

Laguna Beach Seniors, Inc.

Annual Financial Report

For the Years Ended December 31, 2008 & 2007

Laguna Beach Seniors, Inc.
Annual Financial Report
For the Years Ended December 31, 2008 and 2007

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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, 2008 and 2007, and the related statements of activities and cash flows for the years then ended, which collectively comprise the Organization's 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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, 2008 and 2007, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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 financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

February 26, 2009
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, 2008 and 2007

| <i>Assets</i> | 2008 | 2007 |
|--|-------------------|------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 654,531 | 1,444,677 |
| Pledges receivable – current (note 2) | 20,100 | 133,048 |
| Prepaid expenses and other assets | 631 | 1,247 |
| Total current assets | <u>675,262</u> | <u>1,578,972</u> |
| Non-current assets: | | |
| Investments (note 3) | - | 10,199 |
| Pledges receivable (note 2) | 22,400 | 7,000 |
| Furniture and equipment, net (note 4) | 43,743 | - |
| Total non-current assets | <u>66,143</u> | <u>17,199</u> |
| Total assets | <u>\$ 741,405</u> | <u>1,596,171</u> |
| <hr/> <i>Liabilities and Net Assets</i> <hr/> | | |
| Current liabilities: | | |
| Accounts and other payables | \$ 6,306 | 3,821 |
| Due to City of Laguna Beach for Senior Center (note 5) | - | 1,121,000 |
| Total current liabilities | <u>6,306</u> | <u>1,124,821</u> |
| Total liabilities | <u>6,306</u> | <u>1,124,821</u> |
| Net assets: | | |
| Unrestricted: | | |
| Available for operations | 173,682 | 174,771 |
| Net investment in furniture and equipment | 43,743 | - |
| Total unrestricted | <u>217,425</u> | <u>174,771</u> |
| Temporarily restricted (note 6) | 517,674 | 296,579 |
| Total net assets | <u>735,099</u> | <u>471,350</u> |
| Total liabilities and net assets | <u>\$ 741,405</u> | <u>1,596,171</u> |

See accompanying notes to the basic financial statements

Laguna Beach Seniors, Inc.
Statement of Activities
For the Year Ended December 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2008 Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------|
| Support and other revenue: | | | |
| Contributions and grants | \$ 83,682 | 293,993 | 377,675 |
| Membership dues | - | - | - |
| Fund-raising events | 74,873 | - | 74,873 |
| Special events | 3,689 | - | 3,689 |
| Program service revenue | 7,900 | 84 | 7,984 |
| Investment earnings | 2,956 | 20,571 | 23,527 |
| Other revenue | 1,500 | - | 1,500 |
| Total support and other revenue | <u>174,600</u> | <u>314,648</u> | <u>489,248</u> |
| Net assets released from restrictions | <u>93,553</u> | <u>(93,553)</u> | <u>-</u> |
| Total revenue | <u>268,153</u> | <u>221,095</u> | <u>489,248</u> |
| Program services: | | | |
| Program and special events | <u>7,153</u> | <u>-</u> | <u>7,153</u> |
| Total program expenses | <u>7,153</u> | <u>-</u> | <u>7,153</u> |
| Supporting services: | | | |
| Management and general | 172,752 | - | 172,752 |
| Fund-raising | 45,594 | - | 45,594 |
| Total supporting services | <u>218,346</u> | <u>-</u> | <u>218,346</u> |
| Total expenses | <u>225,499</u> | <u>-</u> | <u>225,499</u> |
| Change in net assets | 42,654 | 221,095 | 263,749 |
| Net assets, beginning of year | <u>174,771</u> | <u>296,579</u> | <u>471,350</u> |
| Net assets, end of year | <u>\$ 217,425</u> | <u>517,674</u> | <u>735,099</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 | <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 | 2,121,000 | - | 2,121,000 |
| 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 | 22,802 | - | 22,802 |
| 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 | <u>(188,022)</u> | <u>(1,426,170)</u> | <u>(1,614,192)</u> |
| 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 Cash Flows
For the Years Ended December 31, 2008 and 2007

| | 2008 | 2007 |
|---|-------------|-------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 263,749 | (1,614,192) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 55 | 3,127 |
| Changes in assets and liabilities: | | |
| (Increase)Decrease in assets: | | |
| Pledges receivable | 97,548 | 141,562 |
| Prepaid expenses and other assets | 616 | (1,247) |
| Predevelopment Senior Center costs | - | 173,287 |
| Increase(Decrease) in liabilities: | | |
| Accounts and other payables | 2,485 | (2,814) |
| Due to City of Laguna Beach for Senior Center | (1,121,000) | 1,121,000 |
| Total adjustments | (1,020,296) | 1,434,915 |
| Net cash used in operating activities | (756,547) | (179,277) |
| Cash flows from investing activities | | |
| Proceeds from the sales and maturities of investments | 10,199 | 703,043 |
| Accrued interest on investments | - | 3,014 |
| Purchases of furniture and equipment | (43,798) | - |
| Net cash provided by (used in) investing activities | (33,599) | 706,057 |
| Net increase (decrease) in cash and cash equivalents | (790,146) | 526,780 |
| Cash and cash equivalents, beginning of year | 1,444,677 | 917,897 |
| Cash and cash equivalents, end of year | \$ 654,531 | 1,444,677 |

See accompanying notes to the basic financial statements

Laguna Beach Seniors, Inc.
Notes to the Basic Financial Statements
December 31, 2008 and 2007

(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, 2008 and 2007

(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, 2008 and 2007

(2) Pledges Receivable

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

| | 2008 | 2007 |
|-------------------------------------|-------------|-------------|
| Pledges receivable | \$ 42,500 | 140,048 |
| Less: Discount to net present value | - | - |
| Total | 42,500 | 140,048 |
| Pledges receivable – current | 20,100 | 133,048 |
| Pledges receivable – noncurrent | 22,400 | 7,000 |
| Total | \$ 42,500 | 140,048 |

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 2008.

(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:

| | 2008 | 2007 |
|-------------|-------------|-------------|
| Investments | \$ - | 10,199 |
| Total | \$ - | 10,199 |

Investments as of December 31, consist of the following:

| | 2008 | | 2007 | |
|-------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Equity Securities | \$ - | - | 10,199 | 10,199 |
| Fixed Income Securities | - | - | - | - |
| | \$ - | - | 10,199 | 10,199 |

| | 2008 | | 2007 | |
|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Scheduled maturities: | | | | |
| Equity securities | \$ - | - | 10,199 | 10,199 |
| Within one year | - | - | - | - |
| | \$ - | - | 10,199 | 10,199 |

Laguna Beach Seniors, Inc.
Notes to the Basic Financial Statements
December 31, 2008 and 2007

(4) Furniture and Equipment

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

| | <u>Balance 2007</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance 2008</u> |
|------------------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Depreciable assets: | | | | |
| Furniture and equipment | \$ - | 43,798 | - | 43,798 |
| Total depreciable assets | - | 43,798 | - | 43,798 |
| Accumulated depreciation | - | (55) | - | (55) |
| Total furniture and equipment, net | \$ - | 43,743 | - | 43,743 |

(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. In 2008, the Organization paid the City the \$1,121,000 in three installments.

(6) Net Assets – Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

| | <u>2008</u> | <u>2007</u> |
|---------------|-------------|-------------|
| Senior Center | \$ 517,674 | 296,579 |

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

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|-------------|-------------|
| Senior Center contributions to City | \$ - | 2,121,000 |
| Management and general | 4,160 | 25,805 |
| Furniture and equipment | 43,798 | - |
| Fund-raising | 45,595 | 22,802 |
| Total | \$ 93,553 | 2,169,607 |

(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, 2008

| | Program and Special Events | Total Program Services | Management and General | Fund Raising | Total |
|----------------------------|---|---------------------------------------|-----------------------------------|-------------------------|----------------|
| Salaries and benefits | \$ - | - | 117,777 | - | 117,777 |
| Program and special events | 4,137 | 4,137 | 1,000 | 45,096 | 50,233 |
| Professional services | - | - | 28,710 | - | 28,710 |
| Printing and postage | 2,789 | 2,789 | - | 498 | 3,287 |
| Insurance | - | - | 12,571 | - | 12,571 |
| Telephone and internet | - | - | 917 | - | 917 |
| Accounting and auditing | - | - | 10,485 | - | 10,485 |
| Office expenses | 172 | 172 | 365 | - | 537 |
| Depreciation | 55 | 55 | - | - | 55 |
| Bank and credit card fees | - | - | 927 | - | 927 |
| | <u>\$ 7,153</u> | <u>7,153</u> | <u>172,752</u> | <u>45,594</u> | <u>225,499</u> |

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> |