

Convalescent Aid Society
AUDITED FINANCIAL STATEMENTS
For the year ended June 30, 2017



To The Board of Directors
Convalescent Aid Society

I have audited the accompanying financial statements of Convalescent Aid Society, a nonprofit organization, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statement.

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 our audit. 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 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 judgement, 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 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 includes 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide for our audit opinion

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Convalescent Aid Society as of June 30, 2017, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expense on page 6 is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Arcadia, CA
April 30, 2018

**CONVALESCENT AID SOCIETY
STATEMENT OF FINANCIAL POSITION
FOR YEAR ENDING JUNE 30, 2017**

ASSETS	
Cash and cash equivalents	\$ 123,391
Inventory	49,953
Prepaid expense	4,955
Marketable securities (Note C)	5,395,071
Property and equipment, net (Note E)	<u>727,377</u>
TOTAL ASSETS	\$ <u>6,300,747</u>
 LIABILITIES	
Accounts payable and accrued expenses	\$ 46,443
Other liability - rent deposits	<u>4,689</u>
TOTAL LIABILITIES	<u>51,132</u>
 NET ASSETS	
Unrestricted	6,233,895
Temporarily restricted (Note F)	<u>15,720</u>
TOTAL NET ASSETS	<u>6,249,615</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>6,300,747</u>

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

**CONVALESCENT AID SOCIETY
STATEMENT OF ACTIVITIES
FOR YEAR ENDING JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public support			
Contributions	\$ 244,664	\$ -	\$ 244,664
Grants	95,499	13,000	108,499
Bequests	93,000		93,000
Special events - net	10,599		10,599
In-kind contributions	317,784	-	317,784
Total public support	<u>761,546</u>	<u>13,000</u>	<u>774,546</u>
Revenue			
Program service income	37,522		37,522
Product sales - net	47,442		47,442
Investment return	496,534	-	496,534
Rental income - net	30,954		30,954
Other income	35,616	-	35,616
Total revenue	<u>648,068</u>	<u>-</u>	<u>648,068</u>
Net assets released from restrictions	<u>58,387</u>	<u>(58,387)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,468,001</u>	<u>(45,387)</u>	<u>1,422,614</u>
EXPENSES			
Program services	843,279		843,279
Supporting services			
Management and general	172,703	-	172,703
Fund-raising	47,185	-	47,185
TOTAL EXPENSES	<u>1,063,167</u>	<u>-</u>	<u>1,063,167</u>
INCREASE IN NET ASSETS	404,834	(45,387)	359,447
NET ASSETS, BEGINNING OF YEAR	<u>5,829,061</u>	<u>61,107</u>	<u>5,890,168</u>
NET ASSETS, END OF YEAR	<u>\$ 6,233,895</u>	<u>\$ 15,720</u>	<u>\$ 6,249,615</u>

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

**CONVALESCENT AID SOCIETY
STATEMENT OF CASH FLOWS
FOR YEAR ENDING JUNE 30, 2017**

OPERATING ACTIVITIES	
Increase in net assets	\$ 359,447
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	29,050
Decrease in receivable	41,094
Increase in inventory	(8,083)
Increase in prepaid expense	(2,633)
Increase in marketable securities	(331,450)
Increase in accounts payable	3,857
Increase in other liabilities	<u>180</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>91,462</u>
INVESTING ACTIVITIES	
Property and equipment	<u>(46,403)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(46,403)</u>
NET INCREASE IN CASH	45,059
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>78,332</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 123,391</u>

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

**CONVALESCENT AID SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING JUNE 30, 2017**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and general</u>	<u>Fund-raising</u>	
Salaries and wages	223,128	101,636	20,000	344,764
Equipment Loan Out - First Time (Note D)	\$ 339,199	\$ -	\$ -	339,199
Outside services	62,361	6,869	5,617	74,847
Repairs and maintenance	61,919	672	82	62,673
Employee benefits	27,110	10,638	2,093	39,841
Other expense	13,790	18,520	-	32,310
Payroll taxes	21,186	8,790	1,730	31,706
Depreciation	25,445	3,271	334	29,050
Telephone and utilities	19,023	4,312	2,029	25,364
Office expense	9,482	10,468	2,094	22,044
Transportation and delivery	12,236	-	7,079	19,315
Insurance	14,226	3,224	1,517	18,967
Newsletters and appeals	7,947	-	4,391	12,338
Pension expense	6,227	2,041	219	8,487
Professional services	-	2,262	-	2,262
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ <u>843,279</u>	\$ <u>172,703</u>	\$ <u>47,185</u>	\$ <u>1,063,167</u>

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

**CONVALESCENT AID SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDING JUNE 30, 2017**

NOTE A - NATURE OF ORGANIZATION AND OPERATIONS

Convalescent Aid Society (CAS) is a California non-profit corporation founded in 1923. Located in Pasadena California, CAS serves the San Gabriel Valley by providing assistance to convalescing individuals and their families through the loan of durable medical equipment (DME) and supplies, free of charge and with no time constraints. CAS services allow individuals both young and old to convalesce or simply live a safer and more independent life in the comfort and security of their own homes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of CAS have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Basis of Presentation

CAS reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. CAS had no permanently restricted net assets as of June 30, 2017.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with initial maturities of less than 90 days. Throughout the year and at year-end, CAS's cash balances were deposited in bank and money market funds.

Inventory

Durable medical equipment (DME) held by CSA in its warehouse is reflected as inventory in the statement of financial position at cost, if purchased, and at fair market value , if donated. DME out on loan to clients is not included in inventory.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment return (including unrealized gains and losses, interest and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

**CONVALESCENT AID SOCIETY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR YEAR ENDING JUNE 30, 2017**

Restricted and Unrestricted Public Support

Contributions received and unconditional promises to give are measured at their fair market values and are reported as an increase in net assets. CAS reports cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expense Allocation

The costs of providing the various services and activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services, Goods and Equipment

Donated equipment received for the first time (new or good condition) is reflected in the statement of activities as in-kind contributions at its estimated fair market value at the date of receipt. Equipment loaned out for the first time is reflected in the statement of functional expense as equipment loan out expense based on the estimated fair market value at date of distribution. Loaned-out equipment that is subsequently returned is not recorded as in-kind contributions; nor is the re-loan of that equipment as an expense.

The value of donated services (volunteers) and supplies received is not reflected in the statement of activities.

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.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose CAS to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. CAS has not experienced any losses on its cash equivalents.

**CONVALESCENT AID SOCIETY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR YEAR ENDING JUNE 30, 2017**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

CAS is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In addition, CAS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

NOTE C - MARKETABLE SECURITIES

Long-term investments, which are designated for current income and future expansion, are stated at fair value and consist of marketable securities. Fair values and unrealized appreciation (depreciation) at June 30, 2017 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity securities & mutual funds	\$ 3,104,598	\$ 3,534,160	\$ 429,562
Fixed income mutual funds	<u>1,864,606</u>	<u>1,860,911</u>	<u>(3,695)</u>
	<u>\$ 4,969,204</u>	<u>\$ 5,395,071</u>	<u>\$ 425,867</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest & dividend income	\$ 106,670	\$ -	\$ 106,670
Gain on securities	425,868	-	425,868
Advisory fees	<u>(36,004)</u>	<u>-</u>	<u>(36,004)</u>
Total investment return	<u>\$ 496,534</u>	<u>\$ -</u>	<u>\$ 496,534</u>

NOTE D - EQUIPMENT LOAN OUT - FIRST TIME

Equipment loan out expense includes durable medical equipment that is loaned out for the first time to residents in need. The expense includes equipment purchased by CAS and donated equipment. Total first-time equipment loan-out expense was \$339,199.

CAS also loaned out \$260,772 in equipment that had been reported as first-time equipment loan-out expense in prior years. Accordingly, this value of equipment loaned out is not included in current year expense.

**CONVALESCENT AID SOCIETY
 NOTES TO FINANCIAL STATEMENTS (continued)
 FOR YEAR ENDING JUNE 30, 2017**

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following;

Land	\$ 380,855
Buildings	277,285
Improvements	289,102
Transportation equipment	96,651
Warehouse equipment	42,689
Software	28,673
Furniture and equipment	<u>14,802</u>
	1,130,057
Less accumulated depreciation	<u>(402,680)</u>
	<u>\$ 727,377</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Purchase durable medical equipment	<u>15,720</u>
	<u>\$ 15,720</u>

NOTE G - CONVALESCENT AID SOCIETY 403 (B) PLAN

Effective July 1, 2014 Convalescent Aid Society adopted a 403 (b) plan. Employees may elect to make a pre-tax basis contribution known as Elective Deferrals up to 100% of salary up to limits permitted under Federal law. The Plan also allows employees to make contributions to a Roth Contribution Account

The sum of employees contributions of Roth Contributions and regular pre-tax 403 (b) may not exceed the annual limit on regular 403 (b) mentioned above

For eligible employees, Convalescent Aid Society matches employee contributions not to exceed 3% of total employee compensation. Employee are eligible for matching contributions if they have over 500 hours of service and are employed on the last day of Plan year.

Employees vesting percentage on matching contributions is 100% after one year of service

**CONVALESCENT AID SOCIETY
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE H - INCOME TAX STATUS AND INCOME TAXES

CAS has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of audit by taxing authorities at the federal and state level. It has been determined that all income tax positions are more likely than not (greater than 50% share) of being sustained upon potential audit or examination, therefore, no recognition or disclosure of uncertain income tax positions is required in these financial statements.

NOTE I - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2018, the date the financial statements were available to be issued.