

Operation Care

2020

For the Fiscal Year Ended June 30, 2020
with Comparative Totals for the Fiscal
Year Ended June 30, 2019

**Annual
Financial
Report**

OPERATION CARE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Operation Care
Jackson, California

Report on the Financial Statements

I have audited the accompanying financial statements of Operation Care (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Care as of June 30, 2020, 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

I have previously audited the Operation Care's 2019 financial statements, and I expressed an unmodified opinion on those audited financial statements in my report dated October 22, 2019. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 18, 2020, on my consideration of Operation Care's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Operation Care's internal control over financial reporting and compliance.



Cathy Castillo
Certified Public Accountant

Sutter Creek, California
December 18, 2020

Operation Care
Statement of Financial Position
As of June 30, 2020 with Comparative Totals as of June 30, 2019

| <u>ASSETS</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 11,475 | \$ 9,563 |
| Accounts receivable- grants | 142,201 | 127,763 |
| Prepaid expenses | 12,965 | 10,202 |
| Total current assets | 166,641 | 147,528 |
| Property and Equipment: | | |
| Land | 31,250 | 31,250 |
| Buildings | 311,673 | 311,673 |
| Furniture and equipment | 78,629 | 15,455 |
| | 421,552 | 358,378 |
| Less: accumulated depreciation | (208,454) | (192,866) |
| Total fixed assets | 213,098 | 165,512 |
| Other Assets: | | |
| Deposits | 5,793 | 6,593 |
| Total other assets | 5,793 | 6,593 |
| TOTAL ASSETS | \$ 385,532 | \$ 319,633 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$ 13,821 | \$ 19,161 |
| Accrued expenses | 806 | - |
| Compensated absences | 24,205 | 26,578 |
| Line of credit | 10,000 | 25,000 |
| Total current liabilities | 48,832 | 70,739 |
| Net Assets: | | |
| Net Assets with donor restrictions | 33,732 | - |
| Net Assets without donor restrictions | 302,968 | 248,894 |
| Total net assets | 336,700 | 248,894 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 385,532 | \$ 319,633 |

The accompanying notes are an integral part of the financial statements.

Operation Care
Statement of Activities and Changes in Assets
For the Fiscal Year Ended June 30, 2020
with Comparative Totals for the Year Ended June 30, 2019

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| Without Donor Restrictions | | |
| Revenues, support and reclassifications: | | |
| Grant revenue | \$ 1,020,976 | \$ 849,518 |
| Contributions | 38,149 | 40,145 |
| Contributions-in-kind | 34,191 | 48,132 |
| Fees | 6,570 | 7,918 |
| Gain on disposal of vehicle | 10,659 | - |
| Interest income | 5 | 3 |
| Net assets released from restrictions | - | 5,499 |
| Refunds | 50 | - |
| Special events | 2,079 | 13,185 |
| Total revenue, support and reclassifications | <u>1,112,679</u> | <u>964,400</u> |
| Functional Expenses: | | |
| <i>Program services</i> | | |
| Domestic Violence program | 553,822 | 518,401 |
| Rape Crisis program | 353,844 | 332,085 |
| Other program services | 89,223 | 64,042 |
| <i>Total program services expenses</i> | <u>996,889</u> | <u>914,528</u> |
| <i>Supporting services</i> | | |
| General and administrative expenses | 60,971 | 47,501 |
| Fundraising | 745 | 8,000 |
| <i>Total supporting services expenses</i> | <u>61,716</u> | <u>55,501</u> |
| Total functional expenses | <u>1,058,605</u> | <u>970,029</u> |
| Change in net assets without donor restrictions | 54,074 | (5,629) |
| With Donor Restrictions | | |
| Grant revenue | 33,732 | - |
| Net assets released from restrictions | - | (5,499) |
| Change in net assets with donor restrictions | 33,732 | (5,499) |
| CHANGE IN NET ASSETS | 87,806 | (11,128) |
| NET ASSETS, beginning of year | 248,894 | 260,022 |
| NET ASSETS, end of year | <u>\$ 336,700</u> | <u>\$ 248,894</u> |

The accompanying notes are an integral part of the financial statements.

Operation Care
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

| | Program Services | | | Supporting Services | | | Total Expenses | | |
|------------------------------------|---------------------------|---------------------|------------------------|------------------------|-------------------|---------------|---------------------------|---------------------|------------------|
| | Domestic Violence Program | Rape Crisis Program | Other Program Services | Total Program Services | General and Admin | Fundraising | Total Supporting Services | Total 2020 | Total 2019 |
| Salaries and wages | \$ 282,813 | \$ 191,012 | \$ 25,547 | \$ 499,372 | \$ 21,280 | \$ - | \$ 21,280 | \$ 520,652 | \$ 470,132 |
| Payroll taxes and benefits | 59,453 | 39,739 | 4,855 | 104,047 | 4,710 | - | 4,710 | 108,757 | 85,624 |
| | <u>342,266</u> | <u>230,751</u> | <u>30,402</u> | <u>603,419</u> | <u>25,990</u> | <u>-</u> | <u>25,990</u> | <u>629,409</u> | <u>555,756</u> |
| Advertising and promotion | 27,267 | 22,674 | 5,775 | 55,716 | 744 | - | 744 | 56,460 | 34,948 |
| Client assistance | 44,940 | 7,780 | 27,024 | 79,744 | - | - | - | 79,744 | 96,512 |
| Dues and subscriptions | 640 | 944 | 25 | 1,609 | - | - | - | 1,609 | 2,142 |
| In-kind services | 19,064 | 9,179 | 5,948 | 34,191 | - | - | - | 34,191 | 48,132 |
| Insurance | 6,612 | 3,503 | 202 | 10,317 | 269 | - | 269 | 10,586 | 12,369 |
| Interest and finance charges | - | - | - | - | 4,324 | - | 4,324 | 4,324 | 5,569 |
| Occupancy | 27,283 | 16,544 | 2,862 | 46,689 | 24,355 | - | 24,355 | 71,044 | 68,519 |
| Other fundraising expenses | - | - | - | - | 470 | 461 | 931 | 931 | 6,423 |
| Outside services | 4,508 | 921 | - | 5,429 | 45 | - | 45 | 5,474 | 30,117 |
| Postage | 1,096 | 572 | 160 | 1,828 | 73 | - | 73 | 1,901 | 1,807 |
| Printing and publication expense | 2,340 | 1,593 | 145 | 4,078 | 409 | - | 409 | 4,487 | 3,067 |
| Professional fees | 7,515 | 7,108 | 158 | 14,781 | 189 | - | 189 | 14,970 | 7,274 |
| Repairs and maintenance | 4,602 | 3,093 | 179 | 7,874 | 150 | - | 150 | 8,024 | 3,001 |
| Supplies and equipment | 19,355 | 19,580 | 10,795 | 49,730 | 1,083 | 284 | 1,367 | 51,097 | 24,985 |
| Taxes, licenses and fees | 373 | 254 | 26 | 653 | 894 | - | 894 | 1,547 | 1,177 |
| Training and travel | 7,206 | 12,598 | 4,002 | 23,806 | 995 | - | 995 | 24,801 | 7,662 |
| Vehicle expense and mileage | 2,800 | 3,831 | 184 | 6,815 | - | - | - | 6,815 | 12,120 |
| Utilities and telephone | 20,367 | 12,919 | 1,336 | 34,622 | 981 | - | 981 | 35,603 | 37,693 |
| Total expenses before depreciation | 538,234 | 353,844 | 89,223 | 981,301 | 60,971 | 745 | 61,716 | 1,043,017 | 959,273 |
| Depreciation | 15,588 | - | - | 15,588 | - | - | - | 15,588 | 10,756 |
| Total functional expenses | \$553,822 | \$353,844 | \$ 89,223 | \$ 996,889 | \$ 60,971 | \$ 745 | \$ 61,716 | \$ 1,058,605 | \$970,029 |

The accompanying notes are an integral part of the financial statements

Operation Care
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
with Comparative Totals for the Year Ended June 30, 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Decrease in net assets: | \$ 87,806 | \$ (11,128) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 15,588 | 10,756 |
| Gain on disposal of vehicle | (10,659) | - |
| Increase (decrease) change in operating assets and liabilities | | |
| Grants receivable | (14,438) | (64,340) |
| Prepaid expenses | (2,762) | (8,577) |
| Deposits | 800 | 801 |
| Accounts payable | (5,340) | 169 |
| Accrued expenses | 806 | 6,309 |
| Compensated absences | (2,373) | - |
| Net cash flows from operating activities | <u>69,428</u> | <u>(66,010)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of capital assets | (63,175) | - |
| Insurance proceeds from vehicle loss | 10,659 | - |
| Net cash flows from investing activities | <u>(52,516)</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on line of credit | (225,000) | - |
| Proceeds from line of credit | 210,000 | 20,000 |
| Net cash flows from financing activities | <u>(15,000)</u> | <u>20,000</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,912 | (46,010) |
| Cash and cash equivalents, beginning of year | 9,563 | 55,573 |
| Cash and cash equivalents, end of year | <u><u>\$ 11,475</u></u> | <u><u>\$ 9,563</u></u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash payments for interest | <u><u>\$ 4,324</u></u> | <u><u>\$ 3,991</u></u> |

The accompanying notes are an integral part of the financial statements.

**Operation Care
Note to the Financial Statements
For the Year Ended June 30, 2020**

NOTE 1 - ORGANIZATION AND PURPOSE

Operation Care is a non-profit organization established in 1980 to provide services to people in crisis in Amador County, California. These services include advocacy, education and support for victims of domestic violence and sexual assault. The Organization also operates a safe house for victims of domestic violence. The Organization provided education, services and shelter to approximately 337 people this year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of Operation Care have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This method reflects revenues and expenses in the accounts in the period in which they are considered to have been earned and incurred, respectively. Any unearned revenue is reflected as deferred revenue and reported as a current liability. Net assets are classified based on the existence or absence of donor-imposed restrictions.

B. Basis of Presentation

The Organization reports its information regarding financial position and activities using classes which are based on donor- imposed restrictions. Accordingly, net assets and changes are classified as follows:

With Donor Restrictions: Resources that are subject to donor- imposed restrictions. Some restrictions are temporary in nature, such as those restricted for a particular purpose or in a particular future period. Other restrictions are perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Without Donor Restrictions: Resources that are not subject to donor- imposed stipulations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purpose specified in the organizational documents and its tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into during the course of operations.

The governing board may designate net assets without donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

C. Accounts Receivable- Grants

Accounts receivable consists of grant funding reimbursements from the California Office of Emergency Services. Receivables are stated at the balance invoiced for reimbursements. Operation Care recognizes bad debts using the allowance method. Management believes all accounts receivable will be fully collected and therefore no allowance has been made.

**Operation Care
Note to the Financial Statements
For the Year Ended June 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the year ended June 30, 2020 was \$56,460. In addition, the Organization had \$3,007 donated in advertising which is included in in-kind contributions (see Note 10).

E. Cash and Cash Equivalents

Cash and other highly liquid investments with maturities of three months or less are considered to be cash equivalents. The Organization's cash and cash equivalents include cash held in checking, savings and petty cash.

F. Comparative Financial Information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Certain amounts may have been restated to conform with current year's presentation.

G. Contributions

Operation Care has followed the guidance of ASU 2018-08 which clarifies contributions received. All contributions are recognized as revenue when they are unconditionally communicated. Contributions are recorded at fair value as support without donor restrictions, or support with donor restrictions. When a restriction expires, either when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and is reported in the statement of activities as net assets released from restriction. If the donor's restrictions are satisfied in the same period the contribution is received, the contribution is reported as unrestricted support.

H. Deposits

The deposit reflects the security deposit on the office space lease reflected in Note 7 of the financial statements

I. Functional Expenses

All program and support service expenses have been summarized on a functional basis in these financial statements and are based on actual cost when available. Indirect expenses are allocated between programs and services using salaries, number of clients served, time, usage, or benefit, whichever is appropriate, by line item.

Operation Care
Note to the Financial Statements
For the Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fundraisers

Operation Care holds special fundraising events throughout the year. For the year ended June 30, 2020, gross fundraising income from special events was \$2,079 and direct fundraising costs were \$745, for a net amount of \$1,334. The ratio of fundraising expenses to amounts raised is 36%. Fundraising income was substantially lower from prior years due to the COVID-19 pandemic.

K. Income Taxes

Operation Care is a not-for-profit tax-exempt organization under the Internal Revenue Code Section 501(c) (3) and by the California Franchise Tax Board under Section 23701(d). It is not considered a private foundation under Internal Revenue Code and has no unrelated business income; accordingly, there is no provision for income taxes in these financial statements.

The organization has followed the guidance of ASC 740, *Accounting for Income Taxes* which prescribes the threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management believes that all of the positions taken by the Organization in its federal and state income tax returns are more likely than not to be sustained upon examination. The Organization's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed.

L. New Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As the organization is a resource recipient, the ASU is applicable to contributions received for years beginning after December 15, 2018. There was no financial impact in the adoption of this guidance.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 clarified the presentation and classification requirements of certain cash flow transactions. This ASU is applicable for fiscal years beginning after December 15, 2018. There was no financial impact in the adoption of this guidance.

M. Pending Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2020 and is effective for the organization for the fiscal year ending June 30, 2022. The organization has not determined the impact of the statement.

**Operation Care
Note to the Financial Statements
For the Year Ended June 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Prepaid Expenses

Prepaid balances are for payments made by Operation Care in the current year to provide for services occurring in the subsequent year.

O. Property and Equipment

Fixed assets are recorded at cost. Major renewals and improvements are capitalized while replacements, maintenance and repairs, which do not materially extend the useful lives of the assets, are expensed. It is the Organization's current policy to capitalize expenditures for these items in excess of \$5,000. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recorded.

Property and equipment acquired from funds received from grants in which the grantor retains a reversionary interest in the assets at the end of the grant period are expensed in the year of acquisition.

Property and equipment are being depreciated using the straight-line method over their estimated useful lives of five to thirty years. Depreciation expense for the year ended June 30, 2020 was \$9,270.

P. Revenue

Operation Care receives various federal, state, local and private grants. The largest grant funding is through the California Office of Emergency Services to support its major programs. These grants are paid through the reimbursement of allowable expenses, which are submitted monthly.

In 2020, Operation Care received a \$45,000 grant from Sutter Amador Hospital to support its Go Youth Program. As of June 30, 2020, \$11,268 has been used. The remainder is reflected in the Net Assets with Donor Restrictions.

In September 2019, Operation Care received an insurance reimbursement for a vehicle loss. The reimbursement is reported as a gain on the disposal of equipment in the financial statements.

Operation Care recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Operation Care's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Operation Care
Note to the Financial Statements
For the Year Ended June 30, 2020**

NOTE 3 - CASH AND CASH EQUIVALENTS

The Organization's cash balances as of June 30, 2020 consisted of the following:

| | <u>2020</u> |
|--|-------------------------|
| Petty cash | \$ 700 |
| American River Bank general checking | 9,795 |
| BBVA Compass | 980 |
| Total Cash and Cash Equivalents | <u>\$ 11,475</u> |

The Organization maintains cash balances at several high-quality financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At no time during the year did deposits exceed the Federal Deposit Insurance amount.

NOTE 4- LIQUIDITY AND RESERVES

Operation Care has a policy to manage its liquidity and reserves using the following principles: managing cash flows, reserves, risk, and to optimize investment returns within acceptable risk parameters. The following table reflects the organization's financial assets (cash and cash equivalents and investments) as of June 30, 2020, reduced by amounts not available for general expenditures within one year.

| | |
|------------------------------------|--------------------------|
| Financial Assets at 06/30/20 | |
| Cash and cash equivalents | \$ 11,475 |
| Grants receivable | 142,201 |
| Prepaid expenses | 12,964 |
| | <u>166,640</u> |
| Less: | |
| Net assets with donor restrictions | (33,178) |
| | <u>\$ 300,102</u> |

NOTE 5 - COMPENSATED ABSENCES

Operation Care provides eligible staff with paid time off ("PTO") which is a combination of vacation, sick leave or any other paid time off. PTO is a liability and an expense in the year earned. Employees accrue PTO based on the number of hours worked each week and length of time employed by Operation Care. Accrued time is paid to employees at the rate of pay in effect when the time is used. PTO is payable in full upon termination of employment.

NOTE 6 - LINE OF CREDIT AND LONG-TERM DEBT

Operation Care maintains a \$100,000 Line of Credit with American River Bank, secured by real property owned by the Organization, which is renewed annually. Amounts borrowed under this agreement bear interest at the Bank's index rate, currently 5.25%. At June 30, 2020, there was a \$10,000 outstanding balance.

**Operation Care
Note to the Financial Statements
For the Year Ended June 30, 2020**

NOTE 7 - OPERATING LEASES

Operation Care has operating leases, primarily for various forms of equipment, that are payable monthly and are based on usage. Those leases generally contain renewal options for periods ranging from one to ten years and require the Organization to pay all executory costs such as taxes, maintenance, and insurance. Rental expenses for those equipment leases for the year ended June 30, 2020 was \$3,690.

The Organization also leases the following office/storage spaces:

- Operation Care signed a five-year lease amendment for office space at 817 Court St., Suite 12 and 3 in Jackson, California which will expire on March 31, 2024. The lease has a base rent of \$5,793 per month.
- Operation Care also has various month-to-month leases for storage spaces.

Rental expenses for office/storage space for the year ended June 30, 2020 was \$71,044.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2020 are:

| <u>Year Ending June 30:</u> | <u>Equipment</u> | <u>Office Space</u> |
|--|------------------|---------------------|
| 2021 | 2,256 | 69,519 |
| 2022 | 2,256 | 69,519 |
| 2023 | 2,256 | 69,519 |
| 2024 | 2,256 | 52,140 |
| Total Future Minimum Lease Payments | \$ 9,024 | \$ 260,697 |

NOTE 8 - NON-CASH (IN-KIND) CONTRIBUTIONS

During the year ended June 30, 2020, the following in-kind contributions were received by the Organization:

| | <u>2020</u> |
|--|------------------|
| Grant revenue-in-kind contributions: | |
| Advertising | \$ 3,007 |
| Donated improvements to safehouse | 4,603 |
| Equipment | 6,453 |
| Merchandise | 1,375 |
| Miscellaneous in-kind contributions | 4,938 |
| Professional services | 6,707 |
| Rent | 7,108 |
| Total grant revenue in-kind contributions | \$ 34,191 |

Donated services are recognized as contributions for those services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated supplies are recorded at fair market value on the date of the donation.

In-kind rent is determined by the difference between the fair market value of rent versus rent being charged to the Organization on their administrative offices.

**Operation Care
Note to the Financial Statements
For the Year Ended June 30, 2020**

NOTE 9- RETIREMENT PLAN

Operation Care sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering all employees. Under the plan, employees may contribute a specified percentage of their salary, or a fixed dollar amount according to a salary reduction agreement. The organization may agree to make "nonelective" contributions to their employees' 403(b) plans. There were no "nonelective" contributions made by the organization during the year.

NOTE 10- RELATED PARTY TRANSACTIONS

In July of 2019, Bruce Platt, the fiscal officer, made a short-term non-interest-bearing loan to facilitate cash flow for the organization, which was approved by the Board of Directors. The loan was paid in full in April 2020.

NOTE 11 - RISK FINANCING

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There were no significant reductions in insurance coverage from coverage in the prior years.

NOTE 12 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Approximately 96% of the Organization's grant revenue is provided from grants received from the California Office of Emergency Services. As such, the activities of Operation Care are subject to administrative directives, rules, and regulations of the grantor agencies. Such administrative directives, rules, and regulations are subject to change, and as such changes may occur with little notice and inadequate funding to implement the changes. Any change could have a direct and material impact on the ability of Operation Care to carry out its activities.

NOTE 14 -NONCOMPLIANCE WITH GRANTOR RESTRICTIONS

Various state and local agencies have the authority to audit the books and records of Operation Care as they pertain to the grants and contracts they have awarded. As a result of these potential audits, some grants or contract costs could be disallowed which would create a liability for the Organization.

NOTE 15- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 18, 2020 the date the financial statements were available to be issued, and determined the following to be significant:

Operation Care's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption, which may be caused by the outbreak, is uncertain: however, it may result in a material adverse impact on the organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the company's activities and operations.

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**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***

To the Board of Directors
Operation Care

I have audited, in accordance with the 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, the financial statements of Operation Care (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Operation Care's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Operation Care's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that may have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Operation Care's financial statements are free from material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cathy Castillo
Certified Public Accountant
Sutter Creek, California
December 18, 2020