COUNCIL ON AGING - SOUTHERN CALIFORNIA

(A NON-PROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

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, 2019, 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.

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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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 July 16, 2020, 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
July 16, 2020

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 72,402	$ 44,005
Grants and contracts receivable, net	752,656	716,086
Pledges receivable, net	18,779	19,469
Prepaid expenses and deposits	224,900	258,995
	1,068,737	1,038,555
LONG-TERM ASSETS		
Investments	34,677	33,295
Pledges receivable, net of current portion	2,000	23,500
Property and equipment, net	102,237	161,445
	$ 1,207,651	$ 1,256,795
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ 137,700	$ 140,000
Accounts payable	315,010	315,197
Accrued expenses	210,305	208,544
Deferred revenue	53,360	39,050
	716,375	702,791
DEFERRED RENT	74,373	99,164
	790,748	801,955
NET ASSETS		
Without donor restrictions	276,511	189,098
With donor restrictions	140,392	265,742
	416,903	454,840
	$ 1,207,651	$ 1,256,795

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
REVENUE AND SUPPORT				
Government contract revenue	$ 3,744,431	$ -	$ 3,744,431	$ 3,484,033
Contributions from:				
Foundations and corporations	39,011	408,000	447,011	520,549
Individuals	119,386	-	119,386	198,684
In-kind goods and services	890,137	-	890,137	883,371
Guide income	216,155	-	216,155	245,475
Special events, net	148,067	-	148,067	133,589
Participation and program fees	37,726	-	37,726	30,268
Unrealized gain on investments	1,481	-	1,481	2,270
Interest and dividend income	369	-	369	232
Net assets released from restrictions	533,350	(533,350)	-	-
	5,730,113	(125,350)	5,604,763	5,498,471
EXPENSES				
Program services	5,173,480	-	5,173,480	5,052,685
Supporting services	134,526	-	134,526	211,626
Fundraising	334,694	-	334,694	311,322
	5,642,700	-	5,642,700	5,575,633
CHANGE IN NET ASSETS	87,413	(125,350)	(37,937)	(77,162)
NET ASSETS, beginning of year	189,098	265,742	454,840	532,002
NET ASSETS, end of year	$ 276,511	$ 140,392	$ 416,903	$ 454,840

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019				2018
	Program Services	Supporting Services	Fundraising	Total	Summarized Total
Salaries and wages	$ 2,451,996	$ 81,733	$ 190,711	$ 2,724,440	$ 2,691,239
Payroll taxes	196,027	6,534	15,247	217,808	206,953
Employee benefits	258,812	8,532	17,065	284,409	267,151
Total personnel expenses	2,906,835	96,799	223,023	3,226,657	3,165,343
In-kind goods and services	890,137	-	-	890,137	883,371
Rent and leasing	441,169	4,596	13,786	459,551	420,695
Advertising and public relations	259,269	2,758	13,791	275,818	208,441
Consulting and professional fees	136,515	9,524	12,699	158,738	206,942
Printing and graphic design	69,744	-	2,157	71,901	106,762
Travel and mileage	112,498	1,184	4,737	118,419	100,647
Depreciation and amortization	53,287	1,776	4,145	59,208	83,815
Bad debt expense	-	2,613	-	2,613	79,675
Program expenses	54,497	-	11,963	66,460	54,128
Office expenses	26,133	1,723	862	28,718	51,570
Telephone	33,544	357	1,784	35,685	33,643
Worker's compensation insurance	29,007	6,107	3,053	38,167	31,009
Staff training	33,642	3,130	2,347	39,119	30,291
Insurance	24,721	789	789	26,299	27,341
Audit and accounting fees	18,314	2,035	2,261	22,610	21,917
Dues and subscriptions	14,809	190	3,987	18,986	16,548
Postage and shipping	9,480	331	1,212	11,023	12,486
Equipment repair and maintenance	46,977	-	6,406	53,383	12,321
Development and fundraising	-	-	22,798	22,798	10,015
Interest expense	7,800	-	-	7,800	8,613
Banking fees	4,298	614	2,763	7,675	7,688
Volunteer and donor recognition	804	-	131	935	2,372
	$ 5,173,480	$ 134,526	$ 334,694	$ 5,642,700	$ 5,575,633

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (37,937)	$ (77,162)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized/unrealized (gain) on investments	(1,382)	(2,131)
Bad debt expense	2,613	79,675
Provision for doubtful pledges	-	(13,355)
Deferred rent	(24,791)	(24,791)
Depreciation and amortization	59,208	83,815
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	(39,183)	(300,402)
Pledges receivable	22,190	(8,658)
Prepaid expenses and deposits	34,095	(394)
Accounts payable	(187)	84,661
Accrued expenses	1,761	11,016
Deferred revenue	14,310	(16,163)
Net cash flows from operating activities	30,697	(183,889)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on line of credit	(2,300)	140,000
Net cash flows from financing activities	(2,300)	140,000
Net change cash and cash equivalents	28,397	(43,889)
Cash and cash equivalents, beginning of year	44,005	87,894
Cash and cash equivalents, end of year	$ 72,402	$ 44,005
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ 7,800	$ 8,613

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 and disabled adults in Orange County and 14,000 in Riverside County who reside in skilled nursing and long-term residential care facilities.

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.

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.

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

Answers Guide - The Council publishes and distributes the 98-page Answers Guide which includes information on healthcare, caregiving, housing, finance, legal, insurance, community resources as well as helpful checklists. In addition to promoting the Council on Aging’s programs and services, Answers assists in connecting seniors and those who care for them with information and resources. Answers is available in print and online.

NOTE 1 - ORGANIZATION, Continued

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.

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.

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 and 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:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

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, such as gifts to the Endowment, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restrictions 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 net assets without donor restrictions.

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, 2019, 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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 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 and would typically need to be purchased if not provided by donation 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 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, 2019, and as such, no allowance for uncollectible accounts has been recorded.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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.

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, 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.

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, 2019, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

As of June 30, 2019, the Organization's federal tax returns since the 2015 tax year and state tax returns since the 2014 tax year remain open for examination by the tax jurisdictions. No tax returns are currently being examined by any taxing authorities.

Advertising expenses - The Organization expenses the costs of advertising as incurred. The total expense was $275,818 for the year ended June 30, 2019.

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 reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between reporting periods presented. The reclassifications are due to the adoption of Accounting Standards Update 2016-14, a new accounting pronouncement, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified at 2018 as "unrestricted" are now classified as "without donor restrictions". Net assets previously classified as "temporarily restricted" and "permanently restricted" are now classified as "with donor restrictions".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2019, from which the summarized information was derived.

Subsequent events - Subsequent events have been evaluated by the Organization through July 16, 2020, 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, 2019:

Cash and cash equivalents	$ 72,402
Grants and contracts receivable, net	752,656
Pledges receivable, net	18,779
Total financial assets	843,837
Net assets with donor restrictions	(140,392)
Financial assets available to meet cash needs for general expenditures within one year	$ 703,445

The Organization's goal is to maintain financial assets on hand to meet at least 30 days of normal operating expenses which, on average, totals approximately $465,000 per month given full programmatic expenses. With the current expenditures of approximately $5.6 million annually, the Organization possesses sufficient financial assets for about 45 days of expenditures to meet its philanthropic mission. 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.

In March 2020, the Organization launched the new Concierge Care Navigator program. Management believes this added program, along with increased fundraising efforts and controlling of costs should continue to improve the Organization's cash flow.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

During March 2020 the World Health Organization declared the spread of Coronavirus disease, or COVID-19, a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. It is expected COVID-19 could negatively impact the Organization's 2020-2021 operations. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Management believes the Company is taking appropriate actions to mitigate the potential negative financial impact, including participation in the Paycheck Protection Program funded by the U.S Small Business Administration. 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, 2019:

In one year or less, net of allowance of $7,740	$ 18,779
In between one year and five years, net of allowance of $7,000	2,000
	$ 20,779

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.

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, 2019. 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, 2019:

Balance, beginning of year	$ 33,295
Interest and dividend income	235
Fees	(334)
Unrealized gains (losses)	1,481
Balance, end of year	$ 34,677

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consists 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	(710,485)
	$ 102,237

NOTE 7 - LINE OF CREDIT

The Organization maintained a line of credit with a financial institution up to $350,000 through October 19, 2019. The financial institution increased the credit limit to $500,000 through March 21, 2021. 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. As of June 30, 2019, there was an outstanding balance of $137,700.

NOTE 8 - 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, 2019, special events revenue and expenses are as follows:

Revenue	$ 213,686
Expenses	(65,619)
	$ 148,067

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

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2019:

	July 01, 2018	Additions	Releases	June 30, 2019
SmileMakers and Friendly Visitor	$ 237,980	$ 203,500	$ (399,322)	$ 42,158
Ombudsman services	352	47,500	(37,027)	10,825
Other various programs	27,410	157,000	(97,001)	87,409
	$ 265,742	$ 408,000	$ (533,350)	$ 140,392

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 improvement allowance that will be recognized as deferred rent over the lease term.

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

2020	$ 430,712
2021	365,148
2022	380,892
	$ 1,176,752

The Organization also maintains short-term operating leases 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 $459,551 for the year ended June 30, 2019.