

SENIOR CENTER OF ELK GROVE, INC.

Independent Auditor's Report and Financial Statements

**Year Ended
June 30, 2023**

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Nicholson & Olson, LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Senior Center of Elk Grove, Inc.
Elk Grove, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Senior Center of Elk Grove, Inc. (a nonprofit Center), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Senior Center of Elk Grove, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Nicholson & Olson

Nicholson & Olson, CPAs
Roseville, California
October 11, 2023

FINANCIAL STATEMENTS

SENIOR CENTER OF ELK GROVE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2023

Assets		
Cash	\$	444,676
Grants receivable		20,000
Prepaid expenses		1,371
Furniture and equipment, net		<u>1,615</u>
Total Assets	\$	<u>467,662</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$	12,675
Accrued expenses		7,361
Payroll liabilities		17,074
Deferred revenue		<u>14,931</u>
Total liabilities		<u>52,041</u>
Net assets		
Without donor restrictions		<u>415,621</u>
Total net assets		<u>415,621</u>
Total Liabilities and Net Assets	\$	<u>467,662</u>

The accompanying notes to financial statements are an integral part of this statement

**SENIOR CENTER OF ELK GROVE, INC.
STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
Year Ended June 30, 2023**

Revenue and Support	
Contributions of cash	\$ 53,419
Contributions of nonfinancial assets	235,600
Grants	80,299
Memberships	78,940
Projects and activities	161,261
Other income	2,559
Total revenue and support	<u>612,078</u>
Other Gains and Losses	
Investment income	1,724
Unrealized/realized gain (loss) on investment	198
Total other gains and losses	<u>1,922</u>
Total revenue, support, and other	<u>614,000</u>
Expenses	
Senior activities	467,260
Management and general	83,853
Fundraising	17,592
Total expenses	<u>568,705</u>
Net increase in net assets without donor restrictions	<u>45,295</u>
Net assets without donor restrictions, beginning of year	<u>370,326</u>
Net assets without donor restrictions, end of year	<u>\$ 415,621</u>

The accompanying notes to financial statements are an integral part of this statement

SENIOR CENTER OF ELK GROVE, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

Cash Flows from Operating Activities

Change in net assets	\$ 45,295
Adjustments to reconcile changes in net assets to net cash flows from operating activities:	
Depreciation	1,140
Unrealized/realized (gain) loss on investments	198
(Increase) decrease in:	
Prepaid expenses	3,446
(Decrease) increase in:	
Accounts payable	(4,827)
Payroll liabilities	4,979
Deferred revenue	(3,692)
Accrued expenses	899
Net cash provided by (used in) operating activities	47,438

Cash Flows from Investing Activities

Proceeds from maturity of certificates of deposit	199,604
Net cash provided (used in) investing activities	199,604
 Net increase (decrease) In cash	 247,042
 Cash, beginning of year	 197,634
Cash, end of year	\$ 444,676

The accompanying notes to financial statements are an integral part of this statement

SENIOR CENTER OF ELK GROVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program	Support Services		Total
	Activities	Management	Fundraising	
	<u>Senior</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Activities</u>			
Salaries	\$ 100,527	\$ 18,848	\$ 6,283	\$ 125,658
Payroll taxes	8,099	1,519	506	10,124
Employee benefits	5,144	965	320	6,429
Total salaries and benefits	113,770	21,332	7,109	142,211
Activities expense	26,172	-	10,049	36,221
Depreciation	969	171	-	1,140
Equipment costs	-	3,399	-	3,399
Insurance	5,825	1,028	-	6,853
Licenses	2,462	436	-	2,898
Maintenance and repairs	1,221	213	-	1,434
Occupancy	223,247	39,397	-	262,644
Office expenses	6,967	1,307	434	8,708
Other costs	-	5,382	-	5,382
Postage	2,716	479	-	3,195
Printing	9,942	1,756	-	11,698
Professional fees	22,981	4,055	-	27,036
Telephone	1,322	233	-	1,555
Travel program	23,233	-	-	23,233
Utilities	26,433	4,665	-	31,098
Total Expenses	\$ 467,260	\$ 83,853	\$ 17,592	\$ 568,705

The accompanying notes to financial statements are an integral part of this statement

SENIOR CENTER OF ELK GROVE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Notes to financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present transactions and financial position of the Center as follows:

- Note 1 - The Center
- Note 2 - Summary of Significant Accounting Policies
- Note 3 - Liquidity Management
- Note 4 - Concentration of Credit Risk
- Note 5 - Furniture and Equipment
- Note 6 - Contributed Nonfinancial Assets
- Note 7 - Accrued Vacation Plan
- Note 8 - Subsequent Events

SENIOR CENTER OF ELK GROVE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1 - The Center

The Senior Center of Elk Grove, Inc. (the Center) was incorporated in the State of California in February 1980 as a not-for-profit corporation.

The Center provides a place for people fifty years of age and older to congregate and take part in a variety of activities. Classes are offered in a variety of subjects, and seniors take part in many group projects. The principal area served is that of Elk Grove, California in southern Sacramento County.

Note 2 - Summary of Significant Accounting Policies

Method of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Program Description

The Senior Center of Elk Grove currently has approximately 1,900 members from all over Sacramento, San Joaquin, and Yolo Counties. More than 60 programs are held throughout each week, with several special events every month. Exercise, art, music, support groups and games make up most of the programs the Center has to offer.

As the city of Elk Grove and surrounding areas continue to grow, so does the Center. The Center is planning to enter into a contract with Silver & Fit in the 2023/2024 fiscal year and other partnerships, which are expected to draw many more seniors. In addition, the Center is featured in the City of Elk Grove newsletter.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the Center reports its financial position and operating activities in two classes of net assets:

Net assets without donor restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Center. The Center's board may designate assets without restrictions for specific operational purposes from time to time. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Net assets with donor restriction: 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 the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. For the year ended June 30, 2023, there were no restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Furniture and equipment

Furniture and equipment are stated at cost. The Center provides for depreciation using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expense as incurred. All purchases in excess of \$1,000 are capitalized.

SENIOR CENTER OF ELK GROVE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable consist entirely of amounts due from the City of Elk Grove. The Center deems all amounts collectible; therefore, no allowance for doubtful accounts has been recorded as of June 30, 2023.

Deferred Revenue

Deferred Revenue consists of the amount members prepay on their account that can be used for future activity fees.

Contributions

Unconditional contributions are recognized when pledged and 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends, or a purpose of restriction is accomplished, 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.

Revenue Recognition

A portion of the Center's revenue is derived from cost-reimbursable contracts and grants, which are considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Amounts received are recognized as revenue when the qualified expenditures have been incurred and conditions under the grant agreement are met. The Center receives support from individuals and other nonprofit corporations in support of its mission. This revenue is recognized at the earlier of the receipt of cash or an unconditional promise to give. Membership dues are comprised of an exchange element based on the benefits received, and a contribution element for the difference. The contribution portion is recognized immediately and the exchange portion over the membership period.

Contributed Nonfinancial Assets

Donated services and facilities are reflected in the financial statements at the fair market value of the services and facilities received. The contribution of services are recognized only if the services received (a) create or enhance nonfinancial assets or (b) require professional specialized skills that are provided by individuals processing those skills and would typically need to be purchased is not provided by donation. Normal volunteer activities that do not meet this definition are not shown. The Center receives donated use of facilities, see Note 6.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon the acquisition of the assets and the assets are placed in service.

Use of 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SENIOR CENTER OF ELK GROVE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Generally accepted accounting principles require fair value to be measured by maximizing the use of observable inputs and minimizing the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value; Level 1 uses quoted prices and active markets for identical assets; Level 2 uses quoted prices in active or inactive markets for the same or similar assets; Level 3 uses unobservable information with little or no market data. The Center has valued all assets and liabilities at level 1.

Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the internal revenue code and Section 23701 (d) of the California Revenue and Taxation Code.

There are no uncertain tax positions or other provisions for income taxes that should be recognized in these financial statements. Generally, the Center's tax returns remain open for three years for federal income tax examination and four years for state income tax examinations.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Depreciation, employee benefits, insurance, licenses, maintenance and repair, payroll taxes, postage, printing, salaries, telephone, and utilities are allocated based on time and effort. Office expenses, professional fees, occupancy, and travel program expenses are all allocated by direct benefit.

Recently Adopted Accounting Standards

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Center adopted the standard on July 1, 2022, and it did not have a material impact on the financial statements

Note 3 - Liquidity Management

The Center's financial assets to fund general expenditures and other obligations available within one year as of June 30, 2023:

Cash	\$ 444,676
Grants receivables	<u>20,000</u>
Financial assets available to meet general expenditures	<u>\$ 464,676</u>

The Center manages its liquidity by developing annual operation budgets that provide sufficient funds to support operating expenditures, liability, and other obligations. The Center's cash needs are expected to be met by revenue generated from donations, grants, membership dues, program activity fees and gains from investments from certificates of deposit.

SENIOR CENTER OF ELK GROVE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 4 - Concentration of Credit Risk

The Center maintains its cash balances at financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2023, bank balances did not exceed the limit.

Note 5 - Furniture and Equipment

Furniture and equipment as of June 30, 2023, consisted of the following:

Furniture	\$ 18,594
Equipment	13,838
Less: accumulated depreciation	(30,817)
Furniture and equipment, net	<u>\$ 1,615</u>

Depreciation expense for the year ended June 30, 2023, was \$1,140.

Note 6 - Contributed Nonfinancial Assets

The city of Elk Grove leases facilities to the Center for \$1 per year, with a lease term of 10 years with an option for an additional 10 years. The lease agreement commenced on January 17, 2020. Market rent for the facilities is valued at \$235,600 per year based on comparative rents in the Elk Grove area. The City has the right to terminate the lease agreement during the first 5 years with cause, and without cause in each of the remaining subsequent years. The contributed facilities have been allocated among program activities and management and general based on its direct benefit.

Note 7 - Accrued Vacation Plan

The Center has enacted a vacation policy based on years of services. The total vacation payable as of June 30, 2023, was \$7,637.

Note 8 - Subsequent Events

Management has evaluated all activity of the Center through October 11, 2023, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statement.