

LIVE OAK ADULT DAY SERVICES

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2010
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2009**

**IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

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AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010 WITH SUMMARIZED
COMPARATIVE TOTALS FOR 2009**

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IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
LIVE OAK ADULT DAY SERVICES
San Jose, California

We have audited the accompanying statement of financial position of Live Oak Adult Day Services as of June 30, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Live Oak Adult Day Service's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2009 financial statements and, in the report dated August 14, 2009 we expressed an unqualified opinion on those financial statements.

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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Live Oak Adult Day Services as of June 30, 2010, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010 on our consideration of Live Oak Adult Day Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



San Francisco, California
September 15, 2010

**LIVE OAK ADULT DAY SERVICES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

Assets	2010	2009
Cash and cash equivalents	\$ 126,416	\$ 158,062
Program grants receivable (Note 2)	33,886	54,982
Program service fees receivable (net of allowance for doubtful accounts of \$9,000 in 2010 and \$6,000 in 2009)	59,439	58,329
Prepaid expenses	3,213	0
Total current assets	<u>222,954</u>	<u>271,373</u>
U.S. Treasury Bonds (Note 3)	37,176	35,736
Property and equipment (Note 4)	1,688,155	1,725,167
Total assets	<u>\$ 1,948,285</u>	<u>\$ 2,032,276</u>
 Liabilities and Net Assets		
Accounts Payable and Accrued Liabilities	\$ 77,133	\$ 73,844
Total Liabilities	<u>77,133</u>	<u>73,844</u>
 Net Assets		
Unrestricted		
Board designated (Note 8)	49,600	56,000
Investment in Property and Equipment	1,092,983	1,129,995
Other	133,397	177,265
Total unrestricted	<u>1,275,980</u>	<u>1,363,260</u>
Temporarily restricted (Note 9):		
Investment in Property and Equipment - Construction grant	595,172	595,172
Total temporarily restricted	<u>595,172</u>	<u>595,172</u>
Total net assets	<u>1,871,152</u>	<u>1,958,432</u>
Total liabilities and net assets	<u>\$ 1,948,285</u>	<u>\$ 2,032,276</u>

See notes to the financial statements

**LIVE OAK ADULT DAY SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 TOTALS</u>	<u>2009 TOTALS</u>
REVENUE				
Governmental Grants	\$ 289,660	\$ 0	\$ 289,660	\$ 286,513
Other Grants	19,433	0	19,433	52,038
Allocated by UWSCC	54,990	0	54,990	71,959
Contributions	156,369	0	156,369	154,290
Special events, net of direct expenses of \$4,768 in 2010 and \$4,656 in 2009	34,236	0	34,236	20,523
Program Service Fees	483,354	0	483,354	517,015
Investment Income	1,486	0	1,486	1,633
Miscellaneous	539	0	539	749
Released from restriction	0	0	0	0
Total Revenue	<u>1,040,067</u>	<u>0</u>	<u>1,040,067</u>	<u>1,104,720</u>
EXPENSES				
Program Services	898,189	0	898,189	890,572
Management and General	219,237	0	219,237	218,615
Fund-raising	9,921	0	9,921	9,785
Total Expenses	<u>1,127,347</u>	<u>0</u>	<u>1,127,347</u>	<u>1,118,972</u>
CHANGES IN NET ASSETS	(87,280)	0	(87,280)	(14,252)
Net Assets, beginning of year	<u>1,363,260</u>	<u>595,172</u>	<u>1,958,432</u>	<u>1,972,684</u>
NET ASSETS, END OF YEAR	<u>\$ 1,275,980</u>	<u>\$ 595,172</u>	<u>\$ 1,871,152</u>	<u>\$ 1,958,432</u>

See notes to the financial statements

**LIVE OAK ADULT DAY HEALTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (87,280)	\$ (14,252)
<i>Adjustments reconcile net expenditures over net revenue to net cash provided by operations</i>		
Depreciation	37,727	38,812
Unrealized Gain, U.S. Treasury Bonds	(1,440)	(1,392)
Donation of Fixed Assets	0	(4,890)
<i>(Increase)/Decrease in:</i>		
Program Grants Receivable	21,096	(23,771)
Program Services Receivable	(1,110)	279
Prepaid Expenses	(3,213)	0
<i>Increase/(Decrease) in:</i>		
Accounts Payable and Accrued Liabilities	<u>3,289</u>	<u>5,438</u>
Net Cash Provided (Used) By Operating Activities	<u>(30,931)</u>	<u>224</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	<u>(715)</u>	<u>(5,673)</u>
Net Cash Provided (Used) By Investing Activities	<u>(715)</u>	<u>(5,673)</u>
Net Increase (decrease) in cash and cash equivalents	(31,646)	(5,449)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>158,062</u>	<u>163,511</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 126,416</u>	<u>\$ 158,062</u>
Supplementary Disclosures:		
Interest paid	<u>\$ 0</u>	<u>\$ 0</u>

See notes to the financial statements

**LIVE OAK ADULT DAY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Live Oak Adult Day Services (the Organization) is a nonprofit public benefit corporation established in 1985. It provides day care services for frail and disabled elderly adults, generally living in Santa Clara County, California. A substantial portion of the Organization's support is from units of government and private foundations.

Basis of Preparation and Presentation

The organization's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets include non-governmental grants that were designated by the donor as relating to future periods. In addition, the organization is required to present a Statement of Cash Flows.

Tax Exempt Status

The Organizations is a private foundation, and is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code, and is also exempt from California state franchise tax under Section 23701d of the state's Revenue and Taxation Code.

Summarized Financial Information for Prior Year

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived. Certain prior year amounts in the financial statements are subject to reclassification to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**LIVE OAK ADULT DAY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and held in banks, highly liquid money market funds, commercial paper and other short-term investments with original maturities of three months or less.

Program Grants Receivable

Program Grants Receivable are considered to be fully collectible; accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Program Service Fees Receivable

Program Service Fees Receivable at June 30, 2010 consists of amounts due from participants of the adult day program, net of an allowance for doubtful accounts of \$9,000.

Contributions

Contributions are reported in accordance with Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made*. The Standards require that contributions received, including unconditional promises to give (pledges), be recognized as revenue at their fair value in the period the contribution or pledge is made. The Standards also require not-for-profit organizations to distinguish between contributions received that increase any of the three categories of net assets, depending on the existence and/or nature of any donor restrictions.

Investments

Investments include U.S. Treasury Bonds are stated at fair market values. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment

Property and equipment are stated at cost, except donated property and equipment, which are recorded as support at estimated fair market value as of the date gifted. Expenditure on the Organization's real estate is added to the cost of buildings when it relates to enhancement; otherwise it is expensed. Interest on mortgage debt is capitalized during the construction period, otherwise it is expensed.

**LIVE OAK ADULT DAY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation and amortization expense is calculated using the straight-line method. Depreciation is provided over the estimated useful lives of the assets and amortization of leasehold improvements is provided over the remaining lease term or the estimated useful lives of the assets, whichever is shorter. No depreciation is charged on land, and depreciation does not commence until the asset is brought into use.

Estimated useful lives are:

Real property and buildings	50 years
Furniture and equipment	3 to 7 years
Vehicles	5 years

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications based on estimates made by the organization's management.

Note 2: PROGRAM GRANTS RECEIVABLE

Grants Receivable represents the excess of grant expenditures over grant receipts for the year ended June 30, 2010 and 2009 and consists of the following:

	<u>2010</u>	<u>2009</u>
Town of Los Gatos	\$ 3,117	\$ 3,247
City of Campbell	0	5,000
City of Cupertino	3,595	3,268
City of Gilroy	1,800	4,200
City of Los Altos	500	1,000
City of Milpitas	1,250	1,250
City of Morgan Hill	1,500	1,500
City of San Jose - HNVF	4,320	2,960
City of San Jose - Other	2,422	2,528
City of Santa Clara	2,513	2,440
SC County	6,764	6,765
Council on Aging	1,667	3,333
United Way	0	12,500
State of CA - Meals Reimbursement	4,438	4,991
	<u>\$ 33,886</u>	<u>\$ 54,982</u>

**LIVE OAK ADULT DAY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Note 3: U.S. TREASURY BONDS

The Organization invested in Series EE U.S. Treasury Bonds in 1993 at a cost of \$15,000. These bonds accrued monthly interest at 0.0583%, and matured in 2004, but presently continue to accrue interest at 4.00%. Their value at June 30, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Face Amount	\$ 30,000	\$ 30,000
Original discount	(15,000)	(15,000)
Amortized discount	15,000	15,000
Premium over face amount	<u>7,176</u>	<u>5,736</u>
NET	<u>\$ 37,176</u>	<u>\$ 35,736</u>

The Organization continues to classify these bonds as non-current assets, as there is no intention to redeem them within the next year.

Note 4: PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2010 and 2009, comprises the following:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 119,403	\$ 118,689
Leasehold improvements	<u>13,963</u>	<u>13,963</u>
	133,366	132,652
Real Property:		
Land	352,684	352,684
Buildings	<u>1,676,971</u>	<u>1,676,971</u>
Total Cost	2,163,021	2,162,306
Less: Accumulated depreciation	<u>474,866</u>	<u>437,140</u>
Total net property and equipment	<u>\$ 1,688,155</u>	<u>\$ 1,725,167</u>

In July 1996, the Organization purchased real property in San Jose, California, for \$352,684. To date, the Organization has capitalized further expenditures totaling \$1,676,971. This property was developed to house the Organization's headquarters and Willow Glen operations, for which its use commenced on October 1, 1999. Property expenditures capitalized since then are being amortized over the balance of the expected life of the property, over the remainder of the period ending September 30, 2049.

LIVE OAK ADULT DAY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 5: LEASES

The Organization conducts its operations in its owned headquarters, and in four facilities leased under operating leases. Two of the operating leases are renewed every year and the other two are on a month to month basis.

Rent expense (which does not include assessments for janitorial fees) for the years ended June 30, 2010 and 2009, was \$33,282 and \$31,254, respectively.

Note 6: RELATED PARTY TRANSACTIONS

The Organization received contributions from various members of its Board of Directors totaling approximately \$4,907 and \$6,150 during the years ended June 30, 2010 and 2009, respectively.

Note 7: BOARD DESIGNATED FUND

The Board of Directors is setting aside funds for future maintenance requirements, including painting, car park resurfacing, and a replacement roof, with the intention that sufficient funds will be available to cover these expenditures when they become necessary. The Organization released \$12,000 from the reserve in the year ended June 30, 2010 to cover the costs of expenditures incurred, and set aside \$5,600 and \$4,000 in the years ended June 30, 2010 and 2009, respectively, bringing the total reserve to \$49,600 and \$56,000 at June 30, 2010 and 2009, respectively.

Note 8: TEMPORARILY RESTRICTED NET ASSETS

The conditional grant of \$595,172 from the City of San Jose towards real estate construction has been recorded as temporarily restricted income. Under the terms of the grant award (the Agreement), the building must continue to be owned by the Organization and used as a care facility until June 30, 2014, failing which the entire sum received will revert to the City of San Jose. Pending fulfillment of these conditions, the grant amount is indemnified by a non-interest-bearing promissory note. Since the Organization's management believes the likelihood of the conditions of the Agreement not being met to be remote, the contributions are shown in the financial statements as temporarily restricted income, which will be released to unrestricted when the conditions have been met on June 30, 2014.

Note 9: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through September 15, 2010, the date the financial statements were available to be issued, and concluded that no additional adjustments to the financial statements or disclosures be made.

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Live Oak Adult Day Services
San Jose, California

We have audited the financial statements of Live Oak Adult Day Services as of and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Live Oak Adult Day Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Live Oak Adult Day Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Live Oak Adult Day Services' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Live Oak Adult Day Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Johel. Bernmark - Copy

San Francisco, California
September 15, 2010