

MONTGOMERY AREA COUNCIL ON AGING

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2020 AND 2019

**MONTGOMERY AREA COUNCIL ON AGING
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SEPTEMBER 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montgomery Area Council on Aging

We have audited the accompanying financial statements of Montgomery Area Council on Aging (the Council), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

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 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 auditors' 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 auditors consider 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, we 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities and changes in net assets with donor restrictions on pages 19-20 are presented for purposes of additional analysis and are 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.

Warren Averett, LLC

Montgomery, Alabama
December 16, 2020

**MONTGOMERY AREA COUNCIL ON AGING
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019**

ASSETS		
	2020	2019
Cash and cash equivalents	\$ 749,145	\$ 393,859
Contracts, grants and other receivables	40,373	10,123
United Way receivable (net)	8,057	9,966
Pledges receivable	12,815	74,251
Prepaid expenses	11,566	12,469
Land held for sale	350,000	350,000
Investments	515,302	500,588
Property and equipment (at depreciated cost)	591,969	600,366
Construction in progress	17,436	10,725
TOTAL ASSETS	\$ 2,296,663	\$ 1,962,347
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 40,744	\$ 30,614
Payroll taxes payable	1,569	1,592
Accrued salaries and related expenses	46,173	40,118
Deferred revenue and other liabilities	23,796	14,026
Accrued compensated absences	24,063	21,764
Capital lease obligation	6,356	8,225
Note payable	115,228	115,228
TOTAL LIABILITIES	257,929	231,567
NET ASSETS		
Without donor restrictions		
Undesignated	953,401	765,652
Investment in property and equipment, net	487,821	487,638
Total net assets without donor restrictions	1,441,222	1,253,290
With donor restrictions		
Restricted by time or purpose	597,512	477,490
Total net assets with donor restrictions	597,512	477,490
TOTAL NET ASSETS	2,038,734	1,730,780
TOTAL LIABILITIES AND NET ASSETS	\$ 2,296,663	\$ 1,962,347

See notes to the financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 591,909	\$ 249,359	\$ 841,268
Noncash contributions	30,140	-	30,140
United Way	142,620	-	142,620
Governmental grants and fees	639,279	-	639,279
Fundraising	149,152	-	149,152
Program service fees from individuals	33,808	-	33,808
Investment income, net	17,688	-	17,688
Miscellaneous revenue	9,319	3,142	12,461
Net assets released from restrictions:			
Satisfaction of program restrictions	132,479	(132,479)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>1,746,394</u>	<u>120,022</u>	<u>1,866,416</u>
EXPENSES			
Program services:			
Retired and Senior Volunteer Program	185,586	-	185,586
Senior Services	822,185	-	822,185
Archibald Multi-Purpose Center	133,151	-	133,151
Community Awareness	61,614	-	61,614
Total program services	<u>1,202,536</u>	<u>-</u>	<u>1,202,536</u>
Supporting services:			
Management and general	259,923	-	259,923
Fundraising	101,056	-	101,056
Total supporting services	<u>360,979</u>	<u>-</u>	<u>360,979</u>
TOTAL EXPENSES	<u>1,563,515</u>	<u>-</u>	<u>1,563,515</u>
GAINS			
Realized gains on investments	194	-	194
Unrealized gains on investments	4,859	-	4,859
TOTAL GAINS	<u>5,053</u>	<u>-</u>	<u>5,053</u>
CHANGE IN NET ASSETS	187,932	120,022	307,954
NET ASSETS AT BEGINNING OF YEAR	<u>1,253,290</u>	<u>477,490</u>	<u>1,730,780</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,441,222</u>	<u>\$ 597,512</u>	<u>\$ 2,038,734</u>

See notes to the financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 496,719	\$ 181,828	\$ 678,547
Noncash contributions	19,216	-	19,216
United Way	135,281	-	135,281
Governmental grants and fees	434,321	-	434,321
Fundraising	205,882	-	205,882
Program service fees from individuals	37,657	-	37,657
Investment income, net	28,127	-	28,127
Miscellaneous revenue	16,436	3,369	19,805
Net assets released from restrictions:			
Satisfaction of program restrictions	99,102	(99,102)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,472,741	86,095	1,558,836
EXPENSES			
Program services:			
Retired and Senior Volunteer Program	184,355	-	184,355
Senior Services	678,818	-	678,818
Archibald Multi-Purpose Center	142,553	-	142,553
Community Awareness	67,449	-	67,449
Total program services	1,073,175	-	1,073,175
Supporting services:			
Management and general	232,393	-	232,393
Fundraising	117,377	-	117,377
Total supporting services	349,770	-	349,770
TOTAL EXPENSES	1,422,945	-	1,422,945
LOSSES			
Realized losses on investments	(2,803)	-	(2,803)
Unrealized losses on investments	(2,967)	-	(2,967)
Loss on disposal of assets	(18,481)	-	(18,481)
TOTAL LOSSES	(24,251)	-	(24,251)
CHANGE IN NET ASSETS	25,545	86,095	111,640
NET ASSETS AT BEGINNING OF YEAR	1,227,745	391,395	1,619,140
NET ASSETS AT END OF YEAR	\$ 1,253,290	\$ 477,490	\$ 1,730,780

See notes to the financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL ALL FUNCTIONS	
	Retired and Senior Volunteer Program	Senior Services	Archibald Multi-Purpose Center	Community Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	\$ 105,994	\$ 182,492	\$ 64,685	\$ 23,847	\$ 377,018	\$ 163,416	\$ 50,338	\$ 213,754	\$ 590,772
Payroll taxes	7,306	14,435	5,329	1,778	28,848	12,870	3,451	16,321	45,169
Employee benefits	12,102	13,729	(974)	1,381	26,238	4,337	1,828	6,165	32,403
Pension expense	4,149	5,700	2,218	727	12,794	6,524	1,755	8,279	21,073
Total salaries and related expenses	129,551	216,356	71,258	27,733	444,898	187,147	57,372	244,519	689,417
Meals for clients	-	503,623	-	-	503,623	-	-	-	503,623
Activities for clients	1,054	13,658	-	-	14,712	-	-	-	14,712
Archibald Center activities	-	-	1,301	-	1,301	-	-	-	1,301
Volunteer activities	16,218	1,564	57	12,409	30,248	-	-	-	30,248
Promotional activities	370	-	-	16,832	17,202	-	-	-	17,202
Staff travel	5,741	8,505	125	-	14,371	216	-	216	14,587
Conferences and training	678	-	-	-	678	-	-	-	678
Professional fees and insurance	3,391	7,601	7,359	389	18,740	20,035	587	20,622	39,362
Dues and publications	417	606	256	34	1,313	1,331	54	1,385	2,698
Office supplies and equipment	6,361	16,824	5,898	2,039	31,122	11,653	3,984	15,637	46,759
Postage	437	1,154	657	63	2,311	98	523	621	2,932
Occupancy	20,274	26,413	31,001	1,739	79,427	11,122	2,733	13,855	93,282
Fundraising	-	-	-	-	-	-	34,988	34,988	34,988
Committee expense	-	-	-	-	-	3,504	-	3,504	3,504
Miscellaneous	98	462	382	14	956	18,208	20	18,228	19,184
Depreciation	996	25,419	14,857	362	41,634	1,567	795	2,362	43,996
Interest expense	-	-	-	-	-	5,042	-	5,042	5,042
TOTAL EXPENSES	\$ 185,586	\$ 822,185	\$ 133,151	\$ 61,614	\$ 1,202,536	\$ 259,923	\$ 101,056	\$ 360,979	\$ 1,563,515
PERCENT OF TOTAL	12%	53%	8%	4%	77%	17%	6%	23%	100%

See notes to the financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL ALL FUNCTIONS
	Retired and Senior Volunteer Program	Senior Services	Archibald Multi-Purpose Center	Community Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	\$ 110,580	\$ 163,750	\$ 74,006	\$ 33,767	\$ 382,103	\$ 156,594	\$ 57,089	\$ 213,683	\$ 595,786
Payroll taxes	7,566	12,692	5,636	2,430	28,324	12,145	4,183	16,328	44,652
Employee benefits	10,853	11,133	950	215	23,151	1,530	508	2,038	25,189
Pension expense	4,042	6,533	2,006	462	13,043	5,736	1,431	7,167	20,210
Total salaries and related expenses	133,041	194,108	82,598	36,874	446,621	176,005	63,211	239,216	685,837
Meals for clients	-	393,739	-	-	393,739	-	-	-	393,739
Activities for clients	-	12,939	-	-	12,939	-	-	-	12,939
Archibald Center activities	-	-	2,313	-	2,313	-	-	-	2,313
Volunteer activities	12,853	1,370	-	6,705	20,928	-	-	-	20,928
Promotional activities	344	-	-	20,892	21,236	-	-	-	21,236
Staff travel	9,660	11,062	379	80	21,181	217	80	297	21,478
Conferences and training	2,137	6,933	307	-	9,377	332	307	639	10,016
Professional fees and insurance	1,748	6,647	6,856	223	15,474	19,797	553	20,350	35,824
Dues and publications	301	452	198	31	982	1,700	316	2,016	2,998
Office supplies and equipment	2,292	10,069	6,504	1,032	19,897	5,249	4,224	9,473	29,370
Postage	666	976	1,175	110	2,927	183	725	908	3,835
Occupancy	19,339	19,390	29,238	1,233	69,200	9,250	2,176	11,426	80,626
Fundraising	-	-	-	-	-	-	45,297	45,297	45,297
Committee expense	-	-	-	-	-	2,853	-	2,853	2,853
Miscellaneous	1,170	377	92	2	1,641	6,993	49	7,042	8,683
Depreciation	804	20,756	12,893	267	34,720	1,853	439	2,292	37,012
Interest expense	-	-	-	-	-	7,961	-	7,961	7,961
TOTAL EXPENSES	\$ 184,355	\$ 678,818	\$ 142,553	\$ 67,449	\$ 1,073,175	\$ 232,393	\$ 117,377	\$ 349,770	\$ 1,422,945
PERCENT OF TOTAL	12%	48%	10%	5%	75%	17%	8%	25%	100%

See notes to the financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 307,954	\$ 111,640
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,996	37,012
Donated assets	-	(14,571)
Bad debt expense	17,357	5,761
Loss on disposal of assets	-	18,481
Unrealized (gains) losses on investments	(4,859)	2,967
Realized (gains) losses on investments	(194)	2,803
Changes in assets and liabilities:		
Contracts, grants and other receivables	(30,250)	9,874
United Way receivable	1,909	163
Pledges receivable	61,436	(20,446)
Prepaid expenses	903	593
Other assets	-	5,000
Accounts payable	10,130	(5,892)
Accrued and other liabilities	18,101	(3,622)
Net cash provided by operating activities	426,483	149,763
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on construction in progress	(6,711)	(7,560)
Purchase of property and equipment	(35,600)	(136,747)
Purchase of investments	(146,701)	(84,759)
Proceeds from sale of investments	119,684	50,823
Net cash used in investing activities	(69,328)	(178,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease payments	(1,869)	(1,638)
Repayment on debt	-	(16,000)
Proceeds from note payable	-	1,214
Net cash used in financing activities	(1,869)	(16,424)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	355,286	(44,904)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	393,859	438,763
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 749,145	\$ 393,859

See notes to the financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	<u>2020</u>	<u>2019</u>
Cash paid for interest	<u>\$ 5,042</u>	<u>\$ 7,961</u>

See notes to the financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Montgomery Area Council on Aging (the Council) is an incorporated nonprofit organization which provides various services for the elderly in Montgomery, Alabama and surrounding areas. The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of state law. The Council operates under the supervision of a Board of Directors.

Basis of Presentation

The financial statements of the Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities at year-end. Net assets, revenues, expenses, gains, and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Council and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Investment in property and equipment, net – Assets invested by the Council in property and equipment, net of accumulated depreciation and any related debt.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Council and/or passage of time.

Cash Equivalents

For purposes of the statements of cash flows, the Council considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Contracts, Grants and Other Receivables

The Council reports receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against the allowance for uncollectible accounts.

Investments

The Council carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Property and Equipment

Property and equipment are recorded at cost, or fair market value if donated, less accumulated depreciation. Buildings and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. The Council's policy is to capitalize items with a cost or donated value greater than \$1,500.

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Noncash Contributions

Noncash contributions are recorded as support at their estimated fair value at the date of donation. Such contributions are reported as support without donor restrictions unless the donor has restricted the contribution to a specific purpose. Noncash contributions donated with explicit restrictions regarding their use are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated items must be maintained, the Council reports expirations of donor restrictions when the donated or acquired items are placed in service as instructed by the donor.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Council. Those expenses include depreciation and building operation and maintenance, printer and copier costs, postage costs, health and liability insurance, technology costs and salaries. Depreciation and building related costs are allocated based on square footage of the program. Printer, copier, and postage costs are allocated by department codes of actual usage. Costs of other categories are allocated on estimates of time and effort of employees providing direct program services.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the Code of Alabama. The Council has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and qualifies for charitable contribution deduction by individual donors as stated in Section 170.

As of September 30, 2020 and 2019, the Council had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Council adopted ASC 606 and all related amendments using the modified retrospective transition method. The Council concluded that, with the adoption of the new standard, no changes were necessary to conform to the new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Council concluded that, with the adoption of the new standard, it did not have a significant impact on the financial statements.

New Accounting Standards

In February 2016, The FASB issued ASU 2016-02, *Leases (Subtopic 842)*. The purpose of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on their statements of financial position and disclosing key information about leasing arrangements. The amendments in this ASU require that lessees recognize the rights and obligations resulting from leases as assets and liabilities on their statements of financial position, initially measured at the present value of the lease payments over the term of the lease, including payments to be made in optional periods to extend the lease and payments to purchase the underlying assets if the lessee is reasonably certain of exercising those options. Subtopic 842 requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. The standard is effective for the Council for the year ending September 30, 2022. The Council is currently evaluating the impact of this guidance on the financial statements.

Subsequent Events

Management has evaluated subsequent events through December 16, 2020, which is the date the financial statements were available to be issued.

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

2. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses or acquiring assets satisfying the restricted purpose or by occurrence of events specified by donors. Purpose restrictions accomplished during the year ended September 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Program services:		
Senior Services	\$ 67,812	\$ 39,381
Retired and Senior Volunteer Program	387	346
Management and general	3,802	3,154
Capital Campaign	8,722	21,755
Renovation and maintenance	<u>51,756</u>	<u>34,466</u>
	<u>\$ 132,479</u>	<u>\$ 99,102</u>

3. RECEIVABLES

The Council conducts a Senior Pledge Campaign each year. Unconditional pledges receivable totaling \$12,815 and \$74,251 were due in less than one year as of September 30, 2020 and 2019, respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 327,700	\$ 327,700
Buildings and improvements	1,139,376	1,103,776
Office equipment and furniture	<u>211,150</u>	<u>211,155</u>
	1,678,226	1,642,631
Less accumulated depreciation	<u>1,086,257</u>	<u>1,042,265</u>
Property and equipment (at depreciated cost)	<u>\$ 591,969</u>	<u>\$ 600,366</u>

During 2017, the Council entered into an intent to sell a plot of land with a carrying value of \$350,000. This land is still for sale as of September 30, 2020.

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

5. PROGRAM SERVICES

The Council’s mission is to assist senior citizens by providing services to promote independent living, by offering opportunities to enhance quality of life, and by increasing community awareness of senior issues. Its many services include:

The Retired and Senior Volunteer Program (RSVP), which offers volunteer opportunities for seniors age 55 and older to donate their time, energy, talent, and knowledge while performing services at nonprofit and health-related groups, organizations, and agencies in Autauga, Coosa, Elmore, Montgomery and Tallapoosa counties.

Senior Services, which provides programs and activities each month through Meals on Wheels, senior centers, information and referral and volunteer coordination to adults 60 years old and older.

The Archibald Multi-Purpose Center, a multi-purpose facility which serves as a downtown Montgomery focal point for senior citizens to socialize and learn through arts and crafts classes, educational programs, theme luncheons, recreational activities, physical exercise, computer offerings and trips, as well as providing a satellite facility.

Community Awareness, which provides information about senior issues, recognizes their contributions to the world around them and promotes actions to enhance the quality of their lives.

6. INVESTMENTS – PORTFOLIO

On October 28, 1992, the Council established the Montgomery Area Council on Aging Endowment Fund. The fund's initial principal of \$100,000 was transferred from monies raised during a capital campaign to renovate the Archibald Multi-Purpose Center. Under the terms of this agreement, both principal and income from the fund may be used to benefit the Council at the discretion of the Council's Board of Directors. The Council may designate specific funds within the Endowment Fund. Contributions to the fund may be made by individuals, partnerships or corporations, subject to approval by the Council's Board of Directors.

These investments are carried at market value and, as of September 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds – alternative strategies	\$ 18,760	\$ 18,024
Mutual funds	<u>496,542</u>	<u>482,564</u>
Total portfolio	<u>\$ 515,302</u>	<u>\$ 500,588</u>

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

6. INVESTMENTS – PORTFOLIO – CONTINUED

For the years ended September 30, 2020 and 2019, realized gains (losses) on these investments totaled \$194 and (\$2,803) respectively, and unrealized gains (losses) on these investments totaled \$4,859 and (\$2,967), respectively. Investment income from these investments totaled \$24,086 and \$34,131, reported net of investment fees of \$6,398 and \$6,004, respectively.

The level of an asset or liability within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. As of September 30, 2020 and 2019, all investments are in exchange traded funds and mutual funds and are measured using Level 1 inputs according to the valuation hierarchy.

7. CAPITAL LEASE OBLIGATION

The Council is obligated under a lease-purchase agreement for a copier. The terms of the lease include an option to purchase the copier at the end of the lease term. The capitalized lease agreement at September 30, 2020 and 2019 consisted of the following:

	2020	2019
Lease agreement with US Bank, payable in monthly installments of \$185, including interest at 4.75%, maturing September 2023, secured by equipment	\$ <u>6,356</u>	\$ <u>8,225</u>

Following is a summary of property held under capital lease as of September 30, 2020 and 2019:

	2020	2019
Copier	\$ 9,863	\$ 9,863
Less accumulated depreciation	<u>4,110</u>	<u>2,137</u>
	<u>\$ 5,753</u>	<u>\$ 7,726</u>

Future minimum payments under the capitalized lease agreement as of September 30, 2020, are as follows:

2021	\$ 2,220
2022	2,220
2023	<u>2,220</u>
Total lease payments	6,660
Less amount representing interest	<u>304</u>
Present value of minimum lease payments	<u>\$ 6,356</u>

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Council's financial assets as of September 30, 2020 and 2019, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, restricted by an outside donor for a specific time or purpose or because the governing board has set aside the funds for specific contingency reserves and projects.

	2020	2019
Financial Assets:		
Cash and cash equivalents	\$ 749,145	\$ 393,859
Receivables	61,245	94,340
Investments	515,302	500,588
Financial assets, at year end	1,325,692	988,787
Less those unavailable for general expenditure within one year, due to:		
Assets and accumulated earnings subject to purpose restrictions beyond one year	(597,512)	(477,490)
Financial assets available to meet cash needs for general expenditures within one year	\$ 728,180	\$ 511,297

9. RETIREMENT PLAN

The Council set up a Safe Harbor 401k plan during the current fiscal year, which is available to all employees who meet the eligibility requirements. Retirement contributions totaled \$21,073 and \$20,210 for the years ended September 30, 2020 and 2019, respectively.

10. CONTRACTUAL AGREEMENTS

The Council performs various services under contracts that are subject to review and audit by federal and local agencies. Such audits could result in a request for reimbursement by the applicable agency for expenditures disallowed under the terms and conditions of the contracts. The Council's management's opinion is that such disallowances, if any, would not be material to the Council's financial statements.

**MONTGOMERY AREA COUNCIL ON AGING
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

11. CONCENTRATION OF CREDIT RISK

The Council maintains its cash in bank deposit accounts in financial institutions which at times may exceed insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Council's uninsured cash balances totaled \$255,648 and \$0 as of September 30, 2020 and 2019, respectively.

12. NOTE PAYABLE

During the fiscal year ended September 30, 2018, the Council entered into an agreement with Renasant Bank for a note payable to finance the acquisition of a lot, including vacant buildings, adjacent to its property. The note matured on July 25, 2019. In July 2019, the Council renewed the loan with quarterly interest payments at 5.50% APR on the outstanding principal, with one principal payment due on July 25, 2021. The loan covenant contains a contingency that the loan balance be paid in full in the event that the land classified as held for sale is sold. The outstanding principal balance as of September 30, 2020 and 2019 was \$115,228.

13. PAYROLL PROTECTION PROGRAM

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act. One component of the CARES Act was the paycheck protection program (PPP) which provides small business with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Council applied for and was accepted to participate in this program and received funding for \$128,600. It is the Council's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the sole approval of the SBA. The Council is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses. The Council used all loan proceeds for eligible expenses and has therefore reported the funding as grant income on the statement of activities as of September 30, 2020.

14. RISK AND UNCERTAINTY

The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the Organization, its performance and its financial results.

SUPPLEMENTARY INFORMATION

**MONTGOMERY AREA COUNCIL ON AGING
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Senior Services	Retired and Senior Volunteer Program	Total Program Services	Management and General	Capital Campaign	Renovation and Maintenance	Total
REVENUE, GAINS AND OTHER SUPPORT							
Contributions	\$ 149,359	\$ -	\$ 149,359	\$ -	\$ 100,000	\$ -	\$ 249,359
Miscellaneous revenue	-	-	-	3,142	-	-	3,142
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>149,359</u>	<u>-</u>	<u>149,359</u>	<u>3,142</u>	<u>100,000</u>	<u>-</u>	<u>252,501</u>
EXPENSES AND ADDITIONS SATISFYING RESTRICTIONS							
Covid relief	14,663	-	14,663	-	-	-	14,663
Meals on Wheels	31,517	-	31,517	-	-	-	31,517
Frozen meals	18,565	-	18,565	-	-	-	18,565
Recognition expense	-	38	38	-	-	-	38
Miscellaneous repairs and maintenance	21	-	21	-	-	-	21
Miscellaneous expense – Employee fund	-	-	-	298	-	-	298
Special activities	3,046	349	3,395	-	-	-	3,395
Committee expense	-	-	-	3,504	-	-	3,504
Building renovation and maintenance	-	-	-	-	8,722	51,756	60,478
TOTAL EXPENSES AND ADDITIONS SATISFYING RESTRICTIONS	<u>67,812</u>	<u>387</u>	<u>68,199</u>	<u>3,802</u>	<u>8,722</u>	<u>51,756</u>	<u>132,479</u>
CHANGES IN NET ASSETS	81,547	(387)	81,160	(660)	91,278	(51,756)	120,022
NET ASSETS AT BEGINNING OF YEAR	<u>227,674</u>	<u>9,327</u>	<u>237,001</u>	<u>958</u>	<u>94,399</u>	<u>145,132</u>	<u>477,490</u>
NET ASSETS AT END OF YEAR	<u>\$ 309,221</u>	<u>\$ 8,940</u>	<u>\$ 318,161</u>	<u>\$ 298</u>	<u>\$ 185,677</u>	<u>\$ 93,376</u>	<u>\$ 597,512</u>

See independent auditors' report.

**MONTGOMERY AREA COUNCIL ON AGING
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Senior Services	Retired and Senior Volunteer Program	Total Program Services	Management and General	Capital Campaign	Renovation and Maintenance	Total
REVENUE, GAINS AND OTHER SUPPORT							
Contributions	\$ 33,480	\$ 250	\$ 33,730	\$ -	\$ 20,500	\$ 127,598	\$ 181,828
Miscellaneous revenue	-	-	-	3,369	-	-	3,369
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>33,480</u>	<u>250</u>	<u>33,730</u>	<u>3,369</u>	<u>20,500</u>	<u>127,598</u>	<u>185,197</u>
EXPENSES AND ADDITIONS SATISFYING RESTRICTIONS							
MOW initiative	8,675	-	8,675	-	-	-	8,675
Frozen meals	15,052	-	15,052	-	-	-	15,052
Recognition expense	55	323	378	-	-	-	378
Miscellaneous repairs and maintenance	1,112	-	1,112	-	-	-	1,112
Miscellaneous expense – Employee fund	-	-	-	301	-	-	301
Special activities	937	23	960	-	-	-	960
Committee expense	-	-	-	2,853	-	-	2,853
Building renovation and maintenance	-	-	-	-	21,755	34,466	56,221
Capital additions	13,550	-	13,550	-	-	-	13,550
TOTAL EXPENSES AND ADDITIONS SATISFYING RESTRICTIONS	<u>39,381</u>	<u>346</u>	<u>39,727</u>	<u>3,154</u>	<u>21,755</u>	<u>34,466</u>	<u>99,102</u>
CHANGES IN NET ASSETS	(5,901)	(96)	(5,997)	215	(1,255)	93,132	86,095
NET ASSETS AT BEGINNING OF YEAR	<u>233,575</u>	<u>9,423</u>	<u>242,998</u>	<u>743</u>	<u>95,654</u>	<u>52,000</u>	<u>391,395</u>
NET ASSETS AT END OF YEAR	<u>\$ 227,674</u>	<u>\$ 9,327</u>	<u>\$ 237,001</u>	<u>\$ 958</u>	<u>\$ 94,399</u>	<u>\$ 145,132</u>	<u>\$ 477,490</u>

See independent auditors' report.