



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

**COUNCIL ON AGING – SOUTHERN CALIFORNIA
(A NON-PROFIT CORPORATION)**

June 30, 2020 and 2019



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Report of Independent Auditors

The Board of Directors
Council on Aging – Southern California

Report on the Financial Statements

We have audited the accompanying financial statements of Council on Aging – Southern California (the "Organization," a non-profit corporation), which comprise the statement of financial position as of June 30, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 Organization'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 Organization's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 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.

Other Matters*Prior Period Summarized Comparative Financial Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The prior year summarized comparative financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the Organization's financial statements as of and for the year ended June 30, 2019, which were audited by other auditors whose report thereon, dated July 16, 2020, expressed an unmodified opinion on those financial statements.

Moss Adams LLP

Irvine, California
July 20, 2021

Council on Aging – Southern California
(A Non-Profit Corporation)
Statements of Financial Position

ASSETS	June 30,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 433,855	\$ 72,402
Grants and contracts receivable	975,415	752,656
Pledges receivable, net	13,700	18,779
Investments	34,176	34,677
Prepaid expenses and deposits	176,001	224,900
Total current assets	1,633,147	1,103,414
PLEDGES RECEIVABLE, net of current portion	5,050	2,000
INTANGIBLES, net	17,778	-
PROPERTY AND EQUIPMENT, net	43,785	102,237
Total assets	\$ 1,699,760	\$ 1,207,651
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 137,700
Accounts payable	166,968	315,010
Accrued expenses	277,784	210,305
Deferred rent	26,857	26,857
Deferred revenue	55,037	53,360
Total current liabilities	526,646	743,232
PAYCHECK PROTECTION PROGRAM LOAN	589,400	-
DEFERRED RENT, net of current portion	22,725	47,516
Total liabilities	1,138,771	790,748
NET ASSETS		
Without donor restrictions	296,677	276,511
With donor restrictions	264,312	140,392
Total net assets	560,989	416,903
Total liabilities and net assets	\$ 1,699,760	\$ 1,207,651

Council on Aging – Southern California
(A Non-Profit Corporation)
Statement of Activities (With Summarized Comparative Information)

	Year Ended June 30, 2020			Year Ended
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2019 Summarized Total
REVENUE AND SUPPORT				
Government contract revenue	\$ 4,613,618	\$ -	\$ 4,613,618	\$ 3,744,431
Contributions from				
Foundations and corporations	55,491	579,022	634,513	447,011
Individuals	158,021	-	158,021	119,386
In-kind goods and services	751,249	-	751,249	890,137
Guide income	143,440	-	143,440	216,155
Special events, net	168,510	-	168,510	148,067
Participation and program fees	44,938	-	44,938	37,726
Unrealized (loss) gain on investments	(362)	-	(362)	1,481
Interest and dividend income, net	221	-	221	369
Net assets released from restrictions	455,102	(455,102)	-	-
Total revenue and support	6,390,228	123,920	6,514,148	5,604,763
EXPENSES				
Program services	5,821,684	-	5,821,684	5,173,480
Supporting services	165,833	-	165,833	134,526
Fundraising	382,545	-	382,545	334,694
Total expenses	6,370,062	-	6,370,062	5,642,700
CHANGE IN NET ASSETS	20,166	123,920	144,086	(37,937)
NET ASSETS, beginning of year	276,511	140,392	416,903	454,840
NET ASSETS, end of year	\$ 296,677	\$ 264,312	\$ 560,989	\$ 416,903

Council on Aging – Southern California
(A Non-Profit Corporation)
Statement of Functional Expenses (With Summarized Comparative Information)

	Year Ended June 30, 2020				Year Ended June 30, 2019
	Program Services	Supporting Services	Fundraising	Total	Summarized Total
Salaries and wages	\$ 3,000,917	\$ 100,031	\$ 233,405	\$ 3,334,353	\$ 2,724,440
Payroll taxes	254,838	8,495	19,821	283,154	217,808
Employee benefits	281,692	9,287	18,573	309,552	284,409
Total personnel expenses	3,537,447	117,813	271,799	3,927,059	3,226,657
In-kind goods and services	751,249	-	-	751,249	890,137
Rent and leasing	480,575	5,006	15,018	500,599	459,551
Advertising and public relations	198,588	2,113	10,563	211,264	275,818
Consulting and professional fees	312,136	21,777	29,036	362,949	158,738
Printing and graphic design	61,994	-	1,917	63,911	71,901
Travel and mileage	74,156	781	3,122	78,059	118,419
Depreciation and amortization	54,607	1,820	4,247	60,674	59,208
Bad debt expense	-	-	-	-	2,613
Program expenses	75,908	-	16,663	92,571	66,460
Office expenses	46,636	3,075	1,537	51,248	28,718
Telephone	46,849	498	2,492	49,839	35,685
Worker's compensation insurance	29,994	6,314	3,157	39,465	38,167
Staff training	25,984	2,417	1,813	30,214	39,119
Insurance	23,049	736	736	24,521	26,299
Audit and accounting fees	19,458	2,162	2,402	24,022	22,610
Dues and subscriptions	11,534	148	3,105	14,787	18,986
Postage and shipping	10,476	365	1,340	12,181	11,023
Equipment repair and maintenance	46,249	-	6,307	52,556	53,383
Development and fundraising	-	-	3,344	3,344	22,798
Interest expense	7,220	-	-	7,220	7,800
Banking fees	5,655	808	3,635	10,098	7,675
Volunteer and donor recognition	1,920	-	312	2,232	935
Total expenses	\$ 5,821,684	\$ 165,833	\$ 382,545	\$ 6,370,062	\$ 5,642,700

Council on Aging – Southern California
(A Non-Profit Corporation)
Statements of Cash Flows

	Years Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 144,086	\$ (37,937)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Unrealized loss (gain) on investments	362	(1,382)
Bad debt expense	-	2,613
Interest and dividend income, net	139	-
Deferred rent	(24,791)	(24,791)
Depreciation and amortization	60,674	59,208
Changes in operating assets and liabilities		
Grants and contracts receivable, net	(222,759)	(39,183)
Pledges receivable	2,029	22,190
Prepaid expenses and deposits	48,899	34,095
Accounts payable	(148,042)	(187)
Accrued expenses	67,479	1,761
Deferred revenue	1,677	14,310
	<u>(70,247)</u>	<u>30,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for intangibles	<u>(20,000)</u>	<u>-</u>
	<u>(20,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	589,400	-
Net repayments on line of credit	<u>(137,700)</u>	<u>(2,300)</u>
	<u>451,700</u>	<u>(2,300)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	361,453	28,397
CASH AND CASH EQUIVALENTS, beginning of year	<u>72,402</u>	<u>44,005</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 433,855</u>	<u>\$ 72,402</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for		
Interest	<u>\$ 7,220</u>	<u>\$ 7,800</u>

Council on Aging – Southern California
(A Non-Profit Corporation)
Notes to Financial Statements

Note 1 – Organization

The Council on Aging – Southern California (the "Organization"), formerly known as Council on Aging – Orange County, is a nonprofit organization whose mission is to promote the independence, health, and dignity of older adults through compassion, education, and advocacy. The Organization provides the following services:

Advocates for Nursing Home Residents (Long-Term Care Ombudsman Services) – State certified long-term care Ombudsmen protect the rights of approximately 28,000 (unaudited) older and disabled adults in Orange County and 14,000 (unaudited) in Riverside County who reside in skilled nursing and long-term residential care facilities. The long-term care Ombudsmen make announced and unannounced visits to 1,600 (unaudited) facilities across both counties. Certified Ombudsmen successfully complete a 36-hour certification training program and log 12 hours of mentored field training. To maintain their certification, Ombudsmen receive 1-2 hours a month of in-service training from experts in the field of gerontology and presentations on other relevant topics.

Health Insurance Counseling and Advocacy Program ("HICAP") – HICAP provides educational seminars and individual counseling for Medicare and related insurance coverage, as well as unbiased information and assistance with original Medicare, HMOs, Medigap plans, Medi-Cal, employer health plans, long-term care insurance, and military benefits. Counseling is available in person at more than 92 sites throughout Southern California. Volunteers must complete 28 hours of training, 15 hours of internship, and pass a California Department of Aging test.

Senior Protection Program ("SPP") – The program provides educational awareness of financial elder abuse issues on a national and community level while providing referrals to appropriate agencies for the investigation of financial abuse cases. SPP is also part of the Financial Abuse Specialist Team ("FAST") which is a multi-disciplinary volunteer group that assists Adult Protective Services, the Ombudsmen, law enforcement, and attorneys in resolving complicated matters of abuse.

Friendly Visitor Program – This program provides frail, isolated, older adults and persons with disabilities who have no family members or support system with healthy companionships, social interaction, and nurturing relations to help them achieve mental, physical, and spiritual health.

Answers Guide – The Council publishes and distributes an online 128-page Answers Guide which includes information on health care, caregiving, housing, finance, legal, insurance, community resources, as well as helpful checklists. In addition to promoting the Organization's programs and services, Answers Guide assists in connecting seniors and those who care for them with information and resources.

Preventative Mental Health Department (PMHD) – This program is designed to identify and reduce mental health symptoms and risks in isolated and older adults in Orange County. The goal of the program is to increase social functioning by reconnecting clients with meaningful community activities that reinforce healthy life patterns and good mental health. To volunteer, individuals must complete a 2 ½ hour training session, attend in-service meetings, and participate in ongoing monitoring from Organization staff.

Council on Aging – Southern California

(A Non-Profit Corporation)

Notes to Financial Statements

Note 1 – Organization (continued)

SmileMakers Program – Volunteer service and fundraising group that coordinates, solicits, and distributes donated personal holiday gifts to individuals in licensed care facilities throughout Orange and Riverside Counties.

Reconnect – Early Intervention Services for Older Adults ("EISOA") – This program is designed to identify and reduce mental health symptoms and risks in isolated and older adults in Orange County. The goal of the program is to increase social functioning by reconnecting clients with meaningful community activities that reinforce healthy life patterns and good mental health.

Concierge Care Navigators ("CCN") – This program is led by a registered nurse and gerontologist team who specialize in geriatric care management and advocacy. CCN nurses create online, personalized care plans for clients in conjunction with their family and health care providers. The plan includes medical and non-medical goals and is accessible 24 hours a day and seven days a week. CCN nurses work with clients to implement each plan and provide advice, insight, and support.

Note 2 – Summary of Significant Accounting Policies

Funding – The Organization receives funding primarily from government contracts. In addition, the Organization receives grants from foundations and corporations, donations from individuals, special event revenue, and Answers Guide advertising income.

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The Organization's Board of Directors has designated certain net assets be reserved for future program use. The total board-designated reserves at June 30, 2020 and 2019, were \$34,176 and \$34,677, respectively.

Net assets with donor restrictions – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

Council on Aging – Southern California
(A Non-Profit Corporation)
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Recently adopted accounting standard – On July 1, 2019, The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has applied it prospectively. The implementation of these standards did not have a material impact to the financial statements.

In June 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurements*, which removes disclosure requirements for transfers between Level 1 and Level 2 of the fair value hierarchy (see Note 3); policy for timing of transfers between levels; valuation process for Level 3 fair value measurements; and changes in unrealized gains and losses for Level 3 investments. It also modifies certain disclosures by eliminating the requirement to report a rollforward of Level 3 investments, and instead requires only disclosure of transfers into and out of Level 3 and purchases of and issues of Level 3 assets and liabilities. The Organization adopted ASU 2018-13 as of and for the year ended June 30, 2020, and has applied it for all years presented.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments – The Organization's investments are carried at fair value. Unrealized gains and losses have been reflected in the statements of activities as increases or decreases in net assets without donor restrictions, net of related investment expenses.

Fair value measurements – The Organization defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization measures fair value under a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

An asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Cash and cash equivalents – For the purpose of reporting cash flows, cash and cash equivalents include operating cash held in banks, money market funds, and short-term investments with an original maturity of three months or less. The Organization maintains its cash balances in a financial institution, the balances of which may, at times, exceed federally insured limits.

Council on Aging – Southern California

(A Non-Profit Corporation)

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions and pledges – Unconditional contributions and pledges are recognized at fair value when received or when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated in-kind goods are recorded at their fair value when an unconditional promise to give has been made or when goods have been received. The value of the donation is based on appraisal and other objective bases for determining the value or, in certain instances, based on management's best estimate of the fair value.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, would typically need to be purchased if not provided by donation, and are recorded at their fair values in the periods received.

Government grants and receivable – The Organization receives a majority of its total revenue under various governmental grants with the Counties of Orange, San Bernardino, and Riverside, and each of their various departments which pay the Organization based on units of service provided or reimbursable costs as defined by the grants. Revenue from these government grants are considered nonreciprocal, meaning there is not a fair value exchange received by the granting agency for the services performed by the Organization, since the beneficiary of each grant is the general public. Therefore, revenue is recognized like a contribution. If the grant is conditional, a barrier to entitlement exists, and revenue is recognized when the barrier is considered overcome and as allowable expenditures under such agreements are incurred. This revenue is recorded as an increase to net assets without donor restrictions.

Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as deferred revenue and is recognized as revenue in future periods as services are performed. At June 30, 2020 and 2019, the Organization did not have any deferred revenue related to conditional grants.

The compensation and reimbursements recorded under these grants are subject to audit. Management believes that material adjustments will not result from subsequent audits.

Council on Aging – Southern California
(A Non-Profit Corporation)
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

The Organization's grants receivable are unsecured and primarily consist of reimbursements due from contracted government grant reimbursement requests within one year. On a periodic basis, the Organization evaluates outstanding grants receivable and establishes an allowance based upon a history of past write-offs and collections as well as current credit conditions. Management believes that grants receivable are fully collectible at June 30, 2020 and 2019, and as such, no allowance for uncollectible accounts has been recorded.

Deferred revenue / Answers Guide income – The Organization receives prepaid advertising and fees in relation to an annual Answers Guide that it publishes. Amounts received in advance are deferred and revenue is recognized when the Answers Guide is released.

Concentration of credit risk – The assets that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments, grants and contracts receivable, and pledges receivable.

At times, balances in the Organization's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) and Securities Investors Protections Corporation (SIPC) limits.

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

The Organization is also potentially subject to concentrations of credit risk in its accounts receivable. Credit risk with respect to receivables is limited due to the majority of accounts receivable being due from state and local governmental agencies. Management therefore does not believe significant credit risks exist at June 30, 2020.

Intangibles – Intangible assets resulted from the acquisition of certain customer lists for \$20,000 in 2020 and were recorded at fair value at the date of acquisition. These assets are being amortized on a straight-line basis over an estimated useful life of 3 years. Accumulated amortization at June 30, 2020, was \$2,222.

Property and equipment – Property and equipment greater than \$1,000 are recorded at cost with the exception of donated equipment, which is stated at fair value at the date of receipt. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, which are determined to be three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated lives or the term of the lease.

When property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to operations. Normal repairs and maintenance are expensed as incurred. Expenditures that materially adapt, improve, or alter the nature of the underlying assets are capitalized.

Council on Aging – Southern California

(A Non-Profit Corporation)

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Management of the Organization assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The evaluation is performed by determining whether the depreciation and amortization of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value and is charged to operations in the period in which such impairment is determined by management. As of June 30, 2020 and 2019, management has not identified any impairment of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Organization's services will continue, which could result in impairment of long-lived assets in the future.

Deferred rent – Deferred rent is recorded as the estimated net present value of rent for the facility covered by the lease agreement. Rental expense is recognized on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and amounts payable under the lease is included in deferred rent.

Income taxes – The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and the corresponding provisions of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization is subject, however, to federal and California income taxes on unrelated business income as stipulated in the Code.

The Organization recognizes the impact of tax positions in the financial statements if that position is more-likely-than-not of being sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended June 30, 2020 and 2019, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

Special events – Revenues and expenses applicable to the Organization's special events are deferred and later recognized at the time when such events occur.

Advertising expenses – The Organization expenses the costs of advertising as incurred. The total expense was \$211,264 and \$275,818 for the years ended June 30, 2020 and 2019, respectively.

Expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services, supporting services, and fundraising based on estimated usage. Usage is calculated using an appropriate methodology such as percentage of staff time.

Council on Aging – Southern California
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Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Risks and uncertainties – Certain services of the Organization are governed by grants and contracts from governmental agencies and private sources. There can be no assurance that the Organization will be able to obtain future grants as deemed necessary by management, although management believes that there is no current indication that grants and contracts are in jeopardy. The loss of certain current grants, or the inability to obtain future grants, could have an adverse effect on the Organization's financial position and results of operations. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

Reclassifications and comparative totals – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between reporting periods presented.

Prior year summarized comparative information – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with accounting principles generally accepted in the United State of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which summarized information was derived.

New accounting pronouncements not yet effective – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The effective date of ASU 2014-09 was deferred by ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. For non-profit organizations like the Organization that are not considered public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the impact of the provisions of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The effective date of ASU 2016-02 was deferred by ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. For non-public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

Council on Aging – Southern California
(A Non-Profit Corporation)
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events have been evaluated by the Organization through July 20, 2021, which is the date these financial statements were issued, and no subsequent events have arisen, other than those described in these financial statements, that would require disclosure.

Note 3 – Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 433,855	\$ 72,402
Grants and contracts receivable, net	975,415	752,656
Pledges receivable	18,750	20,779
Investments	<u>34,176</u>	<u>34,677</u>
 Total financial assets	 1,462,196	 880,514
 Less		
Pledges not expected to be collected within one year	(5,050)	(2,000)
Net assets with board designations	(34,176)	(34,677)
Net assets with donor restrictions	<u>(264,312)</u>	<u>(140,392)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,158,658</u>	 <u>\$ 703,445</u>

The Organization manages its financial assets so they are available as obligations become due. Investments are available to draw on as needed. The Organization also had a line of credit available to draw from to meet their general cash needs, as more fully described in Note 7.

During March 2020, the World Health Organization declared the spread of Coronavirus disease, or COVID-19, a worldwide pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, clients, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Organization's operations.

Although the state of California mandated work-from-home requirements for each county for various lengths of time, the state deemed older adult care and education to be an essential activity, especially to care for isolated older adults. As a result, the Organization remained open throughout the pandemic to support both families and providers.

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Note 3 – Liquidity and Availability of Resources (continued)

The Organization has been closely monitoring the impact of COVID-19 on its operations, including the impact on the adults it supports, providers, and its employees. The duration and intensity of the pandemic are uncertain but may influence future budgeting decisions for the Organization's funders, donor decisions, and investment performance.

Management believes the Organization has taken appropriate actions to mitigate the potential negative financial impact, including participation in the Paycheck Protection Program funded by the U.S. Small Business Administration (Note 12). Through the program, the Organization secured a \$589,400 loan payable over two years bearing interest at 1%. Under certain circumstances the loan is forgivable, although the amount of forgiveness is uncertain.

Note 4 – Pledges Receivable

Unconditional promises from foundations and individuals to give (pledges) are as follows at June 30:

	2020	2019
Amounts due in		
Less than one year	\$ 15,500	\$ 26,519
One to five years	6,000	9,000
	21,500	35,519
Less allowance for uncollectible amounts	(2,750)	(14,740)
Pledges receivable, net	18,750	20,779
Less current portion receivable, net allowance	(13,700)	(18,779)
	\$ 5,050	\$ 2,000

Note 5 – Investments

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Investment held in trust – The Organization has outsourced the management of an endowment fund to the Orange County Community Foundation ("OCCF"). The oversight of the investment portfolio is the responsibility of the OCCF Investment Committee whose members are appointed by and serve the OCCF Board of Directors, and which shall administer the investment portfolio in compliance with all written policies approved by the OCCF Board. Annual distributions are subject to the policies of the OCCF.

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Note 5 – Investments (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All of the Organization's assets are measured at fair value on a recurring basis. The Organization's investments consist entirely of an investment held in trust (Level 3) as of June 30, 2020 and 2019. The following table sets forth a summary of changes in the fair value of the investment held in trust with OCCF for the years ended June 30:

Balance, June 30, 2018	\$ 33,295
Interest and dividend income	235
Fees	(334)
Unrealized gains	<u>1,481</u>
Balance, June 30, 2019	34,677
Interest and dividend income	209
Fees	(348)
Unrealized losses	<u>(362)</u>
Balance, June 30, 2020	<u><u>\$ 34,176</u></u>

Note 6 – Property and Equipment

Property and equipment at June 30 consist of:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 639,257	\$ 639,257
Leasehold improvements	129,537	129,537
Vehicles	31,716	31,716
Computer software	<u>12,212</u>	<u>12,212</u>
	812,722	812,722
Less: accumulated depreciation	<u>(768,937)</u>	<u>(710,485)</u>
	<u><u>\$ 43,785</u></u>	<u><u>\$ 102,237</u></u>

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Note 7 – Line of Credit

The Organization maintains a line of credit with a financial institution that provides the Organization funding up to \$500,000 through April 1, 2022. The line is secured by substantially all the assets of the Organization and bears interest at the published prime rate plus 1.5% per annum. This amounted to an effective interest rate of 4.75% and 7% at June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there was an outstanding balance of \$0 and \$137,700, respectively.

Note 8 – Special Events

The Organization conducts special events in order to assist in program operations. All events are conducted in accordance with applicable federal, state, and local laws and ordinances. All revenues received from such events in excess of expenses are used for program operations.

For the years ended June 30, special events revenue and expenses are as follows:

	<u>2020</u>	<u>2019</u>
Revenue	\$ 241,364	\$ 213,686
Expenses	<u>(72,854)</u>	<u>(65,619)</u>
	<u>\$ 168,510</u>	<u>\$ 148,067</u>

Note 9 – Retirement Plan

The Organization's employees participate in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all eligible employees of the Organization. The employees may make contributions to the plan up to the maximum amount allowed by the Code. The Organization does not make matching contributions toward the plan.

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Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2020</u>
SmileMakers and Friendly Visitor	\$ 42,158	\$ 336,202	\$ (236,757)	\$ 141,603
Ombudsman	10,825	12,500	(9,508)	13,817
Other various program and time restrictions	<u>87,409</u>	<u>230,320</u>	<u>(208,836)</u>	<u>108,893</u>
	<u>\$ 140,392</u>	<u>\$ 579,022</u>	<u>\$ (455,101)</u>	<u>\$ 264,313</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2019</u>
SmileMakers and Friendly Visitor	\$ 237,980	\$ 203,500	\$ (399,322)	\$ 42,158
Ombudsman	352	47,500	(37,027)	10,825
Other various program and time restrictions	<u>27,410</u>	<u>157,000</u>	<u>(97,001)</u>	<u>87,409</u>
	<u>\$ 265,742</u>	<u>\$ 408,000</u>	<u>\$ (533,350)</u>	<u>\$ 140,392</u>

Note 11 – Commitments

Facility leases – The Organization maintains non-cancellable long-term operating lease agreements for facilities in Irvine and Rancho Cucamonga requiring monthly rents of ranging from \$6,000 to \$31,000 through June 2022. The Irvine lease includes a \$148,746 tenant incentive that has been recognized as deferred rent and is being amortized over the lease term.

Future minimum lease payments under all long-term operating lease agreements for years ending June 30 are:

2021	\$ 365,148
2022	<u>380,892</u>
	<u>\$ 746,040</u>

The Organization also maintains short-term operating leases for offices in Hemet, Bishop, and Palm Desert requiring minimum monthly rents ranging from \$100 to \$400 per month. The total facility rental expense, including common area maintenance charges, was \$500,599 and \$459,551 for the years ended June 30, 2020 and 2019, respectively.

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Note 12 – Paycheck Protection Program (PPP) Loan

The Organization received a loan from a bank in the amount of \$589,400 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 3, 2020, and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning approximately 16 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. The Organization intends to apply for forgiveness of the majority of the loan balance. The loan has been recognized as debt in the accompanying statements of financial position as of June 30, 2020. Scheduled principal payments for fiscal years ending June 30, 2022 and 2023, are approximately \$220,000 and \$370,000, should forgiveness not be approved.