

HUNTINGTON BEACH COUNCIL ON AGING

FINANCIAL STATEMENTS

Year ended December 31, 2018

with

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Huntington Beach Council on Aging
Huntington Beach, California

We have audited the accompanying financial statements of Huntington Beach Council on Aging (HBCOA), a nonprofit California corporation, which comprise the statements of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also included evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation of 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 Huntington Beach Council on Aging as of December 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richard D. Garman + Associates A.C.

September 4, 2019

HUNTINGTON BEACH COUNCIL ON AGING

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 305,258
Cash- donor restrictions	45,196
Accounts receivable	<u>4,921</u>
Total current assets	355,375
Investments	<u>127,528</u>
Total assets	<u>\$ 482,903</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ <u>14,725</u>
Total current liabilities	14,725
Other liabilities	<u>-</u>
Total liabilities	14,725
Net assets:	
Without donor restrictions:	
Board designated	27,925
Other	<u>395,057</u>
	422,982
With donor restrictions	<u>45,196</u>
Total net assets	<u>468,178</u>
Total liabilities and net assets	<u>\$ 482,903</u>

See the accompanying notes and independent accountants' review report.

**HUNTINGTON BEACH COUNCIL ON AGING
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended December 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES:			
Revenues and Other support:			
Fund raising	\$ 87,213	\$ -	\$ 87,213
Golf tournament, net	22,208	-	22,208
Program events for seniors	227,058	-	227,058
Interest income	449	-	449
Senior transportation program income	-	24,092	24,092
	<u>336,928</u>	<u>24,092</u>	<u>361,020</u>
Net assets released from restrictions	<u>61,059</u>	<u>(61,059)</u>	<u>-</u>
Total revenues and other support	397,987	(36,967)	361,020
 Expenses:			
Program services:			
Senior event expenses	201,530	-	201,530
New Senior Facility	11,966	-	11,966
Transportation	40,299	-	40,299
Outreach services	27,098	-	27,098
Volunteer expenses	15,988	-	15,988
Outreach staff	13,000	-	13,000
Meetings and conferences	4,885	-	4,885
Total program expenses	<u>314,766</u>	<u>-</u>	<u>314,766</u>
Supporting services:			
Management and general	9,690	-	9,690
Fundraising	20,806	-	20,806
Total supporting services	<u>30,496</u>	<u>-</u>	<u>30,496</u>
Total expenses	345,262	-	345,262
 Change, increase (decrease) in net assets from operations	 52,725	 (36,967)	 15,758
NONOPERATING ACTIVITIES:			
Investment return, net	<u>(2,441)</u>	<u>-</u>	<u>(2,441)</u>
Total nonoperating activities	<u>(2,441)</u>	<u>-</u>	<u>(2,441)</u>
Change in net assets	50,284	(36,967)	13,317
 Net assets, beginning of year	 <u>372,698</u>	 <u>82,163</u>	 <u>454,861</u>
 Net assets, end of year	 <u>\$ 422,982</u>	 <u>\$ 45,196</u>	 <u>\$ 468,178</u>

See the accompanying notes and the independent accountants' review report.

HUNTINGTON BEACH COUNCIL ON AGING
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	<u>Senior Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Awards & prizes	\$ 2,368	\$ -	\$ 11,816	\$ 14,184
Contract labor	61,032	3,370	-	64,402
Dues, membership, licenses	4,130	-	-	4,130
Fees	9,792	-	-	9,792
Food	34,844	-	-	34,844
Information technologies	1,290	911	8,145	10,346
Insurance	2,449	3,881	-	6,330
Office expense	2,915	1,528	-	4,443
Printing	9,257	-	-	9,257
Rentals	12,122	-	-	12,122
Repairs and maintenance	7,162	-	-	7,162
Supplies	35,946	-	845	36,791
Travel	107,161	-	-	107,161
Vehicle expense	24,298	-	-	24,298
Total functional expense	<u>\$ 314,766</u>	<u>\$ 9,690</u>	<u>\$ 20,806</u>	<u>\$ 345,262</u>

See the accompanying notes and the independent accountants' review report.

HUNTINGTON BEACH COUNCIL ON AGING
STATEMENT OF CASH FLOWS - INDIRECT METHOD
For the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 13,317
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Increase in accounts receivable	(4,921)
Increase in accounts payable and accrued expense	<u>14,725</u>
Net cash provided by operating activities	23,121
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(99,055)
Proceeds from sales and maturities of investments	<u>8,494</u>
Net cash used in investing activities	<u>(90,561)</u>
Net increase (decrease) in cash and cash equivalents	(67,440)
 Cash and cash equivalents, beginning of year	 <u>372,698</u>
Cash and cash equivalents, end of year	<u>\$ 305,258</u>

See the accompanying notes and the independent accountants' review report.

HUNTINGTON BEACH COUNCIL ON AGING
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Summary of significant accounting policies

Description

The Huntington Beach Council on Aging (HBCOA) was organized in 1976 as a California nonprofit public benefit corporation, under Sec. 501(c)(3) of the Internal Revenue Code, and applicable state statutes. The mission of the HBCOA is to work with the City of Huntington Beach (CITY) staff and volunteers to enhance the dignity and quality of life of senior citizens of Huntington Beach, California, through comprehensive services, education, advocacy and direct action; through financial support and community involvement. The HBCOA aims to empower and meet the needs of a diverse population.

Basis of accounting

HBCOA's policy is to prepare its financial statements in accordance with U.S. generally accepted accounting principles (US GAAP) which requires the reporting of information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of HBCOA's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HBCOA or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of operations - The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to HBCOA's ongoing mission to enhance and dignify the quality of life for senior citizens in Huntington Beach, California. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual and nonrecurring nature.

HUNTINGTON BEACH COUNCIL ON AGING
NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of significant accounting policies, (Cont'd)

Cash and equivalents

For purposes of classifying cash in the accompanying statement of financial position, HBCOA considers cash and certificates of deposit with a maturity of 90 days or less to be cash equivalents.

Accounts receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on cost reimbursement or performance contracts. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Investments

Investments are reported at cost, if purchased, or at fair value if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the primary or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP established a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). HBCOA groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- | | |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none">- Quoted prices for similar assets/liabilities in active markets;- Quoted prices for identical or similar assets in non-active markets;- Inputs other than quoted prices that are observable; and- Inputs that are derived principally from, or corroborated by other observable market data |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

HUNTINGTON BEACH COUNCIL ON AGING
NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of significant accounting policies. (Cont'd)

New Accounting Pronouncement

On August 18, 2016, Financial Accounting Standards Board, (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. HBCOA has adjusted the presentation of these statements accordingly.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among senior services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Awards and prizes	Programs benefited
Contract labor	Time and effort
Dues, memberships and licenses	Programs benefited
Fees	Programs benefited
Food	Programs benefited
Information technologies	Programs benefited
Insurance	Time and effort
Office expense and postage	Time and effort
Printing	Programs benefited
Rentals	Programs benefited
Repairs	Square footage
Supplies	Program benefited
Travel	Program benefited
Vehicle expense	Program benefited

Use of estimates:

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising

HBCOA follows the policy, of expensing all costs in connection with advertising, marketing and web site development costs.

HUNTINGTON BEACH COUNCIL ON AGING
NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of significant accounting policies. (Cont'd)

Income taxes

HBCOA is exempt from federal and state income taxes under Internal Revenue Code (IRC) 501(c)(3) and applicable state regulations and is not subject to tax on income unrelated to its exempt purpose. Additionally, HBCOA has been classified not to be a private foundation under IRC 509(a). HBCOA has determined there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Contributed services

A substantial number of unpaid volunteers have made significant contributions of their time in support of HBCOA's program services. The value of this contributed time is not reflected in the accompanying financial statements since they do not meet the criteria for recognition under US GAAP.

Accounting for contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Concentration of credit risk

Financial instruments that potentially subject HBCOA to concentrations of credit risk consist of cash and investments. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per banking institution. As of December 31, 2018, there were combined cash deposits of \$104,939 in excess of FDIC limits. Investments are subject to a formal policy which provides for diversification and oversight. Balances in investment accounts are insured up to \$500,000, including a limit of \$250,000 for cash by the Securities Investor Protection Corporation (SIPC). As of December 31, 2018, no combined balances were in excess of SIPC limits.

HUNTINGTON BEACH COUNCIL ON AGING
NOTES TO FINANCIAL STATEMENTS

(Continued)

2. Availability and Liquidity

The following represents HBCOA's financial assets at December 31, 2018:

	2018
Financial assets at year end:	
Cash and cash equivalents	\$ 305,258
Cash - donor restrictions	45,196
Accounts receivable	4,921
Investments	127,528
Total financial assets	482,903
Less amounts not available to be used with in one year:	
Net assets with donor restrictions	(45,196)
Quasi endowment established by the board	(27,925)
	(73,121)
Financial assets available to meet general expenditures over the next twelve months	\$ 409,782

HBCOA's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

3. Net assets

Net assets with donor restrictions were as follows for the year ended December 31, 2018:

	2018
Specific Purpose	
Senior Transportation Program services	\$ 45,196

Net assets without donor restrictions for the year ended December 31, 2018, were as follows:

Without donor restrictions	\$ 395,057
Board designated (quasi endowment)	27,925
	\$ 422,982

During the year net assets released from net assets with donor restrictions were \$32,586 in connection with the Senior Transportation Program services. An additional \$28,473 of board designated endowment funds were reclassified from the previous classification of permanently restricted net assets to net assets without donor restrictions in accordance with the requirements of *board designations* under ASU 2016-14.

HUNTINGTON BEACH COUNCIL ON AGING
NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Quasi endowment of net assets

The Board of Directors established a quasi endowment in 2017, for the purpose of long-term financial support for services provided by the new Senior Center in Central Park (SCCP). The goal is to produce a relatively predictable and stable payout system that increases over time at least as fast as the general rate of inflation and to achieve growth of the investment at a rate that helps keep pace with the general rate of inflation. The funds are invested in a long-term investment pool which provides safety through diversification in a portfolio of common stocks, bonds, mutual funds, alternative investments and cash equivalents. As dividends accumulate they will be used to offset operating expenses of the new SCCP. HBCOA will continue to communicate and promote the needs of the SCCP in order to encourage and motivate other supporters to donate to the endowment fund on a regular basis.

5. Revenues

Substantially all of HBCOA's support is derived from donations, and fund raising (Senior Saturday Community Festival, golf tournament, etc.). Support is recognized as contributions without donor restrictions when the funds are received unless otherwise stipulated.

6. Investments

The following is a summary of investments at December 31, 2018:

	2018
Certificates of deposit	\$ 99,603
Long-term investment pool	27,925
	<u>\$ 127,528</u>

As of December 31, 2018 all investments were considered level 1 investments.

7. Commitments

HBCOA leases its facilities under a formal five year Memo of Understanding (MOU), dated April 18, 2016, with the CITY. The MOU, among other things, provides for free office rent for HBCOA, is renewable for an additional five years, and is cancelable with 60 day notice by either the CITY or HBCOA.

8. Related party

HBCOA completes its tax exempt mission by participating with the CITY to provide senior care services to residents. The CITY was reimbursed \$34,091 during the year 2018 for these services and facilities, which aggregated to approximately 10% of total HBCOA disbursements during the year ended 2018. During the same year the CITY remitted \$24,485 from the sponsorship of senior events.

HUNTINGTON BEACH COUNCIL ON AGING
NOTES TO FINANCIAL STATEMENTS

(Continued)

9. Concentration

HBCOA and the CITY provide services, support and assistance as well as outreach to senior residents of Huntington Beach, California. HBCOA participates in this arrangement by providing financial support to the CITY in these senior services.

10. Subsequent events

Subsequent events have been evaluated through September 4, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.
