REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

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

June 30, 2022 and 2021

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Council on Aging – Southern California

Report on the Audit of the Financial Statements

Opinion

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, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Council on Aging – Southern California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Summarized Comparative Financial Information

We have previously audited the Organization's 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

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 Council on Aging – Southern California 's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council on Aging – Southern California'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Council on Aging – Southern California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal, state, and county awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 2, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Moss Adams LLP

Irvine, California
August 2, 2023

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

ASSETS

	June 30, 2022	June 30, 2021
CURRENT ASSETS		
Cash and cash equivalents	$ 343,207	$ 657,984
Grants and contracts receivable	1,427,460	810,716
Pledges receivable, net	14,723	14,000
Investments	42,543	43,912
Prepaid expenses	150,203	173,907
Total current assets	1,978,136	1,700,519
DEPOSITS	44,926	36,715
INTANGIBLES, net	4,444	11,111
PROPERTY AND EQUIPMENT, net	5,328	6,677
Total assets	$ 2,032,834	$ 1,755,022

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Line of credit	$ 200,000	$ -
Accounts payable	324,820	240,100
Accrued expenses	322,612	335,116
Paycheck protection program (PPP) loan, current	59,306	14,845
Deferred rent	-	24,791
Deferred revenue	49,000	-
Total current liabilities	955,738	614,852
PPP LOAN, net of current	115,332	574,555
Total liabilities	1,071,070	1,189,407
NET ASSETS		
Without donor restrictions	568,720	256,092
With donor restrictions	393,044	309,523
Total net assets	961,764	565,615
Total liabilities and net assets	$ 2,032,834	$ 1,755,022

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

	Year Ended June 30, 2022			Year Ended June 30, 2021
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
REVENUE AND SUPPORT				
Government contract revenue	$ 5,086,754	$ 30,500	$ 5,117,254	$ 5,185,752
Contributions from				
Foundations and corporations	72,654	545,300	617,954	536,830
Individuals	194,502	-	194,502	225,080
In-kind goods and services	753,702	-	753,702	467,006
Gain on partial PPP loan forgiveness	399,917	-	399,917	-
Special events, net	251,860	-	251,860	164,566
Participation and program fees	234,644	-	234,644	131,177
Guide income	19,500	-	19,500	38,750
Investment return, net fees	(1,369)	-	(1,369)	9,736
Net assets released from restrictions	492,279	(492,279)	-	-
Total revenue and support	7,504,443	83,521	7,587,964	6,758,897
EXPENSES				
Program services	6,548,917	-	6,548,917	6,131,455
Supporting services	193,559	-	193,559	176,849
Fundraising	449,339	-	449,339	445,967
Total expenses	7,191,815	-	7,191,815	6,754,271
CHANGE IN NET ASSETS	312,628	83,521	396,149	4,626
NET ASSETS, beginning of year	256,092	309,523	565,615	560,989
NET ASSETS, end of year	$ 568,720	$ 393,044	$ 961,764	$ 565,615

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

	Year Ended June 30, 2022				Year Ended June 30, 2021
	Program Services	Supporting Services	Fundraising	Total	Summarized Total
Salaries and wages	$ 3,333,900	$ 111,130	$ 259,303	$ 3,704,333	$ 3,624,972
Employee benefits	296,714	9,782	19,564	326,060	393,201
Payroll taxes	246,549	8,218	19,176	273,943	260,317
Total personnel expenses	3,877,163	129,130	298,043	4,304,336	4,278,490
Rent and leasing	515,984	5,375	16,125	537,484	511,395
In-kind goods and services	753,702	-	-	753,702	467,006
Advertising and public relations	444,197	4,726	23,628	472,551	328,276
Consulting and professional fees	347,025	24,211	32,281	403,517	299,460
Program expenses	167,496	-	36,767	204,263	287,175
Telephone	90,644	964	4,822	96,430	98,660
Printing and graphic design	65,945	-	2,040	67,985	83,306
Equipment repair and maintenance	15,224	-	2,076	17,300	62,727
Staff training	51,368	4,778	3,584	59,730	59,292
Office expenses	43,003	2,835	1,418	47,256	56,082
Depreciation and amortization	9,833	328	765	10,926	47,963
Audit and accounting fees	32,090	3,566	3,962	39,618	36,920
Worker's compensation insurance	16,644	3,504	1,752	21,900	35,924
Dues and subscriptions	22,536	289	6,068	28,893	27,977
Insurance	26,268	838	838	27,944	23,940
Travel and mileage	51,336	540	2,161	54,037	21,440
Postage and shipping	6,996	244	895	8,135	18,404
Banking fees	9,605	1,372	6,175	17,152	9,103
Development and fundraising	-	-	5,636	5,636	324
Volunteer and donor recognition	1,858	-	303	2,161	407
Interest expense	-	10,859	-	10,859	-
Total expenses	$ 6,548,917	$ 193,559	$ 449,339	$ 7,191,815	$ 6,754,271

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

	Years Ended June 30, 2022	Years Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 396,149	$ 4,626
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Unrealized loss (gain) on investments, net related fees	1,502	(9,600)
Gain on partial PPP loan forgiveness	(399,917)	-
Interest and dividend income, net	(133)	(136)
Deferred rent	(24,791)	(24,791)
Depreciation and amortization	10,926	47,963
Changes in operating assets and liabilities		
Grants and contracts receivable, net	(616,744)	164,699
Pledges receivable	(723)	4,750
Prepaid expenses	23,704	(34,621)
Deposits	(8,211)	-
Accounts payable	84,720	73,132
Accrued expenses	(12,504)	57,332
Deferred revenue	49,000	(55,037)
Net cash (used in) provided by operating activities	(497,022)	228,317
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for fixed assets	(2,910)	(4,188)
Net cash used in investing activities	(2,910)	(4,188)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	200,000	-
Repayment of PPP loan	(14,845)	-
Net cash provided by financing activities	185,155	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(314,777)	224,129
CASH AND CASH EQUIVALENTS, beginning of year	657,984	433,855
CASH AND CASH EQUIVALENTS, end of year	$ 343,207	$ 657,984
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 10,859	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Partial forgiveness of Paycheck Protection Program loan	$ 399,917	$ -

See accompanying notes.

Note 1 – Organization

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 2½ hour training session, attend in-service meetings, and participate in ongoing monitoring from Organization staff.

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. Total board-designated reserves at June 30, 2022 and 2021, were $42,543 and $43,912, 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.

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's 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.

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.

In June 2021, the Organization became aware that it was named as a beneficiary of a trust. However, due to the underlying assets that secured the trust and the uncertainty in its fair value at the time these statements were made available, the Organization did not record a receivable for the gift at June 30, 2022 or 2021.

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.

No non-financial assets were monetized during the years ended June 30, 2022 and 2021. In-kind contributions consisted of the following for the years ended June 30:

	2022	2021	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Specialist volunteers	$ 630,627	$ 323,706	Ombudsmen, HICAP, Friendly Visitor, and EISOA programs	No associated donor restrictions	Estimated fair value based on an hourly rate form online published sources
Tangible items	123,075	143,300	SmileMakers Program	No associated donor restrictions	Estimated fair value based on current cost of similar items in the market.
Total	$ 753,702	$ 467,006			

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, there is a right to return and 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 allowable 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 allowable costs are incurred. At June 30, 2022 and 2021, 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.

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, 2022 and 2021, and as such, no allowance for uncollectible accounts has been recorded.

Prepaid expenses and deposits – Prepaid expenses represents amounts paid prior to the respective year end for which the benefit received will occur in subsequent fiscal years. Deposits are amounts paid on lease agreements that are expected to be refunded at the end of the lease term unless renewed.

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, 2022.

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 three years. Accumulated amortization at June 30, 2022, was $15,556.

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.

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, 2022 and 2021, 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, 2022 and 2021, 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 $472,551 and $328,276 for the years ended June 30, 2022 and 2021, 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.

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.

Recently adopted accounting pronouncements – In September 2020, the Financial Accounting Standards Board (FASB) issue Accounting Standards Update (ASU) 2020-07, *Not-for Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The Organization adopted this ASU effective July 1, 2022, applying the retrospective basis.

Recently issued accounting pronouncements – 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 was deferred by ASU 2020-05, *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 on the financial statements.

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.

Subsequent events – Subsequent events have been evaluated by the Organization through August 2, 2023, which is the date these financial statements were available to be 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:

	2022	2021
Cash and cash equivalents	$ 343,207	$ 657,984
Grants and contracts receivable, net	1,427,460	810,716
Pledges receivable	59,649	14,000
Investments	42,543	43,912
Total financial assets	1,872,859	1,526,612
Less		
Net assets with board designations	(42,543)	(43,912)
Net assets with donor restrictions	(393,044)	(309,523)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,437,272	$ 1,173,177

The Organization manages its financial assets so they are available as obligations become due. The Organization considers programs which are ongoing, major, and central to its annual operations as general expenditures. The Organization manages its liquidity with the principle of maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. 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 (Note 7).

Note 4 – Pledges Receivable

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

	2022	2021
Amounts due in		
Less than one year	$ 14,723	$ 15,000
	14,723	15,000
Less: allowance for uncollectible amounts	-	(1,000)
Pledges receivable, net	$ 14,723	$ 14,000

Note 5 – Investments

Investment held in trust – The Organization has outsourced the management of its board designated 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.

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, 2022 and 2021. 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, 2020	$ 34,176
Interest and dividend income	127
Fees	(389)
Unrealized gains	9,998
Balance, June 30, 2021	43,912
Interest and dividend income	133
Fees	(442)
Unrealized losses	(1,060)
Balance, June 30, 2022	$ 42,543

Note 6 – Property and Equipment

Property and equipment at June 30 consisted of:

	2022	2021
Office furniture and equipment	$ 416,732	$ 643,446
Leasehold improvements	74,329	129,537
Vehicles	31,716	31,716
Computer software	-	12,212
	522,777	816,911
Less: accumulated depreciation	(517,449)	(810,234)
	$ 5,328	$ 6,677

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, 2023. 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 6.25% as June 30, 2022 and 2021. There were $200,000 and $0 outstanding on the line of credit as of June 30, 2022 and 2021. The line of credit was renewed on March 1, 2023, for $500,000 through April 1, 2024.

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 were as follows:

	2022	2021
Revenue	$ 341,840	$ 188,244
Expenses	(89,980)	(23,678)
	$ 251,860	$ 164,566

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.

Note 10 – Net Assets with Donor Restrictions

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

	July 1, 2021	Additions	Releases	June 30, 2022
SmileMakers and Friendly Visitor	$ 180,650	$ 280,300	$ (242,020)	$ 218,930
Ombudsman	18,226	10,000	(4,521)	23,705
Other various program and time restrictions	110,647	285,500	(245,738)	150,409
	$ 309,523	$ 575,800	$ (492,279)	$ 393,044

	July 1, 2020	Additions	Releases	June 30, 2021
SmileMakers and Friendly Visitor	$ 141,603	$ 277,931	$ (238,884)	$ 180,650
Ombudsman	13,817	12,500	(8,091)	18,226
Other various program and time restrictions	108,892	244,475	(242,720)	110,647
	$ 264,312	$ 534,906	$ (489,695)	$ 309,523

Note 11 – Commitments

Facility leases – The Organization maintains non-cancellable long-term operating lease agreements for facilities in Irvine and Riverside requiring monthly rents of ranging from $6,000 to $29,000 through June 2027.

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

2023	$ 386,714
2024	398,309
2025	409,611
2026	377,295
2027	346,224
	$ 1,918,153

The Organization also maintains short-term operating leases for offices in Hemet 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 $511,395 and $380,892 for the years ended June 30, 2022 and 2021, respectively.

Note 12 – Paycheck Protection Program (PPP) Loan

The Organization received a loan from a bank in the amount of $589,400 under the PPP established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 3, 2020. In December 2021, the Organization applied for and received partial forgiveness of approximately $400,000. 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 loan has been recognized as debt in the accompanying statements of financial position as of June 30, 2022.

Future minimum annual principal payments due under Paycheck Protection Program (PPP) Loan outstanding as of June 30, 2022, for the fiscal year ending June 30 and then after are as follows:

2023	$ 59,306
2024	59,902
2025	55,430
	$ 174,638

Note 13 – Risks and Uncertainties

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.

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.