LIVE OAK ADULT DAY SERVICES

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2023
(With comparative totals for 2022)

LIVE OAK ADULT DAY SERVICES

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, 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.

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, 2023, and 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 Live Oak Adult Day Services and to meet out 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 opinion.

Responsibilities of Management 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, 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 Live Oak Adult Day Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

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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, misrepresentations, 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.

In performing an audit in accordance with general 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 Live Oak Adult Day Services' 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Live Oak Adult Day Services' 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.

Report on Summarized Comparative Information

We have previously audited Live Oak Adult Day Services' June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boman accounting Group, Inc

Boman Accounting Group, Inc.
Campbell, California
March 25, 2024

LIVE OAK ADULT DAY SERVICES
Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets		
Cash and equivalents	$ 3,117,947	$ 619,861
Accounts receivable, net	168,857	133,092
Investments (Note 3)	126,047	-
Prepaid expenses	6,760	712
Unemployment insurance deposit	9,412	5,699
Total current assets	3,429,023	759,364
Investments (Note 3)	-	59,796
Property and equipment, net (Note 4)	1,296,625	1,300,448
Right-of-use assets (Note 5)	9,405	-
Total Assets	$ 4,735,053	$ 2,119,608
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 18,689	$ 10,606
Accrued liabilities	61,723	37,947
Current portion of operating lease liabilities (Note 5)	4,705	-
Total current liabilities	85,117	48,553
Long-term operating lease liabilities (Note 5)	4,963	-
Total Liabilities	$ 90,080	$ 48,553
Net assets		
Without donor restrictions		
Board designated (Note 6)	2,564,020	55,449
Investment in property and equipment	1,296,625	1,300,448
Undesignated	781,305	592,337
	4,641,950	1,948,234
With donor restrictions (Note 7)	3,023	122,821
Total net assets	4,644,973	2,071,055
Total Liabilities and Net Assets	$ 4,735,053	$ 2,119,608

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, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenue				
Governmental grants	$ 117,925	$ -	$ 117,925	$ 161,002
Sourcewise grants	382,730	-	382,730	276,099
Paycheck Protection Program grant	-	-	-	67,475
Corporate and foundation grants	56,394	10,000	66,394	79,519
Individual contributions	31,426	-	31,426	44,852
Bequests (Note 8)	2,553,597	-	2,553,597	-
United Way	263	-	263	33
In-kind rent revenue	-	-	-	6,000
Program service fees	540,565	-	540,565	398,058
Investment income	29,110	-	29,110	4,799
Special events	2,045	-	2,045	10,495
Miscellaneous	469	-	469	308
Net assets released from restriction	129,798	(129,798)		
Total support and revenue	3,844,322	(119,798)	3,724,524	1,048,640
Expenses and Losses				
Program Services	852,175	-	852,175	602,464
Supporting Services				
Management and general	274,742	-	274,742	321,779
Fundraising	23,689	-	23,689	950
Total expenses	1,150,606	-	1,150,606	925,193
Change in net assets	2,693,716	(119,798)	2,573,918	123,447
Net assets at beginning of year	1,948,234	122,821	2,071,055	1,947,608
Net assets at end of year	$ 4,641,950	$ 3,023	$ 4,644,973	$ 2,071,055

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, 2023
(With Comparative Totals for 2022)

		Supporting Services				
	Program Services	Management and General	Fund-Raising	Subtotal	2023 Total Expenses	2022 Total Expenses
Expenses						
Salaries and wages	$ 565,092	$ 115,151	$ 17,333.00	$ 132,484	$ 697,576	$ 491,037
Employee benefits	1,830	18,456	-	18,456	20,286	21,113
Payroll taxes and benefits	36,203	13,733	1,299.00	15,032	51,235	37,202
Total salaries and related benefits	603,125	147,340	18,632.00	165,972	769,097	549,352
Bad debts from uncollected program fees	6,729	-	-	-	6,729	26,726
Client meals, etc.	36,554	-	-	-	36,554	33,896
Conferences	299	-	-	-	299	545
Equipment and repairs	4,331	6,043	337.00	6,380	10,711	5,189
In-kind rent and maintenance	-	-	-	-	-	6,000
Insurance	-	18,263	-	18,263	18,263	26,557
Miscellaneous	3,171	13,904	1,148	15,052	18,223	16,172
Occupancy	74,028	8,492	1,000	9,492	83,520	70,983
Postage and shipping	63	1,154	24	1,178	1,241	1,036
Printing and publishing	38	1,755	1,501	3,256	3,294	1,896
Professional services	52,778	68,159	100	68,259	121,037	115,159
Supplies	22,900	2,939	947	3,886	26,786	17,113
Telephone	12,230	4,362	-	4,362	16,592	15,290
Total expenses before depreciation	816,246	272,411	23,689	296,100	1,112,346	885,914
Depreciation	35,929	2,331	-	2,331	38,260	39,279
Total expenses	$ 852,175	$ 274,742	$ 23,689	$ 298,431	$ 1,150,606	$ 925,193

The accompanying notes are an integral part of these financial statements

LIVE OAK ADULT DAY SERVICES

Statement of Cash Flows

June 30, 2023

(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 2,573,918	$ 123,447
Noncash items:		
Depreciation	38,260	39,279
Amortization of the right-of-use asset	4,702	-
Right-of-use assets obtained in exchange for new operating lease liabilities (Note 5)	(14,107)	-
Operating lease liabilities obtained	14,107	-
Unrealized gain, U.S. Treasury Bonds	(2,412)	(2,328)
PPP loan forgiveness	-	(67,000)
(Increase) decrease in operating assets:		
Accounts receivable	(35,765)	(49,026)
Prepaid expenses	(6,048)	2,500
Unemployment insurance deposit	(3,713)	(2,653)
(Increase) decrease in operating liabilities:		
Accounts payable	8,083	(4,431)
Accrued liabilities	23,776	(5,376)
Payments arising from operating leases (Note 5)	(4,439)	-
Net cash provided (used) by operating activities	2,596,362	34,412
Cash flows from investing activities		
(Purchase) of investments	(63,839)	-
(Purchase) of fixed assets	(34,437)	(9,500)
Net cash provided (used) by investing activities	(98,276)	(9,500)
Net change in cash and cash equivalents	2,498,086	24,912
Beginning cash and cash equivalents	619,861	594,949
Ending cash and cash equivalents	$ 3,117,947	$ 619,861

Supplemental disclosure of cash flow information

	2023	2022
Cash paid during the year for interest	$ -	$ -

The accompanying notes are an integral part of these financial statements

Note 1 – Nature of Activities:

Live Oak Adult Day Services (the "Organization") is a nonprofit public benefit corporation established in 1983, which received its non-profit status in 1985. It provides day care services for elderly adults with mild to moderate dementia, and other age-related illness, living in Santa Clara County, California. A substantial portion of the Organization's support is from units of government and private foundations. The Organization's mission is to enhance the lives of the elderly adults who attend and to provide support and respite to their caregivers. Besides providing respite each day that the senior attends Live Oak's program, caregivers are provided referral services, emotional support, and access to two caregiver support groups each month. The Organization has provided support to 125 families during FY2022-2023.

At the beginning of FY2022-2023, three of the Organization's four programs were back to in-person operations although they were still ramping up to pre-COVID levels of staff and clients. In June 2023, the Organization's fourth program center reopened following some facility remodeling and capital improvements.

The Organization celebrated its 40^{th} year of operation in April 2023 with a party attended by representatives from the US Congress and the Santa Clara County supervisors.

Note 2 – Summary of Significant Accounting Policies:

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America, which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivable, payables and other liabilities.

Basis of Presentation – The Organization presents its financial statements in accordance with Generally Accepted Accounting Principles in the United States of America, which requires the Organization to report information regarding its financial position and operating activities in two classes of net assets.

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

- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Fair Value of Financial Instruments – Financial instruments included in the Organization's statements of financial position as of June 30, 2023 include cash and cash equivalents, receivables, accounts payable and other liabilities. For cash and cash equivalents, receivables, accounts payable and other liabilities, the carrying amounts represent a reasonable estimate of the corresponding fair value.

Note 2 – Summary of Significant Accounting Policies (Continued):

Leases – The Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization is a lessee in one noncancellable operating lease for a building used by the Organization as a program facility. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on a rate. The discount rate is the implicit rate if it is readily determinable. If the rate implicit in the lease cannot be readily determined, the Organization uses its incremental borrowing rate or a risk-free discount rate (permitted for non-public business entities). Based on the Organization's accounting policy, a risk-free discount rate is elected. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash and money market funds. For purpose of reporting cash flows, the Organization considers all highly-liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents.

Concentration of Credit Risk – Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, receivables, and investments. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. These accounts are insured up to $250,000 per depositor by an agency of the federal government. At times, such amounts might exceed Federal Deposit Insurance Corporation ("FDIC") limits. It is the management of the Organization's opinion that it is not exposed to any significant credit risks. At June 30, 2023 and 2022, the Organization's balances did not exceed federally insured limits.

Accounts Receivable – Accounts receivable consists of amounts due to the Organization in conjunction with the Organization's program operations, and any contributions/grants and any payments from government contracts that are not collected as of June 30, 2023. An allowance reserve for uncollectible receivables, if any, is determined based on management's evaluation of each outstanding receivable for collectability. The management has determined the allowance is $10,000 at fiscal year end June 30, 2023.

Investments – The Organization's investments are valued in accordance with Generally Accepted Accounting Principles, including Fair Value Measurements. The Organization invests in U.S. Treasury bonds and equity securities. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Organization's fiscal year. Gains and losses that resulted from market fluctuations were recognized in the period that such fluctuations occurred. 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.

Note 2 – Summary of Significant Accounting Policies (Continued):

Prepaid Expenses – Prepaid expenses consisted of payments made by June 30, 2023 towards future rents, services and subscriptions.

Property and Equipment – Property and equipment are recorded at cost or estimated fair value for donated items. 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
Leasehold improvements	5 to 27.5 years
Furniture and equipment	3 to 7 years

Impairment of Long-lived Assets – The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the year ended June 30, 2023, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Accrued Vacation – Accrued vacation represents vacation earned, but not taken as of June 30, 2023 and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of June 30, 2023 and 2022 was $41,999 and 28,319, respectively.

Contributions – Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without or with donor restrictions depending on the existence and nature of donor restrictions. Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either grants and contributions support with or without restriction. When the restriction is met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Government Grants and Contracts – The Organization receives cost reimbursement contract revenue as well as fixed rate contract revenue. Under cost reimbursement contracts, revenue is recognized when applicable expense is incurred and the corresponding service has been provided according to the agreement, subject to the contract limit, if any. Under fixed rate contracts, the Organization agrees to provide certain services in specified quantities and recognizes revenue monthly when report is submitted.

Note 2 – Summary of Significant Accounting Policies (Continued):

Program Service Fees – Program services are comprised of day service fees collected from participants. Adult day services subsidies collected in accordance with County of Santa Clara Pilot Program are restricted by the County's funding terms and conditions. The program services fees are recognized when the services are performed to participants.

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.

Advertising – The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the year ended June 30, 2023 and 2022 was $476 and $602, respectively.

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 financial 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.

Uncertainty in Income Taxes – Generally Accepted Accounting Principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense categories. 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, 2022, from which the summarized information was derived.

Subsequent Events – Management of the Organization has evaluated events and transactions subsequent to June 30, 2023 for potential recognition or disclosure in the financial statements, and determined that no material subsequent events require an estimate or recognition to be recorded or disclosed as of June 30, 2023. Subsequent events have been evaluated through March 25, 2024, the date the financial statements became available to be issued.

Note 3 – 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.

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 Organization invested in Series EE U.S. Treasury Bonds and equity securities. The fair values of assets measured at June 30, 2023 is as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments				
Treasury bonds	$ 62,208	$ 62,208	$	$
Equity securities	63,839	63,839		
Total investments measured at fair value	$ 126,047	$ 126,047	$	$

The Organization classifies these bonds as current assets as the Organization is planning to redeem them within the next fiscal year upon maturity.

The investments at fair value that the Organization had for the year ended June 30, 2022 was investment in Series EE U.S. Treasury Bonds (Level 1 measurement) at $59,796.

Note 3 – Investments (Continued):

Investment return for the year ended June 30 are as follows:

	2023	2022
Interest and dividends income	$ 29,656	$ 3,660
Unrealized gain/(loss)	(546)	1,139
Total investment return	$ 29,110	$ 4,799

Note 4 – Property and Equipment, net:

The cost and related accumulated depreciation of the property and equipment consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Furniture and equipment	$ 100,551	$ 98,382
Leashold improvements	92,231	59,963
	192,782	158,345
Real property:		
Land	352,684	352,684
Buildings	1,676,971	1,676,971
	2,029,655	2,029,655
Total property and equipment	$ 2,222,437	$ 2,188,000
Less accumulated depreciation	(925,812)	(887,552)
Property and equipment, net	$ 1,296,625	$ 1,300,448

Depreciation expense for the years ended June 30, 2023 and 2022 was $38,260 and $39,279, respectively.

Note 5 – Leases:

The Organization has obligations as a lessee for a building used by the Organization as a program facility with initial noncancelable terms in excess of one year. The Organization classified the lease as an operating lease. The lease typically runs for a period of five years, with an option to renew the lease for a period of five years after that date. Because the Organization is not reasonably certain that they will exercise the renewal option, the optional period is not included in determining the lease term, and associated payments under the renewal option are excluded from lease payments. The Organization's lease does not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts are fixed amounts.

The lease cost for the year ended June 30, 2023 is as follows:

Lease cost	
Operating lease cost	$ 4,702

Note 5 – Leases (Continued):

Amount recognized as right-of-use (ROU) assets related to the operating lease is included in the accompanying statement of financial position, while related lease liabilities are included in current portion of operating lease liabilities and long-term liabilities. As of June 30, 2023, right-of-use assets and lease liabilities related to the operating leases are as follows:

Assets		
Operating lease ROU assets	$	9,405
Liabilities		
Current portion of operating lease liabilities	$	4,705
Long-term operating lease liabilities	$	4,963

During FY2022-2023, the Organization had the following cash and non-cash activities associated with the operating lease:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating lease	$	4,439
Right-of-use assets obtained in exchange for new operating lease liabilities	$	14,107
Weighted-average remaining lease term - operating lease		2 years
Weighted-average discount rate - operating lease		2.85%

Note 6 – Board Designated Fund:

The Board of Directors set aside funds for several purposes at June 30, 2023 and 2022 as follows:

		2023		2022
Plan for establishing a board designated endowment fund	$	1,858,020	$	-
Plan for opening a 5th adult day service center		500,000		-
Future improvements and maintenance		200,000		55,449
New IT equipment		6,000		-
Total board designated fund	$	2,564,020	$	55,449

Note 7 – Net Assets with Donor Restrictions:

Net assets with donor restrictions were restricted and released for the following purpose at June 30, 2023:

	Beginning	Additions	Released	Ending
Subject to expenditure for specific locations:				
Willow Glen site	$ 45,146	$ -	$ (45,146)	$ -
Cupertino site	42,283	-	(42,283)	-
Gilroy site	35,392	-	(35,392)	-
Subtotal for specific locations	122,821	-	(122,821)	-
Subject to expenditure for specific purposes:				
Day program through Zoom	-	10,000	(6,977)	3,023
Subtotal for specific purposes	-	10,000	(6,977)	3,023
Total net assets with donor restrictions	$ 122,821	$ 10,000	$ (129,798)	$ 3,023

Note 8 – Bequests:

In July 2022, the Organization was notified that it was one of the beneficiaries of an estate (the "Estate"). In August 2022, the Organization received the stock distributions from the Estate, valued at $312,537, as well as cash of $24,456. In January 2023, $2,216,362 cash was distributed to the Organization from the Estate. An additional payment of $242 was received in May 2023.

In fiscal year 2022-2023, the Organization received $2,553,597 bequest from the Estate.

Note 9 – 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 10 – Liquidity and Availability of Fund:

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following is a quantitative disclosure which describes assets and liquid resources that are available as of June 30, 2023 to fund general expenditures and other obligations within one year:

		2023		2022
Cash and equivalents	$	3,117,947	$	619,861
Accounts receivable, net		168,857		133,092
Investments		126,047		-
Unemployment insurance deposit		9,412		5,699
Total financial assets	$	3,422,263	$	758,652
Less financial assets held to meet donor-imposed restrictions:				
Purpose-restricted net assets	$	(3,023)	$	(122,821)
Less financial assets not available within one year:				
Unemployment insurance deposit		(9,412)		(5,699)
Amount available for general expenditures within one year	$	3,409,828	$	630,132

The Organization regularly monitors liquidity in order to meet its operating needs and other contractual obligations as they come due, with a goal to maintain financial assets to meet 90 days of operating expenses. Management utilizes and includes consideration of such information when determining the budget and goals for the annual year.

The Organization has established an Insured Cash Sweep (ICS) account as part of its cash management policy. This account provides access to FDIC insurance on deposit balances exceeding $250,000 through partnerships between banks while maintaining full liquidity and availability of funds through the primary bank account.