

**FRAMELINE, INC.**  
**(A NONPROFIT PUBLIC BENEFIT CORPORATION)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021)**

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**INDEPENDENT AUDITOR'S REPORT**

November 28, 2023

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, 2022, 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, 2022, 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 2021 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated August 30, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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, 2022

(WITH SUMMARIZED INFORMATION AS OF DECEMBER 31, 2021)

	December 31	
	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 193,931	\$ 95,134
Investments	29,705	33,819
Accounts receivable	14,460	2,350
Contributions receivable, current portion	452,701	294,500
Prepaid expenses	8,522	7,507
<b>TOTAL CURRENT ASSETS</b>	<b>699,319</b>	<b>433,310</b>
Right-of-use asset, operating lease	282,247	-
Contributions receivable, long-term portion	10,000	224,500
Investment in LLC	323,660	334,217
Property and equipment, net	55,607	58,790
<b>TOTAL ASSETS</b>	<b>\$ 1,370,833</b>	<b>\$ 1,050,817</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 108,761	\$ 65,358
Accrued vacation	39,048	42,343
Lease liability, current portion	91,325	-
Deferred revenue	75,830	140,503
Note payable, current portion	35,303	-
Line of credit	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>350,267</b>	<b>248,204</b>
Note payable, long-term portion	15,000	-
Lease liability, long-term portion	195,137	-
<b>TOTAL LIABILITIES</b>	<b>560,404</b>	<b>248,204</b>
<b>NET ASSETS</b>		
Without donor restrictions	384,229	315,113
With donor restrictions	426,200	487,500
<b>TOTAL NET ASSETS</b>	<b>810,429</b>	<b>802,613</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,370,833</b>	<b>\$ 1,050,817</b>

See Notes to Financial Statements

**FRAMELINE, INC.**

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

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

	Without Donor Restrictions	With Donor Restrictions	Total All Funds	
			2022	2021
<b><u>SUPPORT AND REVENUE</u></b>				
Support				
Foundation grants and awards	\$ 137,160	\$ 125,000	\$ 262,160	\$ 20,018
Contributions	241,185	-	241,185	230,947
Shuttered venues operators grant (SVOG)	225,000	-	225,000	-
Government grants	25,000	115,000	140,000	223,543
In-kind contributions	23,063	-	23,063	46,828
PPP forgiveness	-	-	-	243,130
Total Support	651,408	240,000	891,408	764,466
Revenue				
Sponsorship revenue	423,131	-	423,131	356,300
Membership	422,508	-	422,508	333,966
Ticket sales	263,892	-	263,892	207,853
Distribution revenue	116,118	-	116,118	127,083
Other income (loss)/gain	(519)	-	(519)	40,944
Unrealized loss	(6,326)	-	(6,326)	6,659
Interest income	1,112	-	1,112	1,689
Merchandise sales and entry fees	1,787	-	1,787	1,398
Total Revenue	1,221,703	-	1,221,703	1,075,892
Net assets released from restriction	301,300	(301,300)	-	-
Total Support and Revenue	2,174,411	(61,300)	2,113,111	1,840,358
<b><u>EXPENSES</u></b>				
Program	1,713,361	-	1,713,361	1,563,177
Management and General	228,733	-	228,733	230,176
Fundraising	152,644	-	152,644	145,260
Total Expenses	2,094,738	-	2,094,738	1,938,613
Change in net assets, before investment activity	79,673	(61,300)	18,373	(98,255)
Loss on investment in LLC	(10,557)	-	(10,557)	(17,581)
Change in net assets	69,116	(61,300)	7,816	(115,836)
NET ASSETS, beginning of year	315,113	487,500	802,613	918,449
NET ASSETS, end of year	\$ 384,229	\$ 426,200	\$ 810,429	\$ 802,613

**FRAMELINE, INC.**

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

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

	Program	Management and General	Fundraising	Total All Funds	
				2022	2021
Salaries and wages	\$ 638,677	\$ 58,057	\$ 91,544	\$ 788,278	\$ 784,343
Payroll taxes	56,497	5,721	9,297	71,515	75,142
Employee benefits	49,009	4,962	8,065	62,036	82,593
Total Personnel and Benefits	744,183	68,740	108,906	921,829	942,078
Professional fees	216,061	8,974	14,767	239,802	197,879
Event production and venue rental	230,785	2,238	120	233,143	145,160
Supplies and office expenses	106,286	16,145	14,413	136,844	81,942
Occupancy	112,499	5,852	5,842	124,193	120,572
Information technology	26,127	32,308	4,120	62,555	65,300
Accounting fees	-	58,658	-	58,658	64,145
Royalties	57,698	-	-	57,698	79,892
Advertising	48,342	469	25	48,836	56,432
Grants and awards	39,500	-	-	39,500	27,750
Travel and meals	31,618	2,393	672	34,683	12,197
Depreciation and amortization	26,856	2,467	-	29,323	20,144
Service fees and other expenses	9,182	18,973	279	28,434	41,726
Insurance	14,419	8,779	2,373	25,571	14,576
In-kind expenses	23,063	-	-	23,063	46,828
Film rental and lab cost	19,688	-	-	19,688	12,615
Equipment rental and maintenance	5,591	203	124	5,918	6,146
Bad debt	1,463	2,534	1,003	5,000	3,231
Total Expenses	<u>\$ 1,713,361</u>	<u>\$ 228,733</u>	<u>\$ 152,644</u>	<u>\$ 2,094,738</u>	<u>\$ 1,938,613</u>

**FRAMELINE, INC.**

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,816	\$ (115,836)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	29,323	20,144
Unrealized (gain)/loss	6,326	(6,659)
Loss on investment in LLC	10,557	17,581
Forgiveness of PPP	-	(243,130)
CHANGES IN ASSETS AND CURRENT LIABILITIES:		
Accounts receivable	(12,110)	9,247
Contributions receivable	56,299	(35,519)
Prepaid expenses	(1,015)	3,708
Right-of-use asset	(282,247)	-
Accounts payable and accrued expenses	40,108	(19,397)
Deferred revenue	(64,673)	99,293
Lease liability	286,462	-
Grants payable	-	(25,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	76,846	(295,568)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments	(2,212)	(2,863)
Purchase and acquisition of equipment	(26,140)	(51,238)
NET CASH USED BY INVESTING ACTIVITIES	(28,352)	(54,101)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing on note payable	50,000	-
Interest on note payable	303	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	50,303	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	98,797	(349,669)
CASH AND CASH EQUIVALENTS, beginning of year	95,134	444,803
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 193,931</u>	<u>\$ 95,134</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Right-of-use asset	<u>\$ 373,822</u>	<u>\$ -</u>
Operating lease liability for right-of-use asset	<u>\$ 373,822</u>	<u>\$ -</u>

See Notes to Financial Statements



## FRAMELINE, INC.

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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

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#### 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, 2022**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

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**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, 2022 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, 2022 was \$23,063 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, 2022**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

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**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, 2022**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

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**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, 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 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. 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 adopted the standard on January 1, 2022. The Organization elected the 'package of practical expedients', which permitted the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs; and all of the new standard's available transition practical expedients. In addition, the Organization adopted the practical expedients of using the risk-free interest rate and the short-term lease definition.

**FRAMELINE, INC.****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2022**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Newly Adopted Accounting Principles (Continued)**

The adoption of the standard resulted in the addition of right of use assets and lease liabilities as reflected in the accompanying financial statements.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate for the same term as the underlying lease. Lease expense for the operating lease is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability.

**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 2021 comparative totals to conform to the classifications used in 2022. 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, 2021, from which the summarized information was derived.

**NOTE C – ACCOUNTS AND CONTRIBUTIONS RECEIVABLE**

At December 31, 2022 and 2021, accounts and contributions receivable are expected to be received as follows:

<u>Due within one year</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 14,460	\$ 2,350
Contributions receivable	452,701	294,500
<u>Due within two years</u>		
Contributions	10,000	224,500
Total receivables	<u>\$ 477,161</u>	<u>\$ 521,350</u>

The present value discount on awards greater than one year has not been accrued by the Organization. The discount, is imputed, would be immaterial to these financial statements taken as a whole.

**FRAMELINE, INC.****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2022**

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

**NOTE D – INVESTMENTS**

The composition and fair value of investments at December 31, 2022 and 2021 is as follows:

<u>Short Term Investments</u>	(Level 1)	
	<u>2022</u>	<u>2021</u>
Cash in investment accounts	\$ 11,346	\$ 11,095
Stock, options, ETFs	16,146	19,414
Mutual funds	2,213	3,310
Total investments	<u>\$ 29,705</u>	<u>\$ 33,819</u>

Activity in investments for the year ended December 31, 2022 is as follows:

Beginning balance, December 31, 2021:	\$ 33,819
Securities received	1,946
Interest and dividends	266
Unrealized loss	(6,326)
Ending balance, December 31, 2022	<u>\$ 29,705</u>

**NOTE E – LLC INVESTMENT AND RELATED PARTY TRANSACTIONS**

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, 2022, the investment in the LLC is as follows:

Investment in LLC (25%) – equity method	\$ 64,410
Note receivable from LLC	259,250
Ending balance, December 31, 2022	<u>\$ 323,660</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, 2022 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, 2022, the remaining balance due for the mortgage was approximately \$2,496,000 and the Organization's share of the guarantee was approximately \$624,000.

**FRAMELINE, INC.****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2022**

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

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Website	\$ 122,640	\$ 96,500
Digital masters	1,800	1,800
Furniture and fixtures	3,740	3,740
Computer equipment and software	14,224	14,224
Less: Accumulated depreciation/amortization	(86,797)	(57,474)
Total fixed assets, net	<u>\$ 55,607</u>	<u>\$ 58,790</u>

Amortization and depreciation expense for the year ended December 31, 2022 is \$27,968 and \$1,355, respectively, for a total of \$29,323.

**NOTE G – DEFERRED REVENUE**

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2022.

	<u>Deferred at 12/31/2021</u>	<u>Revenue Recognized</u>	<u>Deferred for future</u>	<u>Deferred at 12/31/2022</u>
Memberships	\$ 140,338	(\$140,338)	\$ 75,665	\$ 75,665
Other revenue	165	-	-	165
Total	<u>\$ 140,503</u>	<u>(\$140,338)</u>	<u>\$ 75,665</u>	<u>\$ 75,830</u>

**NOTE H – LINE OF CREDIT**

During 2014, the Organization established an unsecured line of credit in the amount of \$125,000, bearing interest at 9.25%. At December 31, 2022, there was no outstanding balance.

**NOTE I – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions had the following activity for the year ended December 31, 2022:

	<u>12/31/2021</u>	<u>Revenue</u>	<u>Releases</u>	<u>12/31/2022</u>
Time restricted	\$449,000	\$240,000	(\$262,800)	\$426,200
General operations	36,000	-	(36,000)	-
GayUSA	2,500	-	(2,500)	-
	<u>\$487,500</u>	<u>\$240,000</u>	<u>(\$301,300)</u>	<u>\$426,200</u>

**FRAMELINE, INC.****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2022**

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

**NOTE J – LEASES**

The Organization leases office space under a non-cancellable lease for the building it has partial ownership in at 145 Ninth Street at a rate of approximately \$7,600 per month through December 2022. The lease has been renewed each year and in December 2022 the Organization exercised the option to extend the lease through December 2023. In addition, the lease contains two one-year options to extend the lease through December 2025.

The Organization leases space for satellite locations during the summertime for programming. Finally, the Organization leases office equipment under a non-cancellable lease at a rate of approximately \$350 per month through March 2025.

During the year ended December 31, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments.

The client used a rate of 1.37% to determine present value. Right-of-use assets were \$282,247 and lease liabilities were \$286,462 as of December 31, 2022. The weighted-average discount rate used to calculate the present value of future minimum lease payments was the risk-free interest rate of 1.37%. The weighted-average lease term was 3 years at December 31, 2022.

Lease expense consists of the following for the year ended December 31, 2022:

Operating lease expenses	\$ 96,031
Short-term lease expense	6,593
Total lease expense	<u>\$ 102,624</u>

The total cash amount paid for operating leases was \$91,816 for the fiscal year ended December 31, 2022, with a non-cash component of \$4,215.

Future minimum payments for the fiscal year ended December 31 is as follows:

	Operating Leases	Short-term Leases	Total Commitments
2023	\$ 94,570	\$ 4,188	\$ 98,758
2024	97,407	4,188	101,595
2025	100,330	1,047	101,377
Total minimum lease payments	292,307	9,423	301,730
Less: net present value	(5,845)	-	(5,845)
Present value of minimum lease payments	<u>\$ 286,462</u>	<u>\$ 9,423</u>	<u>\$ 295,885</u>



**FRAMELINE, INC.****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2022**

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

**NOTE K – 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	\$ 193,931
Investments	29,705
Accounts and contributions receivable	477,161
Total financial assets	<u>700,797</u>
Less:	
Net assets with purpose restrictions to be met in one year	<u>(426,200)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 274,597</u></u>
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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 L – IN-KIND DONATIONS**

For the year ended December 31, 2022, donations of services were received as follows:

<u>Category/Use</u>	<u>Valuation Technique</u>	<u>Total Received</u>
Catering services and goods donated used in program	FMV of services	23,063
Total in-kind donations		<u>\$ 23,063</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, 2022 is \$39,048 and is reflected in the accompanying statement of financial position.

**FRAMELINE, INC.****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2022****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

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**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, 2022 the Organization had \$15,762 in PayPal which carries no insurance.

Receivables at December 31, 2022 contain concentrations as 71% of receivables are due from three funders (26%, 24%, and 21%).

**NOTE O – NOTES PAYABLE**

On September 8, 2022, the Organization received an unsecured loan from the Northern California Grantmakers' Art Loan Fund for \$50,000. The loan carries a 2.5% interest rate and has a maturity of January 15, 2024. The payment schedule is \$20,000 by January 2023, \$15,000 by June 2023, and \$15,000 by January 2024. The client has accrued \$303 in interest payable as of December 31, 2022 as reflected in the accompanying statement of financial position.

**NOTE P – 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.

**NOTE Q – SUBSEQUENT EVENTS**

Subsequent to year end, the Organization applied for the Employee Retention Tax Credit by amending quarterly payroll reporting from 2020 and 2021. The timeline for the Internal Revenue Service to process the refundable credits has extended beyond six months in some instances and has contained differences in payments from the expected amount for other nonprofit organizations. As payment is not assured and may differ from the amount requested, the Organization intends to recognize the refundable credits as revenue when the funds are received.

The Organization has evaluated subsequent events through November 28, 2023, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022, have been incorporated into these financial statements.