

**ALLIANCE ON AGING, INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
JUNE 30, 2018 AND 2017

AND INDEPENDENT AUDITORS' REPORT

**ALLIANCE ON AGING, INC.**

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## HAYASHI | WAYLAND

### INDEPENDENT AUDITORS' REPORT

**Board of Directors  
Alliance on Aging, Inc.  
Salinas, California**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of *Alliance on Aging, Inc.* (a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional support, revenues and expenses for the years 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 controls 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 audits. We conducted our audits 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 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 entity'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 ***Alliance on Aging, Inc.*** as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

January 7, 2019

*Hayashi Wayland, LLP*



**ALLIANCE ON AGING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,212,808	\$ 908,016
Receivables:		
Contracts	111,561	161,756
Grants	59,211	46,293
Inventory	16,387	15,981
Prepaid expenses	23,514	21,798
Certificates of deposit – short term	264,000	500,000
Other current assets	<u>49,560</u>	<u>41,721</u>
Total current assets	<u>1,737,041</u>	<u>1,695,565</u>
<b>NONCURRENT ASSETS:</b>		
Deposits	8,650	8,650
Certificates of deposit – long term	71,757	144,000
Endowment funds at the Community Foundation	29,457	28,743
Property and equipment – net	<u>75,690</u>	<u>55,828</u>
Total noncurrent assets	<u>185,554</u>	<u>237,221</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,922,595</u>	<u>\$ 1,932,786</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 29,663	\$ 16,531
Accrued liabilities	<u>99,390</u>	<u>93,748</u>
Total liabilities	<u>129,053</u>	<u>110,279</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Undesignated	1,016,327	1,173,158
Board designated	<u>727,215</u>	<u>649,349</u>
Total unrestricted net assets	1,743,542	1,822,507
Temporarily restricted	50,000	–
Total net assets	<u>1,793,542</u>	<u>1,822,507</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,922,595</u>	<u>\$ 1,932,786</u>

See Notes to Financial Statements.

**ALLIANCE ON AGING, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Support and Revenues:		
Contributions and grants	\$ 395,795	\$ 429,655
Legacies and bequests	71,632	578,590
Contract fees	795,342	780,378
In-kind revenue	476,332	458,553
Special events	39,240	38,588
Interest and dividend income	13,795	4,820
Realized/unrealized gain (loss)		
on endowment funds at the Community Foundation	91	1,276
Miscellaneous income	2,386	48,856
Benefit shop sales	238,594	210,261
Rent income	<u>13,380</u>	<u>13,380</u>
Total support and revenues	<u>2,046,587</u>	<u>2,564,357</u>
Expenses:		
Program services	<u>1,723,905</u>	<u>1,591,084</u>
Support services:		
Management and general	195,230	156,616
Fundraising	<u>206,417</u>	<u>193,359</u>
Total support services	<u>401,647</u>	<u>349,975</u>
Total expenses	<u>2,125,552</u>	<u>1,941,059</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(78,965)</u>	<u>623,298</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS –		
Contributions and grants	<u>50,000</u>	<u>–</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>50,000</u>	<u>–</u>
CHANGES IN NET ASSETS	(28,965)	623,298
NET ASSETS, BEGINNING OF YEAR	<u>1,822,507</u>	<u>1,199,209</u>
NET ASSETS, END OF YEAR	<u>\$ 1,793,542</u>	<u>\$ 1,822,507</u>

See Notes to Financial Statements.

**ALLIANCE ON AGING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (28,965)	\$ 623,298
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	17,843	19,976
Realized/unrealized (gain) loss on endowment funds at the Community Foundation	(1,363)	(2,567)
(Increase) decrease in:		
Receivables:		
Contracts	50,195	(97,361)
Legacies and bequests	(12,918)	193,707
Inventory	(406)	(8,964)
Prepaid expenses	(1,716)	(17,478)
Other current assets	(7,839)	(5,307)
Increase (decrease) in:		
Accounts payable:		
Other	13,132	(7,005)
Related party	–	(2,755)
Accrued liabilities	5,642	14,580
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>33,605</u>	<u>710,124</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of certificates of deposit	308,243	–
Purchases of property and equipment	(37,705)	(3,845)
Net Community Foundation activity	649	856
Purchases of certificates of deposit	–	(644,000)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>271,187</u>	<u>(646,989)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>304,792</b>	<b>63,135</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>908,016</u></b>	<b><u>844,881</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 1,212,808</u></b>	<b><u>\$ 908,016</u></b>
<b>SUPPLEMENTAL INFORMATION –</b>		
Interest paid	<u>\$ 281</u>	<u>\$ 165</u>

See Notes to Financial Statements.

**ALLIANCE ON AGING, INC.**  
**STATEMENTS OF FUNCTIONAL SUPPORT, REVENUES AND EXPENSES -- UNRESTRICTED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	PROGRAM SERVICES										SUPPORT SERVICES			TOTAL	
	HICAP	MIPPA (HICAP)	MIPPA (AAA)	SENIOR PEER COUNSELING	OMBUDSMAN	LUNCHEONS	COMMUNITY OUTREACH	TAX COUNSELING	TRANSPORTATION COORDINATOR	SPIRALS BENEFIT STORE	TOTAL PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND-RAISING		TOTAL SUPPORT SERVICES
<b>SUPPORT AND REVENUES:</b>															
<b>Contributions and grants:</b>															
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700	\$ -	\$ 500	\$ 1,200	\$ 229,789	\$ -	\$ 229,789	\$ 230,989
Foundation grants	-	-	-	5,000	3,158	-	-	-	-	-	8,158	135,721	-	135,721	143,879
Organization grants	-	-	-	-	-	-	13,700	-	-	-	13,700	-	-	-	13,700
Donor Designated	-	-	-	-	-	-	-	-	-	-	-	1,000	-	1,000	1,000
Program Income	-	-	-	-	-	6,227	-	-	-	-	6,227	-	-	-	6,227
Legacies and bequests	-	-	-	-	-	-	-	-	-	-	-	71,632	-	71,632	71,632
<b>Contract fees:</b>															
AAA – Federal	78,352	19,662	5,135	-	60,429	-	74,871	-	-	-	238,449	-	-	-	238,449
AAA – Non federal	168,888	-	-	-	41,028	-	-	-	-	-	209,916	-	-	-	209,916
Internal Revenue Service – Federal	-	-	-	-	-	-	-	19,662	-	-	19,662	-	-	-	19,662
County of Monterey	-	-	-	278,969	-	-	-	-	13,946	-	292,915	-	-	-	292,915
Cities	-	-	-	-	20,000	-	-	14,400	-	-	34,400	-	-	-	34,400
In-kind revenue	53,542	-	-	110,805	57,315	7,224	-	135,119	-	20,065	384,070	2,417	-	2,417	386,487
In-kind revenue - Spirals benefit store	-	-	-	-	-	-	-	-	-	89,845	89,845	-	-	-	89,845
Special events	-	-	-	-	-	-	-	-	-	-	-	39,240	-	39,240	39,240
Interest and dividend income	-	-	-	-	721	-	-	-	-	-	721	13,074	-	13,074	13,795
Realized/unrealized gain (loss) on investments	-	-	-	-	39	-	-	-	-	-	39	52	-	52	91
Miscellaneous income	-	-	-	-	-	-	-	-	-	1,977	1,977	409	-	409	2,386
Benefit shop sales	-	-	-	-	-	-	-	-	-	238,594	238,594	-	-	-	238,594
Rent revenue	-	-	-	-	-	-	-	-	-	-	-	13,380	-	13,380	13,380
<b>Total support and revenues</b>	<b>300,782</b>	<b>19,662</b>	<b>5,135</b>	<b>394,774</b>	<b>182,690</b>	<b>13,451</b>	<b>88,571</b>	<b>169,881</b>	<b>13,946</b>	<b>350,981</b>	<b>1,539,873</b>	<b>506,714</b>	<b>-</b>	<b>506,714</b>	<b>2,046,587</b>
<b>EXPENSES:</b>															
Salaries and wages	169,238	7,054	2,145	139,454	154,726	-	59,841	20,891	10,061	124,673	688,083	109,872	99,839	209,711	897,794
Payroll taxes and benefits	29,161	563	176	19,957	27,316	21	15,507	1,552	868	17,219	112,340	38,422	17,891	56,313	168,653
Product cost of sales	-	-	-	-	-	-	-	-	-	89,439	89,439	-	-	-	89,439
In-kind expenses	53,541	-	-	110,805	57,315	7,225	-	135,119	-	20,065	384,070	2,417	-	2,417	386,487
Accounting, legal and consulting fees	113	-	-	115,050	1,388	-	188	913	-	-	117,652	23,963	3,500	27,463	145,115
Printing and publications	1,378	114	248	1,347	1,876	112	2,055	129	-	2,363	9,622	707	52,158	52,865	62,487
Travel, conference and training	3,302	1,389	151	2,829	5,304	-	-	1,247	46	80	14,348	1,496	1,052	2,548	16,896
Volunteer costs	-	-	-	1,875	-	-	-	12,022	-	-	13,897	-	-	-	13,897
Advertising and promotion	7,010	8,857	1,937	519	1,402	85	603	652	1,490	1,151	23,706	1,058	2,280	3,338	27,044
Telephone	5,986	-	-	1,723	4,390	-	1,222	576	380	3,083	17,360	3,246	831	4,077	21,437
Office supplies	1,903	-	-	1,336	1,330	-	391	2,742	79	3,090	10,871	6,019	1,211	7,230	18,101
Food and supplies	24	-	-	939	476	8,882	8	58	-	927	11,314	1,883	122	2,005	13,319
Occupancy	18,101	-	-	7,538	5,903	-	2,742	4,685	1,390	45,015	85,374	29,935	8,997	38,932	124,306
Insurance	2,736	-	-	1,200	1,200	-	2,616	600	-	3,984	12,336	2,995	828	3,823	16,159
Postage and shipping	581	-	-	189	38	19	130	9	-	147	1,113	890	3,135	4,025	5,138
Depreciation	6,760	-	-	951	291	-	4,288	-	-	2,027	14,317	3,526	-	3,526	17,843
Repairs and maintenance	684	-	-	342	273	-	68	68	-	385	1,820	1,889	6	1,895	3,715
Equipment purchases and rentals	5,535	-	-	588	1,840	-	57	-	-	-	8,020	-	-	-	8,020
Dues and subscriptions	1,559	-	-	217	375	-	-	-	100	711	2,962	3,391	-	3,391	6,353
Outside services	6,119	-	-	3,615	3,472	1,593	803	648	-	6,764	23,014	15,755	11,569	27,324	50,338
Utilities	2,109	-	-	887	726	-	334	491	110	4,883	9,540	3,310	1,064	4,374	13,914
Miscellaneous	365	-	-	484	552	205	1,218	835	122	8,925	12,706	4,176	1,934	6,110	18,816
Interest expense	-	-	-	-	-	-	-	-	-	-	-	281	-	281	281
<b>Total expenses before administrative costs</b>	<b>316,205</b>	<b>17,977</b>	<b>4,657</b>	<b>411,845</b>	<b>270,193</b>	<b>18,142</b>	<b>92,071</b>	<b>183,237</b>	<b>14,646</b>	<b>334,931</b>	<b>1,663,904</b>	<b>255,231</b>	<b>206,417</b>	<b>461,648</b>	<b>2,125,552</b>
<b>ALLOCATED ADMINISTRATIVE COSTS</b>	<b>18,440</b>	<b>1,685</b>	<b>478</b>	<b>14,800</b>	<b>7,454</b>	<b>1,000</b>	<b>6,144</b>	<b>4,000</b>	<b>1,000</b>	<b>5,000</b>	<b>60,001</b>	<b>(60,001)</b>	<b>-</b>	<b>(60,001)</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>334,645</b>	<b>19,662</b>	<b>5,135</b>	<b>426,645</b>	<b>277,647</b>	<b>19,142</b>	<b>98,215</b>	<b>187,237</b>	<b>15,646</b>	<b>339,931</b>	<b>1,723,905</b>	<b>195,230</b>	<b>206,417</b>	<b>401,647</b>	<b>2,125,552</b>
<b>EXCESS (DEFICIENCY) OF SUPPORT AND REVENUES OVER EXPENSES</b>	<b>\$ (33,863)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (31,871)</b>	<b>\$ (94,957)</b>	<b>\$ (5,691)</b>	<b>\$ (9,644)</b>	<b>\$ (17,356)</b>	<b>\$ (1,700)</b>	<b>\$ 11,050</b>	<b>\$ (184,032)</b>	<b>\$ 311,484</b>	<b>\$ (206,417)</b>	<b>\$ 105,067</b>	<b>\$ (78,965)</b>

See Notes to Financial Statements.



**ALLIANCE ON AGING, INC.**  
**STATEMENTS OF FUNCTIONAL SUPPORT, REVENUES AND EXPENSES -- UNRESTRICTED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	PROGRAM SERVICES								SUPPORT SERVICES				TOTAL	
	HICAP	MIPPA (HICAP)	MIPPA (AAA)	SENIOR PEER COUNSELING	OMBUDSMAN	LUNCHEONS	COMMUNITY OUTREACH	TAX COUNSELING	SPIRALS BENEFIT STORE	TOTAL PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND-RAISING		TOTAL SUPPORT SERVICES
<b>SUPPORT AND REVENUES:</b>														
<b>Contributions and grants:</b>														
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 250	\$ 261,276	\$ -	\$ 261,276	\$ 261,526
Foundation grants	-	-	-	-	3,191	-	-	5,000	-	8,191	135,728	-	135,728	143,919
Organization grants	-	-	-	-	-	-	13,700	-	-	13,700	100	-	100	13,800
Donor Designated	-	-	-	-	2,000	-	-	-	-	2,000	2,400	-	2,400	4,400
Program Income	-	-	-	-	-	6,010	-	-	-	6,010	-	-	-	6,010
Legacies and bequests	-	-	-	-	-	-	-	-	-	-	578,590	-	578,590	578,590
<b>Contract fees:</b>														
AAA – Federal	99,726	11,633	3,858	-	62,220	-	79,871	-	-	257,308	-	-	-	257,308
AAA – Non federal	156,007	-	-	-	41,424	-	-	-	-	197,431	-	-	-	197,431
Internal Revenue Service – Federal	-	-	-	-	-	-	-	15,284	-	15,284	-	-	-	15,284
County of Monterey	-	-	-	279,195	-	-	-	-	-	279,195	-	-	-	279,195
Cities	-	-	-	-	20,000	-	-	11,160	-	31,160	-	-	-	31,160
In-kind revenue	56,315	-	-	117,963	57,435	7,225	-	120,318	21,600	380,856	1,924	-	1,924	382,780
In-kind revenue - Spirals benefit store	-	-	-	-	-	-	-	-	75,773	75,773	-	-	-	75,773
Special events	-	-	-	-	-	-	-	-	-	-	38,588	-	38,588	38,588
Interest and dividend income	-	-	-	-	630	-	-	-	-	630	4,190	-	4,190	4,820
Realized/unrealized gain (loss) on investments	-	-	-	-	554	-	-	-	-	554	722	-	722	1,276
Miscellaneous income	-	-	-	-	48,672	-	-	-	-	48,672	184	-	184	48,856
Benefit shop sales	-	-	-	-	-	-	-	-	210,261	210,261	-	-	-	210,261
Rent revenue	-	-	-	-	-	-	-	-	-	-	13,380	-	13,380	13,380
<b>Total support and revenues</b>	<b>312,048</b>	<b>11,633</b>	<b>3,858</b>	<b>397,158</b>	<b>236,126</b>	<b>13,235</b>	<b>93,571</b>	<b>151,762</b>	<b>307,884</b>	<b>1,527,275</b>	<b>1,037,082</b>	<b>-</b>	<b>1,037,082</b>	<b>2,564,357</b>
<b>EXPENSES:</b>														
Salaries and wages	163,565	5,303	1,528	128,355	111,809	363	67,307	21,204	107,326	606,760	91,111	86,034	177,145	783,905
Payroll taxes and benefits	25,112	403	116	15,611	31,282	32	15,813	1,754	14,973	105,096	41,041	16,249	57,290	162,386
Product cost of sales	-	-	-	-	-	-	-	-	66,809	66,809	-	-	-	66,809
In-kind expenses	56,315	-	-	117,963	57,434	7,225	-	120,318	21,600	380,855	1,923	-	1,923	382,778
Accounting, legal and consulting fees	-	-	-	91,875	-	-	-	200	-	92,075	23,200	3,500	26,700	118,775
Printing and publications	2,503	719	343	344	145	328	1,288	252	1,742	7,664	732	52,741	53,473	61,137
Travel, conference and training	2,757	428	279	3,259	4,338	-	-	1,128	35	12,224	710	693	1,403	13,627
Volunteer costs	-	-	-	2,165	-	-	-	10,706	-	12,871	-	-	-	12,871
Advertising and promotion	11,243	3,337	1,241	2,683	900	203	808	1,636	1,348	23,399	1,137	2,793	3,930	27,329
Telephone	6,154	385	-	2,729	2,207	-	1,591	-	2,694	15,760	3,552	927	4,479	20,239
Office supplies	4,653	-	-	2,615	676	-	420	1,947	5,797	16,108	5,593	2,385	7,978	24,086
Food and supplies	418	-	-	614	493	7,357	-	72	69	9,023	2,725	120	2,845	11,868
Occupancy	24,543	-	-	6,737	6,306	-	4,477	3,183	40,301	85,547	23,176	7,416	30,592	116,139
Insurance	2,793	-	-	1,529	1,144	-	2,119	-	3,591	11,176	3,573	759	4,332	15,508
Postage and shipping	816	-	-	236	90	6	314	25	47	1,534	1,200	3,872	5,072	6,606
Depreciation	7,236	-	-	972	204	-	4,092	216	4,500	17,220	2,564	192	2,756	19,976
Repairs and maintenance	586	-	-	397	426	-	288	-	576	2,273	668	213	881	3,154
Equipment purchases and rentals	871	-	-	808	1,477	-	235	-	368	3,759	2,765	2,055	4,820	8,579
Dues and subscriptions	1,575	-	-	217	400	-	-	-	1,135	3,327	3,739	-	3,739	7,066
Outside services	8,273	-	-	2,556	3,626	1,634	576	211	4,111	20,987	14,564	10,358	24,922	45,909
Utilities	2,135	-	-	715	693	-	655	268	4,643	9,109	1,811	758	2,569	11,678
Miscellaneous	1,131	-	-	1,405	966	432	2,205	793	7,842	14,774	3,401	2,294	5,695	20,469
Interest expense	-	-	-	-	-	-	-	-	-	-	165	-	165	165
<b>Total expenses before administrative costs</b>	<b>322,679</b>	<b>10,575</b>	<b>3,507</b>	<b>383,785</b>	<b>224,616</b>	<b>17,580</b>	<b>102,188</b>	<b>163,913</b>	<b>289,507</b>	<b>1,518,350</b>	<b>229,350</b>	<b>193,359</b>	<b>422,709</b>	<b>1,941,059</b>
<b>ALLOCATED ADMINISTRATIVE COSTS</b>	<b>23,471</b>	<b>1,058</b>	<b>351</b>	<b>21,363</b>	<b>8,730</b>	<b>1,500</b>	<b>7,261</b>	<b>4,000</b>	<b>5,000</b>	<b>72,734</b>	<b>(72,734)</b>	<b>-</b>	<b>(72,734)</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>346,150</b>	<b>11,633</b>	<b>3,858</b>	<b>405,148</b>	<b>233,346</b>	<b>19,080</b>	<b>109,449</b>	<b>167,913</b>	<b>294,507</b>	<b>1,591,084</b>	<b>156,616</b>	<b>193,359</b>	<b>349,975</b>	<b>1,941,059</b>
<b>EXCESS (DEFICIENCY) OF SUPPORT AND REVENUES OVER EXPENSES</b>	<b>\$ (34,102)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (7,990)</b>	<b>\$ 2,780</b>	<b>\$ (5,845)</b>	<b>\$ (15,878)</b>	<b>\$ (16,151)</b>	<b>\$ 13,377</b>	<b>\$ (63,809)</b>	<b>\$ 880,466</b>	<b>\$ (193,359)</b>	<b>\$ 687,107</b>	<b>\$ 623,298</b>

See Notes to Financial Statements.

**ALLIANCE ON AGING, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** – The Alliance on Aging, Inc. (“the Alliance”) was established on August 1, 1970 as a non-profit organization to initiate, coordinate, promote, and administer programs, services, and activities designed to meet the social, medical, economic, recreational, spiritual, and physical needs of older persons living in Monterey County. To further these objectives the Alliance administers a wide variety of programs including: Information & Assistance, Health Insurance Counseling and Advocacy (HICAP), Spirals Benefit Shop, Tax Counseling, Senior Peer Counseling, Outreach, Luncheons, Ombudsman, and Transportation Coordinator.

**Basis of Presentation** – The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets, revenues, gains and losses, and other support and expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Alliance and changes therein are classified as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for endowment and other purposes.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Alliance and/or the passage of time.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Alliance. Generally, the donors of these assets permit the Alliance to use all or a part of the income earned on related investments for general or specific purposes.

There were no permanently restricted net assets as of June 30, 2018 or 2017.

**Recognition of Donor Restrictions** – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Alliance considers all highly liquid investment instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents.

**Contracts Receivable** – Contracts receivable consists of claims submitted for actual expenses incurred under each grant. Receivables are accounted for using the allowance method. At June 30, 2018 and 2017 the allowance was \$ – 0 – .

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory** – Inventory consists of donated goods to be sold in the Alliance’s benefit shop, Spirals. Spirals inventory value is based on the estimated fair market value of the donated goods.

**Certificates of Deposit** – Certificates of deposit consist of current amounts with maturity dates of greater than 3 months, but less than 12 months, and noncurrent amounts with maturity dates greater than 12 months.

**Other Current Assets** – Other current assets consist of the Alliance’s cash balance in their Unemployment Services Trust account. The balance at June 30, 2018 and 2017 amounted to \$49,560 and \$41,721, respectively.

**Property and Equipment** – All purchased property and equipment is stated at cost. Donated property and equipment is stated at fair market value on the date received. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets are to be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Major improvements are capitalized, while maintenance and repairs which do not extend the life of the respective assets are expensed currently. Property and equipment acquired with funds received from Monterey County Area Agency on Aging grants are subject to ownership claims by Monterey County Area Agency on Aging should the Alliance cease to administer the program.

It is the Alliance’s policy to capitalize assets with a useful life of greater than one year and a cost of over \$1,000. When property and equipment is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is reflected in the statement of activities.

**Depreciation** – Depreciation is computed using the straight-line method based on the estimated useful life of the assets as follows:

Office equipment	5 – 7	Years
Furniture and fixtures	5 – 7	Years
Leasehold improvements	15	Years
Vehicles	5	Years
Software	3	Years

**Accrued Compensated Absences** – The Alliance records an accrued liability for employee vacation earned but not taken as of the end of the year. These amounts are reflected in accrued liabilities in the statement of financial position.

**Grant Income** – The Alliance records income from grants in the period designated by the grant contract and when the Alliance has earned the revenue in compliance with the restrictions of the grantor.

**Contributions** – Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Legacies and Bequests** – Legacies and bequests are recorded as revenue when the Alliance receives notification of the donation and an estimate of the amount is reasonably determinable.

**Donated Goods, Services and Facilities** – The Alliance receives the use of facilities and donated goods for their general operations and their consignment store. The fair value of contributed facilities is determined based on the amount of current rental fees. Donated goods are recorded at their estimated fair market value at the date of gift, if determinable. Donated services are not recorded unless such services create or enhance nonfinancial assets or require specialized skills and are so essential that they would be purchased if not provided by donation. The Alliance values volunteer labor at \$28.46 per hour for fiscal year 2018 and \$26 per hour for fiscal year 2017 for HICAP, tax preparers, senior peer counseling and Ombusman, and at \$100 for tax evaluation in fiscal year 2018 and 2017 per donated service hour. Donated service fees of \$267,560 and \$250,687 are recorded in program services for the years ended June 30, 2018 and 2017, respectively.

**Functional Allocation of Expenses** – The costs of providing program services and other activities have been presented on a functional basis in the Statement of Functional Support, Revenues and Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising** – Advertising costs of \$27,044 and \$27,329 were expensed when incurred for the years ended June 30, 2018 and 2017, respectively.

**Income Taxes** – As a tax-exempt not-for-profit organization, the Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701(d), but is subject to taxes on unrelated business income when earned.

Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities generally for three and four years, respectively, after they are filed.

**Fair Value Measurements** – The Alliance applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets and liabilities. GAAP 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. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs are quoted market prices for identical instruments in an active market that the entity has the ability to access and are the most observable. Level 2 inputs include quoted market prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgment about the assumptions market participants would use in pricing the assets or liability.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The estimated fair value of the Alliance’s short-term financial instruments, including cash, receivables and payables, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

The following table presents assets that are measured at fair value on a recurring basis at June 30:

<u>ASSETS</u>	<u>2018</u>			<u>2017</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Funds at the Community Foundation	\$ -	\$ 29,457	\$ -	\$ -	\$ 28,743	\$ -

Fair value for Endowment Funds at the Community Foundation are determined by the Community Foundation based upon the Foundation’s allocable share in the market value of the underlying investments made by the Community Foundation as reported to the Community Foundation by a third-party trustee from published market quotes.

**Estimates** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

**Reclassifications** – Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

**Recent Accounting Pronouncements** – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, will replace almost all pre-existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles (GAAP). Implementation must occur no later than the quarter and year beginning January 1, 2018, for public entities (i.e., public business entities and certain not-for-profit entities and employee benefit plans) with a calendar year end. For all other entities with a calendar year end, implementation must occur no later than the year ending December 31, 2019. Early application of the amendments in this Update is permitted. The Alliance has no plan for early implementation of this Statement. At this time the Alliance is not certain of the effect the adoption of ASU 2014-09 will have on the accompanying financial statements.

On February 25, 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). Public business entities are required to adopt the standard for reporting periods beginning after December 15, 2018. That means an effective date of January 1, 2019 for public entities with a December 31 year end. Nonpublic entities have an extra year to adopt. All entities may elect to early-adopt. The core principle of the new leases standard is that lessees should recognize assets and liabilities arising from all leases, except for leases with a lease term of 12 months or less. The Alliance has no plan for early implementation of this Statement. At this time the Alliance is not certain of the effect the adoption of ASU 2016-02 will have on the accompanying financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, representing the first time since the mid-1990s that financial reporting for not-for-profit organizations has been addressed. While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The Alliance has no plan for early implementation of this Statement. At this time the Alliance is not certain of the effect the adoption of ASU 2016-14 will have on the accompanying financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. This standard is effective for nonpublic companies for years beginning after December 15, 2018. The Alliance has no plan for early implementation of this Statement. At this time the Alliance is not certain of the effect the adoption of ASU 2018-08 will have on the accompanying financial statements.

**Subsequent Events** – Subsequent events have been evaluated through January 7, 2019, which is the date the financial statements were available to be issued.

**NOTE 2. CONCENTRATION OF CREDIT RISK**

The Alliance maintains its cash in bank deposit accounts with various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total amount by which the Alliance's cash and cash equivalents exceeded FDIC limits was \$82,795 and \$82,580 at June 30, 2018 and 2017, respectively.

**NOTE 3. CONTRACTS RECEIVABLE**

Contracts receivable at June 30 consists of the following:

	<u>2018</u>	<u>2017</u>
County of Monterey (Behavioral Health)	\$ 12,562	\$ 64,797
Salinas Gateway Apartments	2,283	2,282
City of Salinas	4,533	4,018
County of Monterey (AAA):		
HICAP	56,089	68,513
MIPPA	14,489	8,077
Outreach	2,725	3,514
Ombudsman	220	8,482
TAMC	13,946	–
Tax Consulting	1,758	–
City of Monterey	<u>2,956</u>	<u>2,073</u>
Total	<u>\$ 111,561</u>	<u>\$ 161,756</u>

**NOTE 4. ENDOWMENT FUNDS AT THE COMMUNITY FOUNDATION**

The Community Foundation for Monterey County (CFMC) holds funds for the Alliance in the amount of \$29,457 and \$28,743 at June 30, 2018 and 2017, respectively. The Alliance has granted variance power to CFMC. In the event of the dissolution of the Alliance or in the event it shall no longer be an organization described in Section 170(c) of the Internal Revenue Code of 1954, as amended, CFMC shall continue to hold the funds and shall distribute the income therefrom to such organizations as in their opinion most nearly serve the purposes and objectives of the Alliance. All funds held are subject to the power of CFMC to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by them.

The Alliance's board-designated endowment net asset activity was all unrestricted and consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 28,743	\$ 27,032
Investment income (dividends and interest)	966	752
Unrealized gain (loss)	1,291	2,457
Realized gain (loss)	73	110
Distributions	<u>(1,616)</u>	<u>(1,608)</u>
Total	<u>\$ 29,457</u>	<u>\$ 28,743</u>

In addition, the Community Foundation maintains an agency endowment for the benefit of Alliance on Aging, Inc. that was established with funds donated by third parties directly to the Community Foundation. At June 30, 2018 and 2017, the balance of the Community Foundation agency endowment fund amounted to \$60,408 and \$63,016, respectively. The net income of the fund is distributed quarterly to the Alliance. However, since Alliance on Aging, Inc. has no ownership rights to the fund, this fund is not included in these financial statements. Alliance on Aging, Inc. received \$2,608 and \$2,635 from the this fund for the years ended June 30, 2018 and 2017, respectively.

**NOTE 5. PROPERTY AND EQUIPMENT— NET**

Property and equipment at June 30 consists of the following:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 164,879	\$ 154,991
Furniture and fixtures	33,129	29,717
Leasehold improvements	44,094	27,707
Vehicles	18,225	18,225
Software	<u>8,255</u>	<u>5,470</u>
Total	268,582	236,110
Less accumulated depreciation	<u>192,892</u>	<u>180,282</u>
Property and equipment – net	<u>\$ 75,690</u>	<u>\$ 55,828</u>

**NOTE 5. PROPERTY AND EQUIPMENT– NET (Continued)**

Depreciation charged to operations for the fiscal years ended June 30, 2018 and 2017 amounted to \$17,843 and \$19,976, respectively.

**NOTE 6. LINE OF CREDIT**

The Alliance has a line of credit with Rabobank dated December 15, 2016. Advances are not to exceed \$100,000 and the interest rate is 4%. The line of credit expired December 15, 2017. The Alliance did not extend the line of credit.

**NOTE 7. BOARD DESIGNATED NET ASSETS**

Board designated net assets at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
Reserve for future contingencies	\$ 697,758	\$ 620,606
Endowment funds at the Community Foundation – Alliance on Aging	16,715	16,309
Endowment funds at the Community Foundation – Ombudsman	<u>12,742</u>	<u>12,434</u>
Total	<u>\$ 727,215</u>	<u>\$ 649,349</u>

**NOTE 8. TEMPORARILY RESTRICTED NET ASSETS**

On December 18, 2017, the Alliance was notified that they were awarded a \$100,000 grant from the Monterey Peninsula Foundation. The grant is a two year grant, \$50,000 for each year for operating support for fiscal years ending June 30, 2018 and June 30, 2019. Accordingly, \$50,000 has been restricted for use in fiscal year ending June 30, 2019.

**NOTE 9. IN-KIND REVENUE**

In-kind revenue at June 30 consists of the following:

	<u>2018</u>	<u>2017</u>
Personnel in-kind	\$ 260,850	\$ 244,487
Rent in-kind	103,098	108,213
Donated Spirals inventory	89,845	75,773
Donated supplies	5,302	8,186
Volunteer travel in-kind	10,527	15,694
Professional fees in-kind	<u>6,710</u>	<u>6,200</u>
Total in-kind revenue	<u>\$ 476,332</u>	<u>\$ 458,553</u>



**NOTE 10. OPERATING LEASES**

The Alliance leases a copier under an operating lease with De Lage Landen Financial Services, Inc., which expired September 18, 2017. The Alliance’s lease for its corporate office expires July 31, 2021. Lease expenses under the operating leases totaled \$116,854 and \$114,188 for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule of future minimum lease payments under the operating leases as of June 30, 2018:

2019	\$	69,471
2020		69,438
2021		70,828
2022		<u>5,912</u>
Total	<u>\$</u>	<u>215,649</u>

**NOTE 11. RETIREMENT PLAN**

The Alliance maintains a 403(b) retirement plan, which is available to substantially all employees. The Organization matches employee contributions of up to four percent of employee wages. The Organization’s contribution was \$14,887 and \$13,838 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 12. FEDERAL AND STATE AAA FUNDING**

The following tables present federal and state AAA funding in detail by program and CFDA number as of June 30, 2018 and 2017.

Program	CFDA#	2018				Total
		Federal AAA Grant	State AAA Grant	Additional Cash Match County Match*	In-Kind Match	
Title III B – Outreach	93.044	\$ 74,871	\$ –	\$ –	\$ 12,336	\$ 87,207
Title III B – Ombudsman	93.044	<u>22,358</u>	<u>9,470</u>	<u>468</u>	<u>10,000</u>	<u>42,296</u>
Subtotal for T3B		<u>97,229</u>	<u>9,470</u>	<u>468</u>	<u>22,336</u>	<u>129,503</u>
AAA MIPPA	93.071	5,135	–	–	–	5,135
HICAP MIPPA	93.071	<u>19,662</u>	–	–	–	<u>19,662</u>
Subtotal for MIPPA		<u>24,797</u>	–	–	–	<u>24,797</u>
HICAP Ship	93.779	78,352	–	–	–	78,352
HICAP Fund		–	56,300	–	–	56,300
HICAP Reimbursement		–	<u>112,588</u>	–	–	<u>112,588</u>
Subtotal for HICAP		<u>78,352</u>	<u>168,888</u>	–	–	<u>247,240</u>
Ombudsman Initiative–SHF		–	9,493	8,678	–	18,171
Ombudsman Initiative–SNF		–	18,882	–	–	18,882
Ombudsman Initiative–PHF		–	<u>3,975</u>	–	–	<u>3,975</u>
Subtotal for OMB INT		–	<u>32,350</u>	<u>8,678</u>	–	<u>41,028</u>
Title VII A – Ombudsman	93.042	<u>27,692</u>	–	<u>441</u>	–	<u>28,133</u>
Total AAA Funding		<u>\$ 228,070</u>	<u>\$ 210,708</u>	<u>\$ 9,587</u>	<u>\$ 22,336</u>	<u>\$ 470,701</u>

**NOTE 12. FEDERAL AND STATE AAA FUNDING (Continued)**

		2017				
Program	CFDA#	Federal AAA Grant	State AAA Grant	Additional Cash Match County Match*	In-Kind Match	Total
Title III B – Outreach	93.044	\$ 79,871	\$ –	\$ 5,307	\$ 12,976	\$ 98,154
Title III B – Ombudsman	93.044	22,000	11,537	3,163	4,500	41,200
Subtotal for T3B		<u>101,871</u>	<u>11,537</u>	<u>8,470</u>	<u>17,476</u>	<u>139,354</u>
AAA MIPPA	93.071	3,858	–	–	–	3,858
HICAP MIPPA	93.071	11,633	–	–	–	11,633
Subtotal for MIPPA		<u>15,491</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,491</u>
HICAP Ship	93.779	99,726	–	–	–	99,726
HICAP Fund		–	51,996	–	–	51,996
HICAP Reimbursement		–	104,011	–	–	104,011
Subtotal for HICAP		<u>99,726</u>	<u>156,007</u>	<u>–</u>	<u>–</u>	<u>255,733</u>
Ombudsman Initiative–SDF		–	18,142	–	–	18,142
Ombudsman Initiative–SNF		–	19,233	–	–	19,233
Ombudsman Initiative–PHF		–	4,049	–	–	4,049
Subtotal for OMB INT		<u>–</u>	<u>41,424</u>	<u>–</u>	<u>–</u>	<u>41,424</u>
Title VII A – Ombudsman	93.042	28,683	–	–	–	28,683
Total AAA Funding		<u>\$ 245,771</u>	<u>\$ 208,968</u>	<u>\$ 8,470</u>	<u>\$ 17,476</u>	<u>\$ 480,685</u>