

Audited Financial Statements



September 30, 2021 and 2020

Quigley & Miron

**Operation: Care and Comfort
Audited Financial Statements
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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, 2021 and 2020, 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.

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, 2021 and 2020, 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 "Ziegler & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
December 16, 2022

Operation: Care and Comfort
Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 462,464	\$ 476,884
Program inventory—Note 4	467,033	281,737
Property and equipment, net	821	1,036
Other assets	3,668	3,322
	<u>933,986</u>	<u>762,979</u>
Total Assets	\$ 933,986	\$ 762,979
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 18,897	\$ 11,841
Deferred revenue		1,000
	<u>18,897</u>	<u>12,841</u>
Total Liabilities	18,897	12,841
 Net Assets		
Without donor restrictions	915,089	746,990
With donor restrictions—Note 5		3,148
	<u>915,089</u>	<u>750,138</u>
Total Net Assets	915,089	750,138
Total Liabilities and Net Assets	\$ 933,986	\$ 762,979

See notes to financial statements.

Operation: Care and Comfort
Statement of Activities
Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Public Support and Revenue			
Contributions	\$ 156,539	\$ 8,919	\$ 165,458
In-kind contributions—Note 6	1,224,958		1,224,958
Special events			
Gross revenue	25,689		25,689
Less cost of direct benefits to donors	(9,403)		(9,403)
Special Events, Net	16,286		16,286
Interest income	881		881
Total Public Support and Revenue	1,398,664	8,919	1,407,583
Net assets released from restrictions	12,067	(12,067)	
Total Public Support, Revenue and Reclassifications	1,410,731	(3,148)	1,407,583
Expenses			
Program services			
Care packages	547,044		547,044
Tickets for Troops	430,227		430,227
Adopt a Military Family	134,175		134,175
Total Program Services	1,111,446		1,111,446
Supporting services			
Management and general	87,030		87,030
Fundraising	44,156		44,156
Total Expenses	1,242,632		1,242,632
Change in Net Assets	168,099	(3,148)	164,951
Net Assets at Beginning of Year	746,990	3,148	750,138
Net Assets at End of Year	\$ 915,089	\$	\$ 915,089

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	1,147,547	27,536	1,175,083
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	1,182,269	(7,186)	1,175,083
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	867,185		867,185
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	1,005,347		1,005,347
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	\$ 746,990	\$ 3,148	\$ 750,138

See notes to financial statements.

Operation: Care and Comfort
Statement of Functional Expenses
Year Ended September 30, 2021

	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	\$ 452,204	\$	\$ 39,683	\$ 491,887	\$	\$	\$ 491,887
Cost of direct benefits to donors							9,403
Depreciation					215		215
Events			240	240			240
In-kind professional services	25,000	25,000	25,000	75,000	37,500	37,500	150,000
Insurance					3,283		3,283
Marketing					386		386
Miscellaneous					4,287	6,265	10,552
Professional fees					30,817	375	31,192
Shipping	31,010	8	8	31,026	13		31,039
Storage	20,364			20,364			20,364
Supplies	7,172	364	63,648	71,184	4,688		75,872
Telephone					2,948		2,948
Tickets for Troops		404,775		404,775			404,775
Travel, conferences, and meetings	11,294	80	5,596	16,970	2,893	16	19,879
Total Expenses by Function	547,044	430,227	134,175	1,111,446	87,030	44,156	1,252,035
Less expenses included with revenues in the statement of activities							(9,403)
Cost of direct benefits to donors							(9,403)
Total Expenses	\$ 547,044	\$ 430,227	\$ 134,175	\$ 1,111,446	\$ 87,030	\$ 44,156	\$ 1,242,632

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
Depreciation					214		214
In-kind professional services	25,000	25,000	25,000	75,000	37,500	37,500	150,000
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
Tickets for Troops		132,289		132,289			132,289
Telephone					2,651		2,651
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
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 164,951	\$ 169,736
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	215	214
Changes in operating assets and liabilities:		
Contributions receivable		2,207
Program inventory	(185,296)	(127,343)
Other assets	(346)	(2,564)
Accounts payable and accrued expenses	7,056	1,221
Deferred revenue	(1,000)	1,000
Net Cash Provided by (Used in) Operating Activities	<u>(14,420)</u>	<u>44,471</u>
Increase (Decrease) in Cash and Cash Equivalents	(14,420)	44,471
Cash and Cash Equivalents at the Beginning of Year	<u>476,884</u>	<u>432,413</u>
Cash and Cash Equivalents at the End of Year	<u><u>\$ 462,464</u></u>	<u><u>\$ 476,884</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, 2021 and 2020**

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, 2021 and 2020. 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, 2021 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. 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.

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. Donated materials are recorded at estimated fair market value at the date of donation. OCC sorts, re-packages and boxes these items to be shipped to military personnel stationed overseas. 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.

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

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.

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.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 3—Availability and Liquidity—Continued

The following represents the availability and liquidity of the OCC’s financial assets at September 30, 2021 and 2020 to cover operating expenses for the next fiscal year:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 462,464	\$ 473,736
Current Availability of Financial Assets	<u>\$ 462,464</u>	<u>\$ 473,736</u>

Note 4—Program Inventory

Program inventory consists of undeployed care packages totaling \$467,033 and \$281,737 at September 30, 2021 and 2020, respectively.

Note 5—Net Assets with Donor Restrictions

A rollforward of net assets with donor restrictions activity for the year ended September 30, 2021 is as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Care packages	\$	\$ 3,148
Total Net Assets With Donor Restrictions	<u>\$</u>	<u>\$ 3,148</u>

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Care package contributions	\$ 8,919	\$ 6,366
Care packages	3,148	14,186
Adopt a Military Family		12,020
Tickets for Troops		2,000
Fire Victims Fund		150
Total Net Assets Released from Donor Restrictions	<u>\$ 12,067</u>	<u>\$ 34,722</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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Care packages	\$ 637,501	\$ 496,673
Tickets for Troops	397,775	127,167
Professional services	150,000	150,000
Supplies	39,682	107,788
Totals	<u>\$ 1,224,958</u>	<u>\$ 881,628</u>

In-kind expenses for the years ended September 30, 2021 and 2020 are presented on the statements of functional expenses as follows:

	<u>2021</u>	<u>2020</u>
Care packages and supplies		
Care packages	\$ 452,204	\$ 369,330
Adopt a Military Family	39,683	107,788
Total Care Packages and Supplies	<u>491,887</u>	<u>477,118</u>
Tickets for Troops	397,775	127,167
Professional fees	150,000	150,000
Totals	<u>\$ 1,039,662</u>	<u>\$ 754,285</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. For year ended September 30, 2021, as sports and entertainment venues began to open to the public, ticket donations were still impacted as teams and venues maintained guarded fan on-site policies.

Additionally, OCC recognized \$150,000 of in-kind professional services during each of the years ended September 30, 2021 and 2020 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 16, 2022, 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.