

Audited Financial Statements



September 30, 2020 and 2019

Quigley & Miron

**Operation: Care and Comfort
Audited Financial Statements
Table of Contents
September 30, 2020 and 2019**

**Page
Number**

Independent Auditor’s Report..... 1

Audited Financial Statements

Statements of Financial Position 3

Statements of Activities 4

Statements of Functional Expenses..... 6

Statements of Cash Flows..... 8

Notes to Financial Statements..... 9

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Independent Auditor's Report

Board of Directors

Operation: Care and Comfort

Fairfield, California

We have audited the accompanying financial statements of Operation: Care and Comfort (OCC), a nonprofit organization, 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

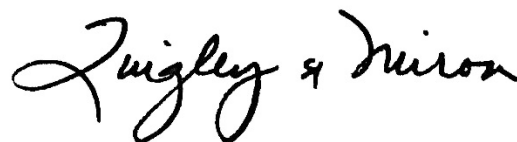
Board of Directors

Operation: Care and Comfort

Page 2

Opinion

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

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California

December 15, 2021

Operation: Care and Comfort
Statements of Financial Position
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 476,884	\$ 432,413
Contributions receivable		2,207
Program inventory—Note 4	281,737	154,394
Property and equipment, net	1,036	1,250
Other assets	3,322	758
	<u>762,979</u>	<u>591,022</u>
Total Assets	\$ 762,979	\$ 591,022
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 11,841	\$ 10,620
Deferred revenue	1,000	
	<u>12,841</u>	<u>10,620</u>
Total Liabilities	12,841	10,620
 Net Assets		
Without donor restrictions	746,990	570,068
With donor restrictions—Note 5	3,148	10,334
	<u>750,138</u>	<u>580,402</u>
Total Net Assets	750,138	580,402
Total Liabilities and Net Assets	\$ 762,979	\$ 591,022

See notes to financial statements.

Operation: Care and Comfort
Statement of Activities
Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Public support and revenue			
Contributions	\$ 264,336	\$ 27,536	\$ 291,872
In-kind contributions—Note 6	881,628		881,628
Interest income	968		968
Miscellaneous income	615		615
	<u>1,147,547</u>	<u>27,536</u>	<u>1,175,083</u>
Total Public Support and Revenue			
Net assets released from restrictions	34,722	(34,722)	
	<u>1,182,269</u>	<u>(7,186)</u>	<u>1,175,083</u>
Total Public Support, Revenue and Reclassifications			
Expenses			
Program services			
Care packages	504,077		504,077
Tickets for Troops	160,554		160,554
Adopt a Military Family	202,554		202,554
	<u>867,185</u>		<u>867,185</u>
Total Program Services			
Supporting services			
Management and general	92,787		92,787
Fundraising	45,375		45,375
	<u>1,005,347</u>		<u>1,005,347</u>
Total Expenses			
Change in Net Assets	176,922	(7,186)	169,736
Net Assets at Beginning of Year	570,068	10,334	580,402
	<u>\$ 746,990</u>	<u>\$ 3,148</u>	<u>\$ 750,138</u>
Net Assets at End of Year			

See notes to financial statements.

Operation: Care and Comfort
Statement of Activities
Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Public support and revenue			
Contributions	\$ 212,481	\$ 88,647	\$ 301,128
In-kind contributions—Note 6	2,121,298		2,121,298
Special events			
Gross revenue	120,315		120,315
Less cost of direct benefits to donors	(35,392)		(35,392)
Special Events, Net	84,923		84,923
Interest income	1,089		1,089
Miscellaneous income	20		20
Total Public Support and Revenue	2,419,811	88,647	2,508,458
Net assets released from restrictions	78,463	(78,463)	
Total Public Support, Revenue and Reclassifications	2,498,274	10,184	2,508,458
Expenses			
Program services			
Care packages	1,038,382		1,038,382
Tickets for Troops	1,209,516		1,209,516
Adopt a Military Family	99,948		99,948
Total Program Services	2,347,846		2,347,846
Supporting services			
Management and general	106,179		106,179
Fundraising	69,406		69,406
Total Expenses	2,523,431		2,523,431
Change in Net Assets	(25,157)	10,184	(14,973)
Net Assets at Beginning of Year	595,225	150	595,375
Net Assets at End of Year	\$ 570,068	\$ 10,334	\$ 580,402

See notes to financial statements.

Operation: Care and Comfort
Statement of Functional Expenses
Year Ended September 30, 2020

	Program Services			Supporting Services			
	Care Packages	Tickets for Troops	Adopt a Military Family	Total Program Services	Management and General	Fundraising	Total
Care packages and supplies	\$ 369,331	\$	\$ 107,787	\$ 477,118	\$	\$	\$ 477,118
Professional services	25,000	25,000	25,000	75,000	37,500	37,500	150,000
Depreciation					214		214
Insurance					2,919		2,919
Marketing			52	52	349		401
Miscellaneous					4,155	3,560	7,715
Professional fees	73			73	37,376	2,337	39,786
Shipping	47,059		20	47,079	272	43	47,394
Storage	16,715			16,715			16,715
Supplies	33,324	2,861	66,649	102,834	3,054	1,022	106,910
Telephone					2,651		2,651
Tickets for troops		132,289		132,289			132,289
Travel, conferences, and meetings	12,575	404	3,046	16,025	4,297	913	21,235
Total Expenses	\$ 504,077	\$ 160,554	\$ 202,554	\$ 867,185	\$ 92,787	\$ 45,375	\$ 1,005,347

See notes to financial statements.

Operation: Care and Comfort
Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services			Supporting Services				Total
	Care Packages	Tickets for Troops	Adopt a Military Family	Total Program Services	Management and General	Fundraising	Special Events	
Care packages and supplies	\$ 852,882	\$	\$ 52,171	\$ 905,053	\$	\$	\$	\$ 905,053
Cost of direct benefits to donors							35,392	35,392
Depreciation					214			214
Event						5,035		5,035
Insurance					2,873			2,873
Marketing	747			747	4,464			5,211
Miscellaneous					3,256	7,316		10,572
Printing	29			29	2,293			2,322
Professional fees	51,978			51,978	78,973	50,000		180,951
Shipping	78,710	18	97	78,825	50	13		78,888
Storage	13,179			13,179				13,179
Supplies	22,688	2,270	42,114	67,072	5,677	4,746		77,495
Telephone					2,503			2,503
Tickets for troops		1,206,537	2,040	1,208,577				1,208,577
Travel, conferences and meetings	18,169	691	3,526	22,386	5,876	2,296		30,558
Total Expenses by Function	1,038,382	1,209,516	99,948	2,347,846	106,179	69,406	35,392	2,558,823
Less expenses included with revenues in the statement of activities								
Cost of direct benefits to donors							(35,392)	(35,392)
Total Expenses	\$ 1,038,382	\$ 1,209,516	\$ 99,948	\$ 2,347,846	\$ 106,179	\$ 69,406	\$	\$ 2,523,431

See notes to financial statements.

Operation: Care and Comfort
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 169,736	\$ (14,973)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	214	214
Changes in operating assets and liabilities:		
Contributions receivable	2,207	35,128
Program inventory	(127,343)	122,950
Other assets	(2,564)	316
Accounts payable and accrued expenses	1,221	(25,415)
Deferred revenue	1,000	(7,530)
Net Cash Provided by Operating Activities	<u>44,471</u>	<u>110,690</u>
Increase in Cash and Cash Equivalents	44,471	110,690
Cash and Cash Equivalents at the Beginning of Year	<u>432,413</u>	<u>321,723</u>
Cash and Cash Equivalents at the End of Year	<u><u>\$ 476,884</u></u>	<u><u>\$ 432,413</u></u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

**Operation: Care and Comfort
Notes to Financial Statements
September 30, 2020 and 2019**

Note 1—Organization

Operation: Care and Comfort (OCC) is a volunteer-led nonprofit service organization which started in February 2003 with a care package group in San Jose, California, using the American Red Cross as its fiduciary agent. On June 16, 2010, OCC became a stand-alone 501(c)(3), and as of October 1, 2010 (inception), it became a separate reporting entity. Still based in San Jose, California, OCC now ships care packages overseas to approximately 100 "adopted" military units each month, shipping over 3,400 pounds monthly.

In 2004, OCC started working with the San Francisco Giants, the professional baseball team, on their first "Salute to the Military" game. Since then, this has become an annual event, inspiring other sports teams to follow. This was the inspiration for OCC's "Tickets for Troops" program, which continues to this day. Teams, season ticket holders, sponsors, individuals, and promoters donate tickets to OCC so troops, veterans, and their families may attend events for free. Over 25,000 tickets are now distributed annually.

In 2006, OCC provided a Thanksgiving meal to two needy families of the 129th Rescue Wing, thus founding the "Adopt a Military Family" program. Through this program, military families in need of support are anonymously adopted by civilian families, organizations and companies. Hundreds of militaries, veterans and their families are supported annually through this program during the holidays and throughout the year. OCC is also able to distribute donated goods to U.S. military bases to support military families through this program.

Operation: Care and Comfort remains an all-volunteer organization.

Note 2—Summary of Significant Accounting Policies

Basis of Accounting—OCC uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation—OCC recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of the OCC and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of OCC. These net assets may be used at the discretion of OCC's management and the board of directors.

Net Assets With Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of OCC and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit OCC to use all or part of the income earned on related investments for general or specific purposes.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of OCC's program services, which consists of the distribution of care packages and sports events tickets for military personnel, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—OCC is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, OCC has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at September 30, 2020 and 2019. Generally, OCC's information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Cash and Cash Equivalents—OCC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Program Inventory—Inventories are stated at the lower of cost or fair market value. Cost is determined using a standard cost per pound for all care package goods, and fair market value (ticket face value) for donated tickets.

Property and Equipment—Property and equipment are recorded at cost when purchased or at estimated fair market value to the extent a fair market value could be derived at the date of donation. Depreciation of property and equipment is provided using the straight-line method over their estimated useful lives. Individual property items valued at less than \$1,000 are expensed when purchased or donated. Property and equipment at September 30, 2020 represents a tow trailer used for hauling care packages and other supplies.

Concentration of Credit Risk—Financial instruments which potentially subject OCC to concentrations of credit risk consist of cash and cash equivalents, and receivables. OCC places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

At times, in the normal course of business, such cash and cash equivalent balances are in excess of the FDIC insurance limits. Management regularly reviews the financial stability of its cash balances and deems the risk of loss due to these concentrations to be minimal.

Receivables consist of balances from individuals, local foundations and corporations. Management has also reviewed receivables for collectability and determined that no allowance for uncollectible receivables was necessary at September 30, 2020 and 2019.

Recently Adopted Accounting Principle—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The clarified guidance applies to all entities that receive or make contributions (grants). ASU No. 2018-08 has been adopted by OCC for the year ended September 30, 2019, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements. OCC has determined that adopting ASU No. 2018-08 has had no material effect on the financial statements.

In-Kind Contributions—Contributions of donated non-cash assets are recorded at their fair values in the period received. OCC receives care package donations in the form of clothing, personal hygiene products, electronics, calendars, and etc. from individuals, businesses, and other organizations. OCC sorts, re-packages and boxes these items to be shipped to military personnel stationed overseas. Additionally, OCC receives boxes of Girl Scout cookies from the local Girl Scout Council, which are recorded at fair value of \$5 per box. These cookies are distributed to military units domestically. OCC also receives various event tickets for professional San Francisco Bay Area sports teams, performances, and other entertainment events from sport team owners and advertisers, businesses, individuals, and season ticket holders. OCC distributes these tickets to military troops, veterans, and their families. OCC recognizes contribution revenue from tickets received based on the tickets' face value. Donated tickets are expensed in the period the event occurred. Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria are not recognized.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Functional Expenses— The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Storage costs are charged directly to programs. All other expenses are charged directly to management and general. The methods of expense allocation are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
In-kind care packages and supplies	Time and effort
Marketing	Time and effort
Miscellaneous	Use by department and time
Printing	Time and effort
Professional fees	Time and effort
Shipping	Time and effort
Supplies	Time and effort
Tickets for troops	Use by department and time
Travel, conferences, and meetings	Time and effort

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. The most sensitive estimates affecting the financial statements are the valuation of donated food, and the valuation of donated volunteer service hours.

Reclassifications—Certain amounts in 2019 have been reclassified to conform with the 2020 financial statement presentation.

Note 3—Availability and Liquidity

The OCC’s goal is generally to maintain financial assets to meet 360 days of operating expenses (approximately \$251,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

The following represents the availability and liquidity of the OCC’s financial assets at September 30, 2020 and 2019 to cover operating expenses for the next fiscal year:

	2020
Cash and cash equivalents	\$ 473,736
Current Availability of Financial Assets	\$ 473,736

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 4—Program Inventory

Program inventory consists of undeployed care packages totaling \$281,737 and \$154,394 at September 30, 2020 and 2019, respectively.

Note 5—Net Assets with Donor Restrictions

A rollforward of net assets with donor restrictions activity for the year ended September 30, 2020 is as follows:

	<u>Balance at September 30, 2019</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance at September 30, 2020</u>
Fire Victims Fund	\$ 150	\$	\$ (150)	\$
Care package contributions		6,366	(6,366)	
Care packages	10,184	7,150	(14,186)	3,148
Tickets for Troops		2,000	(2,000)	
Adopt a Military Family		12,020	(12,020)	
Totals	<u>\$ 10,334</u>	<u>\$ 27,536</u>	<u>\$ (34,722)</u>	<u>\$ 3,148</u>

A rollforward of net assets with donor restrictions activity for the year ended September 30, 2019 is as follows:

	<u>Balance at September 30, 2018</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance at September 30, 2019</u>
Fire Victims Fund	\$ 150	\$	\$	\$ 150
Care package contributions		52,092	(52,092)	
Care packages		13,455	(3,271)	10,184
Tickets for Troops		5,500	(5,500)	
Adopt a Military Family		17,600	(17,600)	
Totals	<u>\$ 150</u>	<u>\$ 88,647</u>	<u>\$ (78,463)</u>	<u>\$ 10,334</u>

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 6—In-Kind Contributions and Expenses

In-kind contributions for the years ended September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Care packages	\$ 496,673	\$ 378,696
Professional services	150,000	155,000
Tickets for Troops	127,167	1,184,195
Supplies	107,788	52,171
Girl Scout cookies		271,236
Phone cards		80,000
Totals	<u>\$ 881,628</u>	<u>\$ 2,121,298</u>

In-kind expenses for the years ended September 30, 2020 and 2019 are presented on the statements of functional expenses as follows:

	<u>2020</u>	<u>2019</u>
Care packages and supplies		
Care packages	\$ 369,330	\$ 501,646
Girl Scout cookies		271,236
Phone cards		80,000
Adopt a Military Family	107,788	52,171
Total Care Packages and Supplies	<u>477,118</u>	<u>905,053</u>
Professional fees	150,000	155,000
Tickets for Troops	127,167	1,184,195
Totals	<u>\$ 754,285</u>	<u>\$ 2,244,248</u>

The tickets for troops program was suspended during the year ended September 30, 2020 as sporting events and entertainment venues were greatly impacted due to the Covid 19 outbreak. Fans were not allowed to attend games, and most concerts, live theater, and movies were not open during this time. In-kind contributions and expense of care packages and tickets for troops are included in the in-kind contributions caption on the statement of activities, and the related expense caption on the functional expense schedule.

Additionally, OCC recognized \$150,000 and \$155,000 of in-kind professional services during each of the years ended September 30, 2020 and 2019 for the services rendered by its President and its legal counsel. The expenses are reflected under the professional fees caption on the statement of functional expenses.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 7—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. OCC is continuing to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on OCC cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 8—Recent Accounting Pronouncement

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. OCC is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 9—Subsequent Events

Management evaluated all activities of OCC through December 15, 2021, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.