

LIVE OAK ADULT DAY SERVICES

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**Year Ended June 30, 2021
(With comparative totals for the Year Ended June 30, 2020)**

LIVE OAK ADULT DAY SERVICES
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Boman Accounting Group, Inc.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Live Oak Adult Day Services (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2021, 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 misstatement 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 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 Live Oak Adult Day Services, as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Live Oak Adult Day Services as of June 30, 2020 were audited by Grant Bennett Associates whose report dated July 16, 2021, expressed an unmodified opinion on those statements.

Boman Accounting Group, Inc

Boman Accounting Group, Inc.
Campbell, California
February 28, 2022

LIVE OAK ADULT DAY SERVICES

Statement of Financial Position
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 594,949	\$ 466,333
Accounts receivable, net	84,066	104,232
Prepaid expenses	3,212	974
Unemployment insurance deposit	<u>3,046</u>	<u>-</u>
Total current assets	<u>685,273</u>	<u>571,539</u>
Investments	57,468	55,236
Property and equipment - net	<u>1,330,227</u>	<u>1,367,606</u>
Total Assets	<u>\$ 2,072,968</u>	<u>\$ 1,994,381</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 15,037	\$ 4,260
Accrued liabilities	<u>43,323</u>	<u>44,825</u>
Total current liabilities	<u>58,360</u>	<u>49,085</u>
Paycheck Protection Program loan	<u>67,000</u>	<u>144,650</u>
Total Liabilities	<u>\$ 125,360</u>	<u>\$ 193,735</u>
Net assets		
Without donor restrictions		
Board designated	55,449	55,449
Investment in property and equipment	1,330,227	1,367,606
Undesignated	<u>410,985</u>	<u>207,589</u>
	1,786,570	1,630,644
With donor restrictions	<u>161,038</u>	<u>170,002</u>
Total net assets	<u>1,947,608</u>	<u>1,800,646</u>
Total Liabilities and Net Assets	<u>\$ 2,072,968</u>	<u>\$ 1,994,381</u>

The accompanying notes are an integral part of these financial statements

LIVE OAK ADULT DAY SERVICES
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Support and revenue				
Governmental grants	\$ 146,214	\$ -	\$ 146,214	\$ 456,262
Paycheck Protection Program grant	146,033	-	146,033	-
Sourcewise grants	223,132	-	223,132	-
Individual contributions	36,597	300	36,897	97,797
Corporate and foundation grants	42,979	6,088	49,067	68,487
Special events	-	-	-	9,409
Program service fees	194,143	-	194,143	437,755
Investment income	11,897	-	11,897	10,439
Miscellaneous	-	-	-	2,526
In-kind rent revenue	36,825	-	36,825	-
Net assets released from restriction	<u>15,352</u>	<u>(15,352)</u>	<u> </u>	<u> </u>
Total support and revenue	<u>853,172</u>	<u>(8,964)</u>	<u>844,208</u>	<u>1,082,675</u>
Expenses and Losses				
Program Services	417,848	-	417,848	872,761
Supporting Services				
Management and general	279,240	-	279,240	209,317
Fundraising	<u>158</u>	<u>-</u>	<u>158</u>	<u>8,973</u>
Total expenses	<u>697,246</u>	<u>-</u>	<u>697,246</u>	<u>1,091,051</u>
Change in net assets	155,926	(8,964)	146,962	(8,376)
Net assets at beginning of year	<u>1,630,644</u>	<u>170,002</u>	<u>1,800,646</u>	<u>1,809,022</u>
Net assets at end of year	<u>\$ 1,786,570</u>	<u>\$ 161,038</u>	<u>\$ 1,947,608</u>	<u>\$ 1,800,646</u>

The accompanying notes are an integral part of these financial statements

LIVE OAK ADULT DAY SERVICES
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Supporting Services			2021 Total Expenses	2020 Total Expenses	
	Program Services	Management and General	Fund- Raising			Subtotal
Expenses						
Salaries and wages	\$ 214,619	\$ 145,780	\$ -	\$ 145,780	\$ 360,399	\$ 656,132
Employee benefits	6,704	10,585	-	10,585	17,289	27,853
Payroll taxes and benefits	15,123	16,500	-	16,500	31,623	54,604
Total salaries and related benefits	236,446	172,865	-	172,865	409,311	738,589
Professional services	13,008	49,375	-	49,375	62,383	80,208
Supplies	4,467	821	-	821	5,288	21,047
Telephone	10,756	3,429	-	3,429	14,185	11,739
Postage and shipping	223	1,072	-	1,072	1,295	1,527
Occupancy	29,550	7,080	-	7,080	36,630	68,020
Equipment and repairs	9,049	4,739	-	4,739	13,788	16,714
Printing and publishing	-	1,364	-	1,364	1,364	1,887
Conferences	403	75	-	75	478	885
Travel/Mileage	-	-	-	-	-	238
Insurance	-	21,614	-	21,614	21,614	32,790
Client meals, etc.	2,124	-	-	-	2,124	53,418
Miscellaneous	1,053	15,387	158	15,545	16,598	16,190
Bad debts	37,984	-	-	-	37,984	10,420
In-kind rent and maintenance	36,825	-	-	-	36,825	-
Total expenses before depreciation	381,888	277,821	158	277,979	659,867	1,053,672
Depreciation	35,960	1,419	-	1,419	37,379	37,379
Total expenses	\$ 417,848	\$ 279,240	\$ 158	\$ 279,398	\$ 697,246	\$ 1,091,051

The accompanying notes are an integral part of these financial statements

LIVE OAK ADULT DAY SERVICES

Statement of Cash Flows

For the Year Ended June 30, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 146,962	\$ (8,376)
Noncash items included in revenues and expenses:		
Depreciation	37,379	37,379
Unrealized gain, U.S. Treasury Bonds	(2,232)	(2,136)
PPP loan forgiveness	(144,650)	-
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	20,166	98,142
Prepaid expenses	(2,238)	31
Unemployment insurance deposit	(3,046)	
Accounts payable	10,777	(1,797)
Accrued liabilities	(1,502)	8,325
Deferred revenue	-	(1,808)
	<u>61,616</u>	<u>129,760</u>
Net cash provided by (used in) operating activities	61,616	129,760
 Cash flows from financing activities		
Proceeds from PPP loan	<u>67,000</u>	<u>144,650</u>
	<u>67,000</u>	<u>144,650</u>
Net cash provided by (used in) financing activities	67,000	144,650
 Net change in cash and cash equivalents	128,616	274,410
 Beginning cash and cash equivalents	<u>466,333</u>	<u>191,923</u>
 Ending cash and cash equivalents	<u>\$ 594,949</u>	<u>\$ 466,333</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ <u>-</u>	\$ <u>-</u>
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The accompanying notes are an integral part of these financial statements

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Agency's significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

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.

During much of FY 2020-2021, Live Oak Adult Day Services' programs had to be adapted to the COVID pandemic. On March 17, 2020, all Live Oak centers were closed to in-person programming. In the next several weeks, alternate responses were planned. By April 6, 2020, the Organization began a remote program that ran for 2 hours per day. The Organization also began reaching out individually and remotely to each family enrolled in the program. The Organization secured PPP loan to help paying staff salaries. By the beginning of the fiscal year, the Organization was running the daily 2-hour remote program, and connecting with families through phone calls and 1 to 1 remote visits. The Organization had secured funding for several computers with Wi-Fi for families who needed them, funding for the remote program including supplies needed for the program, and were paying salaries from the PPP loan. The PPP loan was depleted by the end of July. Following that, 2 staff members retired, 6 staff filed for unemployment, 5 staff filed for partial unemployment and worked reduced hours and 5 employees took percentage cuts in salaries but did not apply for unemployment. This set up continued until May 2021. The first PPP loan was forgiven in April 2021. Also in April 2021, the Organization received a second PPP loan which was also used for salaries. After all staff received the full COVID vaccine, the Organization re-opened Willow Glen center on May 17, 2021 to clients who were also vaccinated. The Gilroy and Cupertino centers re-opened in June 2021. The programs have been operating at half capacity due to social distancing requirements and due to difficulty in hiring new staff. Some remote programming has continued: the 2-hour program has funding until October 1, 2022, and the other remote program has ended.

2. Basis of Accounting

The accompanying financial statements for the Organization have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or conditions.

4. Financial Statement Presentation

The Organization follows standards of accounting and finance reporting for voluntary health and welfare organizations. The Organization reports its financial position and operating activities in two classes or net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restriction – net assets which are available to support all activities of the Organization without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.

Net Assets With Donor Restriction – net assets which are subject to donor-imposed restrictions that will be met rather by actions of the Organization or the passage of time. Also, included in this category are net assets restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets is available to support the activities of the Organization.

5. Recently Adopted Accounting Guidance

In May 2014, the FASB issued ASU No. 2014-09 “Revenue from Contracts with Customers (Topic 606)”, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. ASU 2014-09 was implemented during the year ended June 30, 2021 using the retrospective method. The adoption of ASU No. 2014-09 did not have a material impact on its financial statements.

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 “Leases”. The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early application is permitted. Management has not determined the impact of this pronouncement.

In September 2020, the FASB issued ASU No. 2020-07 “Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets”. This ASU is meant to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities (“NFP”), including additional disclosure requirements for recognized contributed services. This ASU requires that all NFP receiving nonfinancial assets must present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires further disclosure on the contributed nonfinancial assets in the notes to the financial statements. The ASU will be applied retrospectively and is effective for fiscal years beginning after June 15, 2021, and interim periods beginning after June 15, 2022. Early adoption is permitted. Management has not determined the impact of this pronouncement.

7. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on its cash accounts.

8. Accounts Receivable

Accounts receivable consist of amounts due from participants of the adult day program and governmental grants. The Organization uses the allowance method to account for doubtful accounts.

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Investments

The Organization's investments are valued in accordance with generally accepted accounting principles ("GAAP"), including Fair Value Measurements. The Organization invests in U.S. Treasury bonds. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Organization's fiscal year. Contributions of investments are recorded at quoted market prices at the date of donation and are sold as soon as reasonably possible. Gains and losses that resulted from market fluctuations were recognized in the period that such fluctuations occurred as part of net assets without donor restrictions or as net assets with donor restrictions as appropriate. Realized gains or losses resulting from sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned.

10. 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.

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. 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

11. Accrued Vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2021 and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of June 30, 2021 and 2020 was \$36,029 and 25,038, respectively.

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Revenue Recognition

The Organization recognizes revenue in accordance with the Accounting Standards Codification (“ASC”) 606 Revenue from Contracts with Customers, as amended. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

Conditional promises to give are not recognized until they become unconditional, which is when the donor stipulated barriers are overcome and the Organization is entitled to the assets transferred or promised.

The Organization recognizes program service fees in the amount that reflects the consideration expected for providing day care services over time. Day care service fees received in advance to be recognized as deferred revenue and are subsequently recognized as income with the fiscal year in which day care services are provided.

13. Functional Expense Allocation

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, travel, insurance, salaries and wages of support personnel, and payroll taxes. The basis of allocation of these expenses relies mostly on the direct allocation method, which allocates all costs that can be identified specifically with a particular final cost objective to the particular segment to which the expense relates. The indirect allocation method, based on either financial or non-financial measurements, is used for costs that have been incurred for common or joint objectives and cannot be readily associated with a specific reporting segment, in accordance with the policy of Live Oak Adult Day Services. The financial statements report expenses by function in the statement of functional expenses.

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Income Taxes

Live Oak Adult Day Services is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

15. Uncertainty in Income Taxes

The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2021, management did not identify any uncertain tax positions.

16. Summarized Comparative Information

The statement of functional expenses includes certain prior year summarized comparative information in total but not by net asset class, as presented for the current year. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

17. Subsequent Events

Subsequent events have been evaluated through the date of the independent audit report, which is the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2021.

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE B — LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and equivalents	\$	594,949
Accounts receivable		84,066
Total financial assets		\$ 689,106
Less financial assets not available within one year:		
Cash restricted by donors for specific uses		(161,038)
Amount available for general expenditures within one year		\$ 528,068

The Organization has \$689,106 of financial assets available within one year of the statement of financial position date to meet cash needs including cash available for general expenditures of \$528,068. Accounts receivable of \$94,157 are subject to implied time restrictions but are expected to be collected within one year.

The Organization has a goal to maintain financial assets, which consists of cash and short-term investments, on hand to meet one month of normal operating expenses, which is, on average, approximately \$95,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE C — INVESTMENTS

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification (“ASC”). These standards establish a fair value hierarchy that priorities the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

This standard also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The categorization of the investment within the hierarchy is based on pricing transparency and does not necessarily correspond to the Organization’s perceived risk of that investment.

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE C — INVESTMENTS (Continued)

The following are major categories of investments measured at fair value on a recurring basis:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2021, there were no significant transfers in or out of levels 1, 2 or 3.

The Organization invested in Series EE U.S. Treasury Bonds (all Level 1 measurement) 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%. The value at June 30, 2021 and 2020 was as follows:

	2021	2020
Face Amount	\$ 30,000	\$ 30,000
Original Discount	(15,000)	(15,000)
Amortized Discount	15,000	15,000
Premium Over Face Amount	27,468	25,236
Net Investment	<u>\$ 57,468</u>	<u>\$ 55,236</u>

The Organization continues to classify these bonds as non-current assets, as there is no intention to redeem them within the next year. Investment return for the year ended June 30 are as follows:

	2021	2020
Interest Income	\$ 2,695	\$ 2,484
Unrealized Gain	9,202	7,955
Total Investment Return	<u>\$ 11,897</u>	<u>\$ 10,439</u>

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE D — PROPERTY AND EQUIPMENT, NET

The cost and related accumulated depreciation of the property and equipment as of June 30, consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 98,382	\$ 98,382
Leasehold Improvements	<u>50,463</u>	<u>50,463</u>
	148,845	148,845
Real Property:		
Land	352,684	352,684
Buildings	<u>1,676,971</u>	<u>1,676,971</u>
	2,029,655	2,029,655
Total Cost	\$ <u>2,178,500</u>	<u>2,178,500</u>
Less accumulated depreciation	<u>(848,273)</u>	<u>(810,894)</u>
Property and Equipment, Net	\$ <u><u>1,330,227</u></u>	\$ <u><u>1,367,606</u></u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$37,379 and \$37,379, respectively.

NOTE E — PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On April 6, 2020 the Organization obtained the first round of Small Business Administration (SBA) Paycheck Protection Loan (PPP) through Chase Bank, in the amount of \$144,650, with an interest rate of 0.98%. Payments of principal and interest were deferred for the first six months of the loan. The principal amount of the PPP loan is subject to forgiveness to the extent that proceeds are used to pay eligible program expenses including payroll costs, rent obligations, and utility payments. The first round of the PPP loan was forgiven on April 19, 2021.

On February 4, 2021 the Organization obtained the second round of Small Business Administration (SBA) Paycheck Protection Loan (PPP) through Chase Bank, in the amount of \$67,000, with an interest rate of 1%. Payments of principal and interest were deferred for the first six months of the loan. The principal amount of the PPP loan is subject to forgiveness to the extent that proceeds are used to pay eligible program expenses including payroll costs, rent obligations, and utility payments. The second round of the PPP loan was forgiven on October 25, 2021.

LIVE OAK ADULT DAY SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021
(With Comparative Totals for 2020)

NOTE F — BOARD DESIGNATED FUND

The Board of Directors set aside funds for future maintenance requirements, including painting, car parking resurfacing, and a replacement roof, with the intention that sufficient funds will be available to cover these expenditures when they become necessary. Total reserve for the years ended June 30, 2021 and 2020 was \$55,449 and \$55,449, respectively.

NOTE G — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted and released for the following purpose at June 30, 2021:

	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
<i>Subject to expenditure for a specific location:</i>				
Willow Glen site	\$ 81,579	\$ -	\$ (13,042)	\$ 68,537
Cupertino site	58,234	1,000	-	59,234
Los Gatos site	-	-	-	-
Gilroy site	30,189	5,388	(2,310)	33,267
Total net assets with donor restrictions	<u>\$ 170,002</u>	<u>\$ 6,388</u>	<u>\$ (15,352)</u>	<u>\$ 161,038</u>

NOTE H — CONTINGENT LIABILITIES

Grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and accordingly, the Organization has no provision for the possible disallowance of program costs on their financial statements.

NOTE I — IN-KIND RENT

The Organization received donated rents for Cupertino facility and Los Gatos facility which were recorded at fair market value. Such donation was given to help the Organization with its shut down due to COVID-19 pandemic. In-kind rent for the years ended June 30, 2021 and 2020 was \$36,825 and \$0, respectively.

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NOTE J — OPERATING LEASE

The Organization conducts its operations in its owned headquarters, and in three facilities leased under operating leases. All of the operating leases are on a month-to-month basis. Rent expense (which does not include assessments for janitorial fees) for the years ended June 30, 2021 and 2020 was \$11,879 and 23,908, respectively.

NOTE K – COVID-19 IMPACT

In March 2020, the world was impacted by a coronavirus disease COVID-19 pandemic. As a result, many businesses closed their doors in order to assist in the containment of the virus. Creative solutions and further knowledge on COVID-19 has subsequently improved the situation, yet the overall impact of the pandemic is still uncertain. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on their donors, customers, employees and vendors, all of which are uncertain and cannot be predicted. As of the date of the independent accountants' review report, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

As stated in Note A.1, Nature of Activities, the Organization was able to adjust operations to provide existing services on a modified basis following local, county, state, and federal guidelines.