	<u>\$ 41,210</u>	<u>(\$ 41,210)</u>	<u>\$ 140,503</u>	<u>\$ 140,503</u>

NOTE H – COMMITMENTS AND CONTINGENCIES

The Organization leases office space for the building it owns at 145 Ninth Street at a rate of approximately \$7,400 per month through December 2022. In addition, the Organization leases various office equipment through 2025. Rent expense for the year ended December 31, 2021 is \$91,556. Future commitments with respect to these leases are as follows:

<u>Year Ended December 31</u>	
2022	\$ 93,330
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, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE 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, 2021, 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 and cash equivalents	\$ 95,134
Investments	33,819
Accounts and contributions receivable	521,350
Total financial assets	<u>650,303</u>
Less:	
Net assets with purpose restrictions to be met in one year	<u>(487,500)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 162,803</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, 2021:

	<u>12/31/2020</u>	<u>Revenue</u>	<u>Releases</u>	<u>12/31/2021</u>
Time restricted	\$440,000	\$109,000	(\$100,000)	\$449,000
General operations	36,000	-	-	36,000
GayUSA	2,500	-	-	2,500
	<u>\$478,500</u>	<u>\$109,000</u>	<u>(\$100,000)</u>	<u>\$487,500</u>

FRAMELINE, INC.**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

NOTE L – IN-KIND DONATIONS

For the year ended December 31, 2021, donations of services were received as follows:

<u>Category/Use</u>	<u>Valuation Technique</u>	<u>Total Received</u>
Advertising services	FMV of radio spots	\$ 15,000
Services used in program	FMV of services	31,828
Total in-kind donations		<u>\$ 46,828</u>

NOTE M – 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, 2021 is \$42,343 and is reflected in the accompanying statement of financial position.

NOTE N – 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 or other insured limits. At December 31, 2021 the Organization had \$16,773 in PayPal which carries no insurance.

Receivables at December 31, 2021 contain concentrations as 86% of receivables are due from three funders (38%, 27%, and 21%).

NOTE O – 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 received forgiveness of the small business loan in the fiscal year ended December 31, 2021 for the full amount of \$243,130 as reflected in the accompanying statement of activities.

NOTE P – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 30, 2022, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2021, have been incorporated into these financial statements.