COUNCIL ON AGING - SOUTHERN CALIFORNIA

(A NON-PROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION REQUIRED BY THE UNIFORM GUIDANCE

FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

with

INDEPENDENT AUDITORS' REPORT THEREON

PDM

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

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, 2017, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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, 2017, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal, State, and County Awards is presented for purposes of additional analysis, as required by audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), 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 subject 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 statement or 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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2018, 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 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 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.

PDM, LLP

Torrance, California
January 25, 2018

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2016)

	2017	2016 As Adjusted (Note 9)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 87,894	$ 78,386
Grants and contracts receivable, net	495,359	554,967
Pledges receivable, net	11,456	16,467
Prepaid expenses and deposits	258,601	266,062
	853,310	915,882
LONG-TERM ASSETS		
Investments	31,164	24,230
Pledges receivable, net of current portion	9,500	9,683
Property and equipment, net	245,260	329,146
	$ 1,139,234	$ 1,278,941
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ -	$ 65,000
Accounts payable	230,536	171,673
Accrued expenses	197,528	200,352
Deferred revenue	55,213	70,974
	483,277	507,999
DEFERRED RENT	123,955	-
	607,232	507,999
NET ASSETS		
Unrestricted	268,946	330,439
Temporarily restricted	263,056	440,503
	532,002	770,942
	$ 1,139,234	$ 1,278,941

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	As Adjusted and Summarized (Note 9)
REVENUE AND SUPPORT				
Government contract revenue	$ 3,386,041	$ -	$ 3,386,041	$ 3,297,749
Contributions from:				
Foundations and corporations	154,024	340,818	494,842	284,027
Individuals	161,713	-	161,713	71,443
In-kind program goods and services	812,684	-	812,684	816,717
Special events, net	109,273	-	109,273	141,661
Guide income	251,414	-	251,414	261,537
Participation and program fees	31,049	-	31,049	31,127
Unrealized gain(loss) on investments	1,664	-	1,664	(50)
Interest and dividend income	273	-	273	917
Net assets released from restrictions	518,265	(518,265)	-	-
	5,426,400	(177,447)	5,248,953	4,905,128
EXPENSES				
Program services	5,026,072	-	5,026,072	4,812,075
Supporting services	133,407	-	133,407	131,390
Fundraising	328,414	-	328,414	312,956
	5,487,893	-	5,487,893	5,256,421
CHANGE IN NET ASSETS	(61,493)	(177,447)	(238,940)	(351,293)
NET ASSETS, beginning of year	330,439	440,503	770,942	1,122,235
NET ASSETS, end of year	$ 268,946	$ 263,056	$ 532,002	$ 770,942

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	2017				2016
	Program Services	Supporting Services	Fundraising	Total	Summarized Total
Salaries and wages	$ 2,439,815	$ 81,327	$ 189,764	$ 2,710,906	$ 2,699,187
Payroll taxes	189,925	6,331	14,772	211,028	209,929
Employee benefits	228,152	7,522	15,043	250,717	212,151
Total personnel expenses	2,857,892	95,180	219,579	3,172,651	3,121,267
In-kind program goods and services	812,684	-	-	812,684	816,717
Rent and leasing	401,446	4,182	12,545	418,173	321,552
Advertising and public relations	188,967	2,010	10,052	201,029	32,118
Consulting and professional fees	168,311	11,743	15,657	195,711	174,425
Printing and graphic design	123,707	-	3,826	127,533	133,554
Travel and mileage	82,285	866	3,465	86,616	84,241
Depreciation and amortization	88,493	2,950	6,883	98,326	154,715
Program expenses	81,483	-	17,886	99,369	86,358
Staff training	50,453	4,693	3,520	58,666	51,924
Provision for doubtful pledges	-	-	5,194	5,194	7,445
Office expenses	26,191	1,727	863	28,781	55,066
Telephone	28,770	306	1,530	30,606	35,609
Equipment repair and maintenance	995	-	136	1,131	30,126
Volunteer and donor recognition	12,424	1,734	288	14,446	21,528
Insurance	26,381	842	842	28,065	28,811
Postage and shipping	15,176	529	1,941	17,646	23,100
Audit and accounting fees	18,769	2,085	2,318	23,172	21,107
Development and fundraising	-	126	12,472	12,598	4,624
Worker's compensation insurance	16,556	3,485	1,743	21,784	21,302
Banking fees	5,200	743	3,343	9,286	9,312
Dues and subscriptions	16,084	206	4,331	20,621	21,163
Interest expense	3,805	-	-	3,805	357
	$ 5,026,072	$ 133,407	$ 328,414	$ 5,487,893	$ 5,256,421

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	2017	2016 As Adjusted (Note 9)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (238,940)	$ (351,293)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized/unrealized (gain) / loss on investments	(6,934)	151
Provision for doubtful pledges	5,194	7,445
Change in allowance for uncollectible pledges	(6,158)	6,977
Deferred rent	123,955	(20,995)
Depreciation and amortization	98,326	154,715
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	59,608	75,744
Pledges receivable	6,158	6,174
Prepaid expenses and deposits	7,461	(24,185)
Accounts payable	58,863	(60,760)
Accrued expenses	(2,824)	8,547
Deferred revenue	(15,761)	(13,779)
Net cash flows from operating activities	88,948	(211,259)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(14,440)	(164,717)
Net cash flows from investing activities	(14,440)	(164,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of line of credit	(65,000)	-
Proceeds from line of credit	-	65,000
Net cash flows from financing activities	(65,000)	65,000
Net change cash and cash equivalents	9,508	(310,976)
Cash and cash equivalents, beginning of year	78,386	389,362
Cash and cash equivalents, end of year	$ 87,894	$ 78,386

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 Long-Term Care Residents (Long-Term Care Ombudsman Services) - State certified long-term care ombudsmen protect the rights of approximately 28,000 older adults living in nursing and residential homes located throughout Orange County.

Health Insurance Counseling And Advocacy Program ("HICAP") - HICAP provides educational seminars, individual counseling, and limited legal assistance with Medicare and related insurance coverage, as well as unbiased information and assistance with original Medicare, HMO's, Medigap plans, Medi-Cal, employer health plans, long-term care insurance, and military benefits. Counseling is available in person at more than 80 sites throughout Southern California. In 2012, the Council was awarded the HICAP contracts for San Bernardino. Later in 2012, the Council was awarded the HICAP contracts for Riverside, Inyo, and Mono Counties. The Council expanded HICAP counseling services there through the established San Bernardino County local office and added an office in Inyo County.

Financial Abuse Prevention (Financial Abuse Specialist Team, or "FAST") - FAST, a voluntary partnership consisting of multidisciplinary public and private professionals, provides educational awareness of financial elder abuse issues on a national and community level while providing recommendations to appropriate agencies for the investigation of financial abuse cases.

Caring Connections 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.

SmileMakers Guild - Volunteer service and fund-raising group that coordinates, solicits, and distributes donated personal holiday gifts to individuals in licensed care facilities throughout Orange County.

Community Outreach - The Council publishes an Answers Guide (128 pages) which includes key information regarding Medicare, Medi-Cal, financial elder abuse, housing, social security, government entitlements, HICAP, care management, and other resources for the purpose of connecting seniors to services.

NOTE 1 - ORGANIZATION, Continued

Reconnect - Socialization Services Collaborative - 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.

The Benefits Enrollment Center ("BEC") - BEC helps low income, Medicare eligible seniors and persons with disabilities identify and apply for benefit programs.

Funding - The Organization receives funding primarily from government contracts. In addition, the Organization receives grants from foundations and corporations, donations from individuals, special events, and magazine advertisements.

Liquidity - As reflected in the accompanying financial statements, the Organization incurred a decrease in net assets of $238,940 and $351,293 during the years ended June 30, 2017 and 2016, respectively. Two consecutive years of losses has increased strains on the Organization's operating cash flow management.

Management has hired new development personnel to shape the new direction of their fundraising efforts. This includes their strategy for seeking contributions from donors, as well as developing other program segments that are cost efficient. These increased fundraising efforts, combined with the continued controlling of costs, should result in an alleviation of cash flow deficiencies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Net assets, revenues, expenses, 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:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization's activities and operations at the discretion of the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Organization, and/or the passage of time and net assets from non-governmental capital campaign contributions which are reflected as temporarily restricted over the estimated useful lives of the assets acquired.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income or gains earned on related investments for general (unrestricted) or specific purposes (temporarily restricted).

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, and the Organization’s investment approximates a stated unit value and investment return. Unrealized gains and losses have been reflected in the statement of activities as increases or decreases in unrestricted net assets.

Fair value of financial instruments - Financial instruments primarily consist of investments, grants and contracts receivable, and pledges receivable. The Organization estimates that the fair value of its financial instruments at June 30, 2017, do not differ materially from its aggregate carrying value recorded in the accompanying statements of financial position. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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 - Contributions and pledges are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

Government grants and receivable - The Organization receives a majority of its total revenue under various governmental grants with the Counties of Orange County, 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. The compensation and reimbursements recorded under these grants are subject to audit. Management believes that material adjustments will not result from subsequent audits, if any, of costs reflected in the accompanying financial statements.

Revenue is earned as qualifying expenditures are incurred under these exchange arrangements.

The Organization's grants receivable primarily consist of reimbursements due from contracted government grant reimbursement requests. 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, 2017, and as such, no allowance for uncollectible accounts has been recorded.

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.

Deferred revenue - The Organization receives prepaid advertising and subscription fees in relation to an annual guide that is publishes. Amounts received in advance are deferred and revenue is recognized when the guide is released.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Intangibles - Intangible assets that are determined to have definite lives are amortized over their estimated useful lives and are measured for impairment when events or circumstances indicate the carrying value may be impaired. Intangible assets subject to amortization included website development and license fees. There was no amortization expense during the year ended June 30, 2017.

Property and equipment - Property and equipment are recorded at cost with the exception of donated equipment, which is stated at fair market value at the date of receipt. Depreciation and amortization is 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, 2017, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 year ended June 30, 2017, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

As of June 30, 2017, the Organization's federal tax returns since the 2013 tax year and state tax returns since the 2012 tax year remain open for examination by the tax jurisdictions. No tax returns are currently being examined by any taxing authorities.

Expense allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements 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.

Reclassifications and comparative totals - Certain amounts presented in previous financial statements have been reclassified to conform to current presentation. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. In addition, the notes to the financial statements do not contain the financial information on a comparative basis. Such summarized information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent events - Subsequent events have been evaluated by the Organization through January 25, 2018, 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 - PLEDGES RECEIVABLE

Unconditional promises from foundations and individuals to give (pledges) are as follows at June 30, 2017:

In one year or less, net of allowance of $25,095	$	11,456
In between one year and five years, net of allowance of $3,000		9,500
	$	20,956

NOTE 4 - 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.

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, 2017. The following table sets forth a summary of changes in the fair value of the investment held in trust with OCCF for the year ended June 30, 2017:

Balance, beginning of year	$	8,649
Deposits		20,871
Interest		93
Fees		(261)
Unrealized gains (losses)		1,812
Balance, end of year	$	31,164

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 consist of:

Office furniture and equipment	$ 639,257
Leasehold improvements	129,537
Vehicles	31,716
Computer software	12,212
	812,722
Less: accumulated depreciation and amortization	(567,462)
	$ 245,260

NOTE 6 - LINE OF CREDIT

The Organization maintains a line of credit with a financial institution up to $250,000 as of June 30, 2017. The line of credit, which bears interest at the published prime rate plus 2% per annum, expires March 2018. The line is secured by substantially all the assets of the Organization. There was no outstanding balance at June 30, 2017.

The Organization borrowed $140,000 (net of repayments) on the line through January 25, 2018.

NOTE 7 - SPECIAL EVENTS

The Organization conducts special events in order to assist in the 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 the program operations.

For the year ended June 30, 2017, special events revenue and expenses are as follows:

Revenue	$ 163,572
Less expenses	(54,299)
	$ 109,273

NOTE 8 - 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 Internal Revenue Code. The Organization does not make matching contributions toward the plan.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS AND PRIOR PERIOD ADJUSTMENT

The amount of grants receivable was incorrectly reported due to an erroneous journal entry in previous years. The error was discovered in 2017 and the Organization recorded a prior period adjustment to correct the amount of grants receivable as of the beginning of the earliest year presented in the accompanying financial statements. As a result, grants receivable and temporarily restricted net assets were both reduced by $268,138 as of June 30, 2016. Contribution revenue and the change in net assets decreased by $110,651 for the year ended June 30, 2016. Beginning temporarily restricted net assets for the year ended June 30, 2016 was reduced by $157,487.

Temporarily restricted net assets consist of the following as of June 30, 2017:

	Friendly Visitors	Ombudsman services	Other various programs	Total
Available July 1, 2016, as originally reported	$ 76,641	$ 302,738	$ 329,262	$ 708,641
Correction of grants receivable	-	-	(268,138)	(268,138)
Available July 1, 2016, as adjusted	76,641	302,738	61,124	440,503
Additions	155,500	70,000	115,318	340,818
Releases	(174,183)	(192,736)	(151,346)	(518,265)
Available June 30, 2017	$ 57,958	$ 180,002	$ 25,096	$ 263,056

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Facility leases - The Organization maintains non-cancellable operating lease agreements for facilities in Irvine and Rancho Cucamonga requiring monthly rents of ranging from $6,000 to $26,000 through June 2022. There is also a $400 month-to-month lease for a facility located in Bishop.

NOTE 10 - COMMITMENTS AND CONTINGENCIES, Continued

In anticipation of increasing rents in Santa Ana, the Organization moved to an Irvine facility in June 2016. The Irvine facility provides consolidation of previously disconnected departments and additional square footage. The lease includes a $148,746 tenant improvement allowance that will be recognized as deferred rent over the lease term.

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

2018	$ 397,713
2019	414,172
2020	430,712
2021	365,148
2022	380,892
	$ 1,988,637

The total facility rental expense, including common area maintenance charges, was $418,173 for the year ended June 30, 2017.