

# Operation Care

# 2021

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For the Fiscal Year Ended June 30, 2021  
with Comparative Totals for the Fiscal  
Year Ended June 30, 2020

**Annual  
Financial  
Report**

## **Board of Directors**

Chris Wendland- President

Mel Welsh– Vice President

Jim Wilmarth- Treasurer

Brigid Hanson- Secretary

Luisa Almeida- Board Member

Lori Jagoda- Board Member

Meg Newell- Board Member

**OPERATION CARE  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Operation Care  
Jackson, California

I have audited the accompanying financial statements of Operation Care (a nonprofit organization), 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**

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, 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

I have previously audited the Operation Care's 2020 financial statements, and I expressed an unmodified opinion on those audited financial statements in my report dated December 18, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 1, 2021, 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 1, 2021

**Operation Care**  
**Statement of Financial Position**  
**As of June 30, 2021 with Comparative Totals as of June 30, 2020**

	<u>2021</u>	<u>2020</u> (Restated)
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 59,903	\$ 11,475
Accounts receivable- grants	95,644	142,201
Prepaid expenses	2,942	12,965
	<hr/>	<hr/>
Total current assets	158,489	166,641
<b>Property and Equipment:</b>		
Land- non depreciable	31,250	31,250
Depreciable:		
Buildings	341,712	311,673
Furniture and equipment	78,629	78,629
	<hr/>	<hr/>
	451,591	421,552
Less: accumulated depreciation	(231,239)	(208,454)
	<hr/>	<hr/>
Total fixed assets	220,352	213,098
<b>Other Assets:</b>		
Deposits	5,793	5,793
Operating lease right of use assets	183,779	-
Unconditional promise to give-net	34,214	47,044
	<hr/>	<hr/>
	223,786	52,837
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 602,627</b> <hr/>	<hr/> <b>\$ 432,576</b> <hr/>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 14,209	13,821
Accrued expenses	7,012	806
Compensated absences	32,708	24,205
Current portion of operating lease liabilities	63,579	-
Line of credit	-	10,000
	<hr/>	<hr/>
Total current liabilities	117,508	48,832
<b>Long-term Liabilities:</b>		
Operating lease liabilities, net of current portion	120,200	-
	<hr/>	<hr/>
<b>Net Assets:</b>		
Net Assets with donor restrictions	54,498	80,776
Net Assets without donor restrictions	310,421	302,968
	<hr/>	<hr/>
Total net assets	364,919	383,744
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<hr/> <b>\$ 602,627</b> <hr/>	<hr/> <b>\$ 432,576</b> <hr/>

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, 2021**  
**with Comparative Totals for the Year Ended June 30, 2020**

	<u>2021</u>	<u>2020</u> (Restated)
<b>Without Donor Restrictions</b>		
Revenues, support and reclassifications:		
Grant revenue	\$ 926,855	\$ 1,020,976
Contributions	23,673	38,149
Contributions-in-kind	12,531	34,191
Fees	6,066	6,570
Gain on sale of equipment	200	10,659
Interest income	2	5
Net assets released from restrictions	48,348	-
Refunds	-	50
Special events	718	2,079
<b>Total revenue, support and reclassifications</b>	<u>1,018,393</u>	<u>1,112,679</u>
<b>Functional Expenses:</b>		
<i>Program services</i>		
Domestic Violence program	525,326	553,822
Rape Crisis program	297,021	353,844
Other program services	103,783	89,223
<i>Total program services expenses</i>	<u>926,130</u>	<u>996,889</u>
<i>Supporting services</i>		
General and administrative expenses	71,519	60,971
Fundraising	1,221	745
<i>Total supporting services expenses</i>	<u>72,740</u>	<u>61,716</u>
<b>Total functional expenses</b>	<u>998,870</u>	<u>1,058,605</u>
<b>Change in net assets without donor restrictions</b>	19,523	54,074
<b>With Donor Restrictions</b>		
Grant revenue	10,000	33,732
Unconditional promise to give	-	47,044
Net assets released from restrictions	<u>(48,348)</u>	<u>-</u>
<b>Change in net assets with donor restrictions</b>	(38,348)	80,776
<b>CHANGE IN NET ASSETS</b>	<b>(18,825)</b>	<b>134,850</b>
NET ASSETS, beginning of year	383,744	248,894
<b>NET ASSETS, end of year</b>	<u><u>\$ 364,919</u></u>	<u><u>\$ 383,744</u></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, 2021 with Comparative Totals for the Year Ended June 30, 2020**

	Program Services			Total Program Services	Supporting Services		Total Expenses (Restated)	
	Domestic Violence Program	Rape Crisis Program	Other Program Services		General and Admin	Fundraising	Total Supporting Services	Total 2021
Salaries and wages	\$ 266,412	\$ 178,193	\$ 44,399	\$ 483,004	\$ 14,755	\$ -	\$ 497,759	\$ 520,652
Payroll taxes and benefits	55,582	40,052	7,760	107,394	19,058	-	126,452	108,757
	315,994	218,245	52,159	590,398	33,813	-	624,211	629,409
Advertising and promotion	28,794	14,906	3,088	46,788	429	-	47,217	56,460
Client assistance	13,018	2,546	19,812	35,376	2	-	35,378	79,744
Dues and subscriptions	1,618	1,221	118	2,957	392	-	3,349	1,609
In-kind services	14,202	6,847	4,311	25,360	-	-	25,360	34,191
Insurance	8,334	4,974	656	13,961	200	-	14,161	10,586
Interest and finance charges	-	-	-	-	2,572	-	2,572	4,324
Lease expense	27,182	17,487	2,282	46,951	26,349	-	73,300	71,044
Other fundraising expenses	-	-	-	-	-	1,221	1,221	931
Outside services	2,016	1,892	154	4,062	238	-	4,300	5,474
Postage	739	407	36	1,182	135	-	1,317	1,901
Printing and publication expense	1,699	1,131	166	2,996	172	-	3,168	4,487
Professional fees	4,264	2,777	-	7,038	865	-	7,903	14,970
Repairs and maintenance	11,876	526	35	12,437	73	-	12,510	8,024
Supplies and equipment	28,470	6,773	18,773	54,016	740	-	54,756	51,097
Taxes, licenses and fees	280	188	19	487	1,034	-	1,521	1,547
Training and travel	3,937	1,938	477	6,352	887	-	7,239	24,801
Vehicle expense and mileage	438	425	262	2,125	-	-	2,125	6,815
Utilities and telephone	34,686	14,738	1,435	50,859	3,618	-	54,477	35,603
Total expenses before depreciation	502,544	297,021	103,783	903,345	71,519	1,221	976,085	1,043,017
Depreciation	22,785	-	-	22,785	-	-	22,785	15,588
Total functional expenses	\$ 525,329	\$ 297,021	\$ 103,783	\$ 926,130	\$ 71,519	\$ 1,221	\$ 998,870	\$ 1,058,605

The accompanying notes are an integral part of the financial statements



**Operation Care**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2021**  
**with Comparative Totals for the Year Ended June 30, 2020**

	<u>2021</u>	<u>2020</u> (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (18,825)	\$ 134,850
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	22,785	15,588
Gain on disposal of vehicle	(200)	(10,659)
 Increase (decrease) change in operating assets and liabilities		
Grants receivable	46,557	(14,438)
Prepaid expenses	10,023	(2,762)
Deposits	-	800
Right of use assets	183,779	-
Accounts payable	388	(5,340)
Accrued expenses	6,206	806
Compensated absences	8,503	(2,373)
Operating lease liability	(183,779)	-
Unconditional promise to give	12,830	(47,044)
 Net cash flows from operating activities	<u>88,267</u>	<u>69,428</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(30,039)	(63,175)
Sale of equipment	200	-
Insurance proceeds from vehicle loss	-	10,659
Net cash flows from investing activities	<u>(29,839)</u>	<u>(52,516)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on line of credit	(342,500)	(225,000)
Proceeds from line of credit	332,500	210,000
Net cash flows from financing activities	<u>(10,000)</u>	<u>(15,000)</u>
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 48,428	 1,912
 Cash and cash equivalents, beginning of year	 11,475	 9,563
 Cash and cash equivalents, end of year	 <u>\$ 59,903</u>	 <u>\$ 11,475</u>
 <b>SUPPLEMENTAL DISCLOSURES</b>		
 Cash payments for interest	 <u>\$ 2,572</u>	 <u>\$ 4,324</u>

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

**Operation Care  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**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 247 people this year.

The Organization accepts donations of clothing and household items for their Care Closet. These items are given to shelter occupants and other program participants, at no cost, to provide them with items needed for personal care and living necessities.

**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  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**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, 2021 was \$47,217. In addition, the Organization had \$536 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 original 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, 2020, 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 include advertising, dues and subscriptions, insurance, professional fees, and utilities and telephone are allocated between programs and services using salaries, number of clients served, time, usage, or benefit, whichever is appropriate, by line item.

**Operation Care  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*J. Fundraisers*

Operation Care typically holds special fundraising events throughout the year, however due to COVID-19, regular fundraising events were cancelled. For the year ended June 30, 2021, gross fundraising income from one special event was \$718 and direct fundraising costs incurred for a separate fundraising activity was \$1,221, for a net loss from fundraising activities, with expenses exceeding the fundraising income in the amount of \$503. Fundraising income and participation by the public 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 February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840 Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10 Codification Improvements to Topic 842 Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs effective July 1, 2020 and utilized all of the available practical expedients. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Organization to restate amounts as of July 1, 2020. The operating leases described in Note 8 resulted in an increase in operating lease ROU assets of \$183,779, an increase in current lease liabilities of \$63,579 and long-term lease liabilities of \$120,200.

**Operation Care  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*M. Correction of Error -*

As a result of the ASU 2016-02 and the review of current leases, the Organization discovered that the office space lease from G and M McIntyre includes a discount, which should have been recorded as an unconditional promise to give, at the net present value, as described in Note 7 of the financial statements. This misstatement resulted in an understatement of other assets and net assets with donor restrictions for the 2020 fiscal year. Accordingly, the Organization restated its results for fiscal year 2020. The effect of the restatement was to increase the change in net assets with donor restrictions for fiscal year 2020 by \$47,044

The effect of the restatement on the change in net assets with donor restrictions and financial position as of and for the years ended June 30, 2021 and June 30, 2020 are

<u>Restated</u>	<b>FYE 6/30/2020 As previously reported</b>	<b>FYE 6/30/2020 Restated</b>
<u>Statement of Activities:</u>		
Unconditional promise to give	\$ -	\$ 47,044
Change in net assets	87,806	134,850
<u>Statement of Financial Position:</u>		
Unconditional promise to give -net	\$ -	\$ 47,044
Net assets with donor restrictions	33,732	80,776

*N. Pending Accounting Pronouncements-*

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 clarified the presentation and disclosures of nonfinancial assets such as contributions, donations, gifts or grants. Non-financial assets include land, buildings, use of facilities, materials and supplies, intangible assets, and services. The Corporation has not determined the financial impact of the statement.

*O. Prepaid Expenses*

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

*P. 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

**Operation Care  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recorded.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Property and Equipment-continued*

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, 2021 was \$22,785.

*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 2021, Operation Care received a \$35,000 grant from Sutter Amador Hospital to support its Go Youth Program. As of June 30, 2021, \$11,691 has been used. The remainder is included in the Net Assets with Donor Restrictions.

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.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The Organization's cash balances as of June 30, 2021 consisted of the following:

	<u><b>2021</b></u>
Petty cash	\$ 700
American River Bank general checking	57,803
BBVA Compass	1,400
<b>Total Cash and Cash Equivalents</b>	<u><b>\$ 59,903</b></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.

**Operation Care  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**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, 2021, reduced by amounts not available for general expenditures within one year.

Financial Assets at 06/30/21	
Cash and cash equivalents	\$ 59,903
Grants receivable	95,644
Prepaid expenses	2,942
	<u>158,489</u>
Less:	
Net assets with donor restrictions	(54,498)
	<u><u>\$ 103,991</u></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 \$50,000 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, 2021, there was no outstanding balance.

**NOTE 7 - UNCONDITIONAL PROMISE TO GIVE**

In 2019 the Organization signed a five-year lease amendment for office space at 817 Court Street, Suite 12 and Suite 3 in Jackson, California, which will expire on March 31, 2024. The annual amount of Fair Market Value (FMV) rent paid to the lessor is \$84,135. The difference between the FMV of the rent and the annual contractual payment per the lease agreement represents the unconditional promise to give.

The net realizable value of the unconditional promise to give is detailed below:

Unconditional promise to give-face amount	\$ 38,975
Discount-effective interest rate of 5.25%	(4,761)
Unconditional promise to give- net	<u><u>\$ 34,214</u></u>

**Operation Care  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**NOTE 8 - OPERATING LEASES**

The Organization leases certain office space and equipment. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

Operation Care has an operating lease for a copier, that is payable monthly and a separate monthly charge which is based on usage. This lease contains a renewal option that can extend the lease term from one to five years, and requires the Organization to pay all executory costs such as taxes, maintenance, and insurance.

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, which is approximately 20% below the FMV for this office space. See Note 7 for the discounted rent-unconditional promise to give.
- Operation Care also has various month-to-month leases for storage spaces.

Lease expenses for office/storage space for the year ended June 30, 2021 was \$73,300.

*Lease Term and Discount Rate*

Operating lease right of use assets and operating lease liabilities have been reported.  
( See Note 2- L).

The implicit borrowing rate for the copier lease is 26.4 %. As the office space lease does not provide an implicit rate, the Organization uses its incremental borrowing rate of 5.25%.

**6/30/2021**

**Weighted Average Remaining Lease Term**

Operating Leases	2.875 years
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**Weighted Average Discount Rate**

Operating Leases	5.850%
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Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2021 are:

<u>Year Ending June 30:</u>	<u>Equipment</u>	<u>Office Space</u>
2022	2,256	69,519
2023	2,256	69,519
2024	2,256	52,140
<b>Total Future Minimum Lease Payments</b>	<b>\$ 6,768</b>	<b>\$ 191,178</b>



**Operation Care  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**NOTE 9 - NON-CASH (IN-KIND) CONTRIBUTIONS**

During the year ended June 30, 2021, the following in-kind contributions were received by the Organization:

	<u><b>2,021</b></u>
Grant revenue-in-kind contributions:	
Advertising	\$ 535
Labor	10,224
Rent	1,772
<b>Total grant revenue in-kind contributions</b>	<u><b>\$ 12,531</b></u>

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.

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.

**NOTE 10- 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 or 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 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 90% 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.

**Operation Care  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**NOTE 13 -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 14- SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through December 1, 2021 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 ongoing disruption, which has been caused by the outbreak, is uncertain: however, the Organization is continuing certain programs and other operations as an essential service. Possible effects may include, but are not limited to, disruption to the company's programs, including cancellation of fundraising activities, and increased costs of operations. However, at the current time, the Organization is unable to quantify monetary effects of this pandemic on future financial statements.

Due to cash flow delays caused by the California Office of Emergency Services (Cal-OES), the Organization took \$45,000 in advances from their Line of Credit account. This amount has been paid off as of the report date.

**CATHY CASTILLO  
CERTIFIED PUBLIC ACCOUNTANT**

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**Accountants on Staff:**

Susan Bordwell, CPA  
Judy Brobst  
Mayla Swift, CPA

Member of the American Institute of Certified Public  
Accountants, California Society of CPA's and AICPA Peer Review Program

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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

We 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, 2021, 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 1, 2021.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, we 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-01 that we consider to be a material weakness.

**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*.

### **Operation Care's Response to Findings**

Operation Care's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The organization's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **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 1, 2021

Operation Care  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2021

**2021-01 MATERIAL WEAKNESS**

**CRITERIA**

All Promises to Give, whether unconditional or restricted, must be reported on the statement of net position. The Promise to Give must be reported in the statement of activities. Contributions are recorded at net present value at time of recognition.

**CONDITION**

During our review of leases, it came to our attention that Operation Care was receiving discounted rent that was detailed in an amendment to the office space lease. The amount of the discounted rent was not reflected in the monthly financial statements as in-kind rent, nor was the total discounted rent recognized as an unconditional promise to give.

**CAUSE**

The unconditional promise to give was not cash, leading to an oversight in the recording of the discounted rent. During this year, due to COVID, grant requirements for reporting in-kind donation matches were waived, so the usual recording procedures were not performed.

**CONTEXT AND EFFECT**

Operation Care has not previously received a multi-year promise to give. The written discount of the lease was an unusual transaction and the financial director, board members, executive director and key personnel were not familiar with the proper recording. As a result, the discounted value of the promise to give was not recognized in the financial statements.

**RECOMMENDATION**

Management should implement policies that address accounting procedures for unusual transactions, non-recurring activity and those transactions that may or may not involve the receipt of cash. These controls should also ensure that contributions are recorded at their fair value at the time of the initial recognition, and that non-cash contributions that meet the criteria for recognition are recorded.

**RESPONSE**

Operation Care will be implementing an accounting policy that will detail how unusual or non-recurring transactions, cash and in-kind, are handled. We will consult with accounting professionals who can provide guidance on how to properly record these transactions in the financial statements.



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## Communication with Those Charged with Governance at the Conclusion of the Audit

December 1, 2021

Board of Trustees  
Operation Care  
817 Court Street, Suite 12  
Jackson, California

We have audited the financial statements of Operation Care for the year ended June 30, 2021 and we will issue our report thereon dated December 1, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Operation Care are described in Note 2 to the financial statements. As described in Note 2-L of the financial statements, the Organization changed accounting policies related to the presentation of the financial statements by adopting FASB Accounting Standards Update (ASU) No. 2016-02, *Leases*, in the fiscal year ending June 30, 2021. Accordingly, the accounting change noted has been retrospectively applied to prior periods presented as if the policy has always been used. No transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciation expense is based on the straight-line method of depreciating assets over the estimated useful lives of those assets.

Management's estimate of employee PTO (paid-time-off) is based on the eligible employee's accrued PTO hours multiplied by their individual rate of pay.

Management's estimate of the Right of Use Asset is based on the Net Present Value of the asset. The discount rate used to determine the Net Present Value is based on the current Line of Credit interest rate.



Management's estimate of the Unconditional Promise to Give is based on the difference between the estimated Fair Market Value of office space rent per square foot and actual office rent paid per square foot. The discount rate used to estimate the current in-kind value of the contribution was based on the Organization's estimated incremental borrowing rate of 5.25%.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

We proposed adjustments to the financial statements consisting of the following misstatements detected as a result of audit procedures and corrected by management:

- Current year depreciation expense
- Record Right of Use on Leases
- Adjustment to compensated absences (PTO) to estimated year-end balance
- Record non-cash donations and related in-kind expense
- Record unconditional promise to give

#### ***Disagreements with Management.***

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 1, 2021.

#### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



### Non-cash Donations

All in-kind donations must be reported on the financial statements, even if not required by a grant. Examples of this would be significant non-cash items such as advertising, counseling services, donated rent and specialized labor.

### Vacation Accruals

All employees that are eligible for paid time off need to be included in the PTO end of year balance computation. Vacation policies should be applied to all eligible employees to meet non-discriminatory requirements for these benefits. We noted during our review of PTO that vacation hours for Bruce Platt were not being accrued.

### Credit Card Expense Accruals

June credit card charges, even though paid and reported on July credit card statements, should be recorded as vendor payables at year end if incurred, in order to include these expenses in June grant reimbursement requests.

### Insurance Coverage

During our review of liability insurance policies, we noted that 500 S. Broadway was listed as the Operation Care office. Insurance policies should be reviewed and updated as necessary, but at least annually for coverage of current operations and assets.

### Changes to Accounting Principle and New Accounting Pronouncements

Periodically, the Financial Accounting Standards Board (FASB) issues changes and updates to accounting standards which may impact the reporting by the organization.

This year with the adoption of ASU 2016-02, Leases, the following has changed:

- All long-term leases, whether financing or operating, must be reported on the Statement of Financial Position.
- Right of use assets and related liabilities for operating leases have been included on the Statement of Financial Position.
- The Lease disclosure has been updated and reflects the right of use asset.

For the financial statements ending June 30, 2022

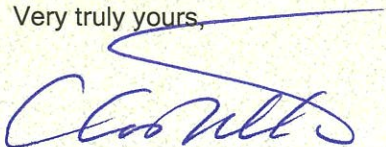
- Clarification on the reporting and disclosure of contributed nonfinancial assets.

### Adjusting Journal Entries

The adjusting journal entries have been given to Bruce Platt which are necessary to bring the organization's books into agreement with the audit. All adjustments have been recorded.

This information is intended solely for the use of the Board of Trustees and, if appropriate, the management of Operation Care and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Cathy Castillo, CPA