

Laguna Beach Seniors, Inc.

Annual Financial Report

For the Year Ended December 31, 2007

With Comparable Amounts for December 31, 2006

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Financial Section



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Independent Auditor's Report

Board of Directors
Laguna Beach Seniors, Inc.
Laguna Beach, California

We have audited the accompanying statements of financial position of the Laguna Beach Seniors, Inc. (Organization) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended, which collectively comprise the Organization's basic financial statements. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative financial information as of December 31, 2006, was audited by other auditors whose report dated June 4, 2007, expressed an unqualified opinion on those basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Laguna Beach Seniors, Inc. as of December 31, 2007, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 31, 2008
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

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Basic Financial Statements

Laguna Beach Seniors, Inc.
Statements of Financial Position
As of December 31, 2007
With Comparable Amounts as of December 31, 2006

<i>Assets</i>	2007	2006
Current assets:		
Cash and cash equivalents	\$ 1,444,677	917,897
Accrued interest receivable	-	3,014
Pledges receivable – current (note 2)	133,048	220,101
Prepaid expenses and other assets	1,247	-
Total current assets	<u>1,578,972</u>	<u>1,141,012</u>
Non-current assets:		
Investments (note 3)	10,199	713,242
Pledges receivable (note 2)	7,000	61,509
Predevelopment Senior Center costs	-	173,287
Furniture and equipment, net (note 4)	-	3,127
Total non-current assets	<u>17,199</u>	<u>951,165</u>
Total assets	<u>\$ 1,596,171</u>	<u>2,092,177</u>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts and other payables	\$ 3,821	6,635
Due to City of Laguna Beach for Senior Center (note 5)	1,121,000	-
Total current liabilities	<u>1,124,821</u>	<u>6,635</u>
Total liabilities	<u>1,124,821</u>	<u>6,635</u>
Net assets:		
Unrestricted:		
Available for operations	174,771	359,666
Net investment in furniture and equipment	-	3,127
Total unrestricted	<u>174,771</u>	<u>362,793</u>
Temporarily restricted (note 6)	296,579	1,722,749
Total net assets	<u>471,350</u>	<u>2,085,542</u>
Total liabilities and net assets	<u>\$ 1,596,171</u>	<u>2,092,177</u>

See accompanying notes to the basic financial statements

Laguna Beach Seniors, Inc.
Statement of Activities
For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Total</u>
Support and other revenue:			
Contributions and grants	\$ 35,249	667,316	702,565
Membership dues	8,125	-	8,125
Fund-raising events	62,310	-	62,310
Special events	6,683	-	6,683
Investment earnings	6,739	76,121	82,860
Other revenue	321	-	321
Total support and other revenue	<u>119,427</u>	<u>743,437</u>	<u>862,864</u>
Net assets released from restrictions (note 6)	<u>2,169,607</u>	<u>(2,169,607)</u>	<u>-</u>
Total revenue	<u>2,289,034</u>	<u>(1,426,170)</u>	<u>862,864</u>
Program services:			
Program and special events	271,485	-	271,485
Senior Center contributions to City of Laguna Beach (note 5)	<u>2,121,000</u>	<u>-</u>	<u>2,121,000</u>
Total program expenses	<u>2,392,485</u>	<u>-</u>	<u>2,392,485</u>
Supporting services:			
Management and general	61,769	-	61,769
Fund-raising	<u>22,802</u>	<u>-</u>	<u>22,802</u>
Total supporting services	<u>84,571</u>	<u>-</u>	<u>84,571</u>
Total expenses	<u>2,477,056</u>	<u>-</u>	<u>2,477,056</u>
Change in net assets	(188,022)	(1,426,170)	(1,614,192)
Net assets, beginning of year	<u>362,793</u>	<u>1,722,749</u>	<u>2,085,542</u>
Net assets, end of year	<u>\$ 174,771</u>	<u>296,579</u>	<u>471,350</u>

See accompanying notes to the basic financial statements

Laguna Beach Seniors, Inc.
Statement of Activities
Comparable Amounts For the Year Ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>
Support and other revenue:			
Contributions and grants	\$ 44,594	289,022	333,616
Membership dues	12,462	-	12,462
Fund-raising events	5,560	-	5,560
Special events	16,680	-	16,680
Investment earnings	30,900	24,480	55,380
Other revenue	1,950	-	1,950
Total support and other revenue	<u>112,146</u>	<u>313,502</u>	<u>425,648</u>
Net assets released from restrictions (note 6)	<u>26,449</u>	<u>(26,449)</u>	<u>-</u>
Total revenue	<u>138,595</u>	<u>287,053</u>	<u>425,648</u>
Program services:			
Program and special events	<u>110,664</u>	<u>-</u>	<u>110,664</u>
Total program expenses	<u>110,664</u>	<u>-</u>	<u>110,664</u>
Supporting services:			
Management and general	18,870	-	18,870
Fund-raising	33,127	-	33,127
Total supporting services	<u>51,997</u>	<u>-</u>	<u>51,997</u>
Total expenses	<u>162,661</u>	<u>-</u>	<u>162,661</u>
Change in net assets	(24,066)	287,053	262,987
Net assets, beginning of year	<u>386,859</u>	<u>1,435,696</u>	<u>1,822,555</u>
Net assets, end of year	<u>\$ 362,793</u>	<u>1,722,749</u>	<u>2,085,542</u>

See accompanying notes to the basic financial statements

Laguna Beach Seniors, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparable Amounts for the Year Ended December 31, 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets	\$ (1,614,192)	262,987
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,127	1,308
Unrealized gains on investments	-	(30,701)
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Pledges receivable	141,562	613,989
Prepaid expenses and other assets	(1,247)	-
Predevelopment Senior Center costs	173,287	-
Increase(Decrease) in liabilities:		
Accounts and other payables	(2,814)	5,937
Due to City of Laguna Beach for Senior Center	1,121,000	-
Total adjustments	<u>1,434,915</u>	<u>590,533</u>
Net cash provided by (used in) operating activities	<u>(179,277)</u>	<u>853,520</u>
Cash flows from investing activities		
Proceeds from the sales and maturities of investments	703,043	-
Purchases of investments	-	(409,802)
Accrued interest on investments	3,014	(3,014)
Purchases of furniture and equipment	-	(2,020)
Net cash provided by (used in) investing activities	<u>706,057</u>	<u>(414,836)</u>
Net increase in cash and cash equivalents	526,780	438,684
Cash and cash equivalents, beginning of year	<u>917,897</u>	<u>479,213</u>
Cash and cash equivalents, end of year	<u>\$ 1,444,677</u>	<u>917,897</u>

See accompanying notes to the basic financial statements

Laguna Beach Seniors, Inc.
Notes to the Basic Financial Statements
December 31, 2007, with comparable amounts for December 31, 2006

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Laguna Beach Seniors, Inc. (Organization) purpose is to assist in preserving the seniors' health and independence in their own homes while keeping them from premature institutionalization. The Organization's programs currently include transportation assistance, food distribution, legal aid, medical related services and various other outreach services to the senior community of the City of Laguna Beach.

B. Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

C. Financial Reporting and Presentation

In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, contributions, including unconditioned promises to give, are recognized as revenue at their fair value in the period received. It also requires that the value of certain contributed services be recognized in the year received.

Under the provision of SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, net assets, revenues, expenses gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

These are net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.

Temporarily Restricted Net Assets

These are net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. However, donor-imposed stipulations on contributions whose stipulation are met in the same reporting period are recorded as unrestricted net assets.

Permanently Restricted Net Assets

These are net assets that the donor has stipulated that the original amount donated be maintained into perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Laguna Beach Seniors, Inc.
Notes to the Basic Financial Statements
December 31, 2007, with comparable amounts for December 31, 2006

(1) Reporting Entity and Summary of Significant Accounting Policies

D. Assets, Liabilities and Net Assets

1. Use of Estimates

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

2. Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all highly liquid debt instruments, including money market funds, purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

3. Investments

Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Investment earnings include interest earnings and any gains or losses realized upon the liquidation or sale of investments. Also, the Organization has adopted an investment policy directing the Treasurer to deposit funds with certain financial institutions.

4. Prepaid Expenses and Other Assets

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items

5. Furniture and Equipment

Furniture and equipment are recorded at cost if purchased or at fair market value at date of donation. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from three to Seven years. Furniture and equipment are capitalized if the cost or donated fair market value of an asset is greater than, or equal to \$500.

6. Revenue Recognition

Revenues from grants and fees for services are recognized in the period in which the related service occurs.

7. In-Kind Donations

In-kind donations are donated services that are reflected as contributions at their estimated fair values at the date of donation.

8. Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

9. Income Taxes

As a publicly supported organization, the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c) and the corresponding provisions of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in the financial statements.

Laguna Beach Seniors, Inc.
Notes to the Basic Financial Statements
December 31, 2007, with comparable amounts for December 31, 2006

(2) Pledges Receivable

Unconditional pledges to give as of December 31, were as follows:

	<u>2007</u>	<u>2006</u>
Pledges receivable	\$ 140,048	288,248
Less: Discount to net present value	<u>-</u>	<u>(6,638)</u>
Total	<u>140,048</u>	<u>281,610</u>
Pledges receivable – current	133,048	220,101
Pledges receivable – noncurrent	<u>7,000</u>	<u>61,509</u>
Total	<u>\$ 140,048</u>	<u>281,610</u>

All pledges are temporarily restricted for the new Senior Center (See Note 5). The discount rate used for the non-current pledges to give was 5%. No discount was recorded for the non-current pledges to give in 2007.

(3) Investments

The amortized cost and fair value of investments as of December 31, by contractual maturity, are summarized below. Equity securities do not have any stated maturity and, therefore, are shown in a separate line item.

Investments consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Investments	\$ 10,199	713,242
Total	<u>\$ 10,199</u>	<u>713,242</u>

Investments as of December 31, consist of the following:

	<u>2007</u>		<u>2006</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Equity Securities	\$ 10,199	10,199	70,983	123,352
Fixed Income Securities	<u>-</u>	<u>-</u>	<u>582,028</u>	<u>589,890</u>
	<u>\$ 10,199</u>	<u>10,199</u>	<u>653,011</u>	<u>713,242</u>

	<u>2007</u>		<u>2006</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Scheduled maturities:				
Equity securities	\$ 10,199	10,199	70,983	123,352
Within one year	<u>-</u>	<u>-</u>	<u>582,028</u>	<u>589,890</u>
	<u>\$ 10,199</u>	<u>10,199</u>	<u>653,011</u>	<u>713,242</u>

Laguna Beach Seniors, Inc.
Notes to the Basic Financial Statements
December 31, 2007, with comparable amounts for December 31, 2006

(4) Furniture and Equipment

At December 31, furniture and equipment consisted of the following:

	<u>Balance 2006</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2007</u>
Depreciable assets:				
Furniture and equipment	\$ 11,180	-	(11,180)	-
Total depreciable assets	<u>11,180</u>	<u>-</u>	<u>(11,180)</u>	<u>-</u>
Accumulated depreciation	<u>(8,053)</u>	<u>(3,127)</u>	<u>11,180</u>	<u>-</u>
Total furniture and equipment, net	<u>\$ 3,127</u>	<u>(3,127)</u>	<u>-</u>	<u>-</u>

(5) Due to City of Laguna Beach for Senior Center

Under a *Joint Development Agreement* with the City of Laguna Beach (City), the Organization has committed to contribute \$2,500,000 (less grant funds of \$379,000 obtained by the City or \$2,121,000, net) toward the construction of a Senior Center to be housed within the City's new Community Center. Under the terms of the agreement, once the construction is completed, the Organization will lease the Senior Center from the City for one-dollar (\$1.00) per year for 55 years with an option to extend the lease for another 44 years at the same rate. As of December 31, 2007, the Organization owed the City \$1,121,000 to be paid in specified installments throughout 2008.

(6) Net Assets – Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Senior Center	\$ 296,579	1,722,749

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by the donors' requests as follows:

	<u>2007</u>	<u>2006</u>
Senior Center contributions to City	\$ 2,121,000	-
Management and general	25,805	-
Fund-raising	<u>22,802</u>	<u>26,449</u>
Total	<u>\$ 2,169,607</u>	<u>26,449</u>

(7) Public Support

Volunteers from the community have donated significant amounts of their time in support of the Organization's programs. No amounts have been reflected in the financial statements for the contributed services since no objective basis is available to measure the value of such services.

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Supplementary Information

Laguna Beach Seniors, Inc.
Schedule of Functional Expenses
For the Year Ended December 31, 2007

	Program and Special Events	Senior Center Contributions	Total Program Services	Management and General	Fund Raising	Total
Salaries and benefits	\$ 90,982	-	90,982	-	-	90,982
Senior Center contributions	-	2,121,000	2,121,000	-	-	2,121,000
Predevelopment SC costs	173,287	-	173,287	-	-	173,287
Program and special events	-	-	-	22,803	2,528	25,331
Professional services	7,135	-	7,135	16,144	-	23,279
Printing and postage	-	-	-	6,260	18,569	24,829
Insurance	-	-	-	2,679	-	2,679
Telephone and internet	-	-	-	1,202	189	1,391
Accounting and auditing	-	-	-	6,770	-	6,770
Office expenses	-	-	-	3,154	86	3,240
Depreciation	-	-	-	1,727	1,400	3,127
Bank and credit card fees	81	-	81	1,030	30	1,141
	<u>\$ 271,485</u>	<u>2,121,000</u>	<u>2,392,485</u>	<u>61,769</u>	<u>22,802</u>	<u>2,477,056</u>

Laguna Beach Seniors, Inc.
Schedule of Functional Expenses
Comparable Amounts For the Year Ended December 31, 2006

	Program and Special Events	Management and General	Fund Raising	Total
Salaries and benefits	\$ 87,906	-	-	87,906
Program and special events	4,577	-	9,693	14,270
Professional services	-	11,744	14,825	26,569
Printing and postage	5,794	1,180	1,746	8,720
Insurance	2,542	-	-	2,542
Telephone and internet	2,705	-	-	2,705
Accounting and auditing	-	1,039	-	1,039
Office expenses	7,140	3,599	6,863	17,602
Depreciation	-	1,308	-	1,308
	<u>\$ 110,664</u>	<u>18,870</u>	<u>33,127</u>	<u>162,661</u>