

ORANGE COUNTY BAR FOUNDATION
(dba Project Youth OCBF)
Financial Statements
December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors of
the Orange County Bar Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Orange County Bar Foundation, dba Project Youth OCBF (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, 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 the Orange County Bar Foundation, (dba Project Youth OCBF) as of December 31, 2019 and 2018, 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.

Winter & Lozano CPAs Inc.

Orange, California
May 6, 2020

ORANGE COUNTY BAR FOUNDATION
(dba Project Youth OCBF)
 Statements of Financial Position
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> Restated
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,222,715	\$ 1,098,025
Inventory	23,569	27,523
Grants receivable	132,073	138,580
Prepaid assets	9,506	15,416
Current portion of campaign pledges	174,350	12,000
Total Current Assets	\$ 1,562,213	\$ 1,291,544
Long Term Assets		
Campaign pledges net of current portion	476,201	-
Property and equipment (net of accumulated depreciation and amortization)	2,076,626	2,132,560
Total Assets	\$ 4,115,040	\$ 3,424,104
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 24,534	\$ 49,714
Accrued expenses	56,034	52,315
Deferred revenue	99,365	92,785
Current maturities of note payable	54,286	54,869
Current portion of obligation under capital lease	8,939	7,292
Total Current Liabilities	243,158	256,975
Note payable, net of current maturities	1,128,415	1,255,801
Obligation under capital lease, net of current portion	32,121	41,684
Total Liabilities	1,403,694	1,554,460
Net Assets		
Net assets without donor restrictions	2,107,456	1,758,644
Net assets with donor restrictions	603,890	111,000
Total Net Assets	2,711,346	1,869,644
Total Liabilities and Net Assets	\$ 4,115,040	\$ 3,424,104

See accompanying notes to financial statements

ORANGE COUNTY BAR FOUNDATION
(dba Project Youth OCBF)
 Statements of Activities
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> Restated
Unrestricted Net Assets		
Revenue and Support		
Foundation revenue	\$ 1,398,906	\$ 1,286,526
Fundraising events	289,615	287,949
Contributions - various	75,690	102,560
Contributions - Society of Fellows	17,200	20,550
Program fees	11,700	19,185
In-kind donations	-	5,025
Comprehensive campaign - unrestricted	361,767	-
Investment return	1,533	1,324
Total unrestricted revenue and support	<u>2,156,411</u>	<u>1,723,119</u>
Net assets released from donor restrictions		
Satisfaction of program restrictions	52,960	95,791
Appropriated for building loan	58,000	200,000
Total unrestricted revenues, support, and reclassifications	<u>2,267,371</u>	<u>2,018,910</u>
Expenses		
Program services		
Juvenile Crime Prevention	336,347	359,654
Academic and Career Development	296,760	321,036
Health Education	707,255	718,835
Total program services expenses	<u>1,340,362</u>	<u>1,399,525</u>
Support services		
Fund Development	139,409	224,524
General Management	438,788	135,004
Total support services expenses	<u>578,197</u>	<u>359,528</u>
Total expenses	<u>1,918,559</u>	<u>1,759,053</u>
Increase in Net Assets Without Donor Restrictions	<u>\$ 348,812</u>	<u>\$ 259,857</u>
Changes in Net Assets With Donor Restrictions		
Contributions	\$ 603,849	\$ 110,500
Net Assets released from restrictions	(110,959)	(295,791)
Increase (Decrease) in Net Assets With Donor Restrictions	<u>492,890</u>	<u>(185,291)</u>

See accompanying notes to financial statements

ORANGE COUNTY BAR FOUNDATION
(dba Project Youth OCBF)
Statements of Activities (Continued)
For the Year Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> Restated
Increase in Net Assets	<u>\$ 841,702</u>	<u>\$ 74,566</u>
Net Assets, beginning of year	<u>1,869,644</u>	<u>1,795,078</u>
Net Assets, end of year	<u><u>\$ 2,711,346</u></u>	<u><u>\$ 1,869,644</u></u>

See accompanying notes to financial statements

ORANGE COUNTY BAR FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2019

Description	Program Services				Support Services			Total Expenditures
	Prev. Substance Abuse Intervention	Academic and Career Development	Health Education	Total Programs	Management and General	Fund Development	Total Expenditures	
Accounting/Audit	\$ 7,415	\$ 4,893	\$ 9,345	\$ 21,653	\$ 2,203	\$ 1,645	\$ 25,501	
Association Fees	3,706	3,131	5,509	12,346	2,351	639	15,336	
Bank/Credit Card Fees	-	-	-	-	1,689	4,641	6,330	
Building Repairs & Maint.	6,044	4,657	8,305	19,006	996	1,270	21,272	
Computer Expenses	6,340	3,099	3,666	13,105	4,426	5,962	23,493	
Conference/Travel/Training	946	204	20,353	21,503	2,716	3,251	27,470	
Consultants	4,826	4,802	2,722	12,350	658	240,107	253,115	
Court Fees	9,949	-	-	9,949	-	-	9,949	
Depreciation/Amortization	17,540	12,399	27,217	57,156	4,552	3,326	65,034	
Director Expenses	2,389	1,648	2,494	6,531	4,470	1,481	12,482	
Fundraising Event Exp.	324	-	-	324	8	81,819	82,151	
Higher Education Scholarship:	-	35,975	-	35,975	-	-	35,975	
Incentives	-	3,138	2,791	5,929	315	125	6,369	
Indirect Costs	-	-	55,891	55,891	(55,891)	-	-	
Instructors/Asst. Instructors	9,531	-	4,500	14,031	-	-	14,031	
Insurance	2,536	1,742	3,427	7,705	1,135	693	9,533	
Interest	18,339	11,738	26,640	56,717	3,046	3,191	62,954	
Local Travel/Mileage	416	350	3,378	4,144	1,381	1,094	6,619	
Marketing	2,151	1,962	2,072	6,185	493	12,432	19,110	
Office Equipment Lease	771	485	260	1,516	7,313	53	8,882	
Office Expenses/Supplies	1,602	1,724	2,547	5,873	2,820	561	9,254	
Personnel & Benefits	227,970	163,734	451,482	843,186	138,230	69,935	1,051,351	
Postage	1,047	792	1,033	2,872	168	235	3,275	
Program Materials	3,511	8,795	21,365	33,671	1,013	3,096	37,780	
Property Tax	312	239	385	936	1,247	62	2,245	
Recognition	-	24,595	-	24,595	12,525	1,286	38,406	
Subcontractors	-	-	40,234	40,234	-	-	40,234	
Telephone & Fax	4,758	3,516	6,946	15,220	845	1,039	17,104	
Utilities	3,924	3,142	4,694	11,760	700	845	13,305	
Total Functional Expenses	\$ 336,347	\$ 296,759	\$ 707,256	\$ 1,340,362	\$ 139,409	\$ 438,788	\$ 1,918,559	

See accompanying notes to the financial statements.

ORANGE COUNTY BAR FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2018

Description	Program Services				Support Services			Total Expenditures
	Prev. Substance Abuse Intervention	Academic and Career Development	Health Education	Total Programs	Management and General	Fund Development		
Accounting/Audit	\$ 7,270	\$ 4,188	\$ 5,180	\$ 16,638	\$ 2,588	\$ 1,775	\$ 21,001	
Association Fees	3,753	2,728	5,474	11,955	1,520	689	14,164	
Bank/Credit Card Fees	9	-	-	9	155	5,592	5,756	
Building Repairs & Maint.	6,668	4,843	9,241	20,752	2,086	1,396	24,234	
Computer Expenses	7,245	5,851	10,765	23,861	4,023	8,136	36,020	
Conference/Travel/Training	839	459	907	2,205	4,644	3,871	10,720	
Consultants	17,657	11,860	19,776	49,293	13,775	38,171	101,239	
Court Fees	16,465	-	-	16,465	-	-	16,465	
Depreciation/Amortization	19,235	12,365	31,599	63,199	2,748	2,748	68,695	
Director Expenses	2,401	1,442	2,575	6,418	217	758	7,393	
Fundraising Event Exp.	27	-	-	27	241	79,695	79,963	
Higher Education Scholarship	-	49,750	-	49,750	-	-	49,750	
Incentives	175	2,631	4,866	7,672	21	9	7,702	
Indirect Costs	-	-	61,556	61,556	(61,556)	-	-	
In-Kind	1,407	905	2,313	4,625	201	201	5,027	
Instructors/Asst. Instructors	10,930	210	7,335	18,475	-	-	18,475	
Insurance	2,326	1,707	3,339	7,372	1,268	534	9,174	
Interest	12,243	9,913	19,651	41,807	3,147	2,540	47,494	
Local Travel/Mileage	715	584	3,236	4,535	1,297	890	6,722	
Marketing	3,786	2,865	2,144	8,795	-	10,259	19,054	
Office Equipment Lease	6,685	5,036	4,138	15,859	2,248	2,359	20,466	
Office Expenses/Supplies	1,754	1,908	2,302	5,964	2,432	465	8,861	
Personnel & Benefits	224,019	166,252	441,127	831,398	137,228	61,002	1,029,628	
Postage	935	667	1,333	2,935	783	280	3,998	
Program Materials	3,213	6,402	21,481	31,096	496	926	32,518	
Property Tax	1,102	415	807	2,324	858	101	3,283	
Recognition	-	21,836	-	21,836	12,563	-	34,399	
Subcontractors	-	-	46,098	46,098	-	-	46,098	
Telephone & Fax	4,406	3,270	7,426	15,102	835	922	16,859	
Utilities	4,389	2,949	4,166	11,504	1,186	1,205	13,895	
Total Functional Expenses	\$ 359,654	\$ 321,036	\$ 718,835	\$ 1,399,525	\$ 135,004	\$ 224,524	\$ 1,759,053	

See accompanying notes to the financial statements.

ORANGE COUNTY BAR FOUNDATION
(dba Project Youth OCBF)
 Statements of Cash Flows
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>Restated</u>
Cash Flow From Operating Activities:		
Change in net assets	\$ 841,702	\$ 74,567
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	65,034	56,245
Interest on loan origination costs	12,448	12,448
(Increase) decrease in operating assets:		
Inventory	3,954	(7,279)
Grants receivable	6,507	(5,363)
Prepaid assets	5,910	21,884
Campaign pledges receivable-unrestricted	(255,107)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(25,182)	21,961
Accrued expenses	3,719	6,003
Deferred revenue	6,580	(27,401)
	<u>665,565</u>	<u>153,065</u>
Net Cash Provided by Operating Activities		
Cash Flow Used in Investing Activities:		
Purchase/lease of furniture and equipment	<u>(9,100)</u>	<u>(72,467)</u>
	<u>(9,100)</u>	<u>(72,467)</u>
Net Cash Used in Investing Activities		
Cash Flow From Financing Activities:		
(Decrease) increase in restricted campaign pledges	(383,444)	33,500
Increase in obligation under capital lease	-	52,000
Payments on borrowings	(140,418)	(249,698)
Payments on capital lease	<u>(7,913)</u>	<u>(3,024)</u>
	<u>(531,775)</u>	<u>(167,222)</u>
Net Cash Used in Financing Activities		
Net increase (decrease) in Cash and Cash Equivalents	124,690	(86,624)
Cash and Cash Equivalents, beginning of year	<u>1,098,025</u>	<u>1,184,649</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,222,715</u>	<u>\$ 1,098,025</u>
Interest paid	\$ 50,510	\$ 47,495
In-Kind transactions		
Donated legal - HR services	\$ -	\$ 5,025

See accompanying notes to financial statements

ORANGE COUNTY BAR FOUNDATION
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF ACCOUNTING PRINCIPLES

Organization and Programs

The Orange County Bar Foundation, dba Project Youth OCBF (OCBF), a California nonprofit organization, provides health education & diversion programs & services for at-risk youth and their families. OCBF provides juveniles and their families with the necessary skills to deter delinquent activity, set goals and to plan for positive and productive lives free of crime. OCBF is funded primarily through grants from the Department of Health and Human Services, the California Department of Public Health and the Jeffrey Carlton Foundation. OCBF has three large fundraising events - Food and Wine Society, participation in the OC Marathon, and an annual golf tournament. In addition, OCBF has one individual giving program – Society of Fellows.

Orange County Bar Foundation provided the following programs during 2019 and 2018:

- *Juvenile Crime Prevention and Substance Abuse Intervention Services-*
SHORTSTOP - is a juvenile crime diversion program that was developed in 1980 for youthful offenders and their families. Juvenile offenders and their parents participate in several sessions held at night in a courtroom where the “legal facts of life” are dramatically presented by volunteer attorneys, other legal professionals, and wards of the Youth Guidance Center.

Programa SHORTSTOP – was developed in 1989 as a Spanish language adaptation, based on the original Shortstop model which includes: the consequences of criminal behavior, accountability of one’s actions, improving family communication, creating positive future planning, and engaging in positive decision-making. The program also offers monolingual Latino parents additional information on educational motivation, drug/alcohol education, and gang awareness.

STOP SHORT of Addiction – was developed in 1999 in response to the rising specter of youthful drug crime and drug abuse in Orange County. It is an intensive program designed to specifically address the needs of first-time juvenile offenders arrested for criminal offenses, as well as those having drug abuse problems, and is available in English and Spanish.
- *Academic Development –*
The Higher Education Mentoring Program - is a unique program which targets Latino high school juniors and seniors from the city of Santa Ana who are interested in entering college, but need assistance due to academics, cultural and gender barriers and limited financial resources. The program offers continued support to students throughout college, including financial aid assistance, leadership and volunteer opportunities, resume guidance and employment. Program graduates are given the opportunity to return as mentors.
- *Career Development –*
Project SELF (Summer Employment in Law Firms) - partners with the Orange County Association of Legal Administrators. The program allows selected students from Santa Ana Unified School District to participate in an eight-week summer paid internship at local law firms and businesses that support the legal community.

ORANGE COUNTY BAR FOUNDATION

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

- *Health Education -*

Madres Unidas – provides health education groups with risk reduction services to Latina mothers combined with family counseling to improve family functioning. All services are provided in a culturally and bilingually competent manner. Components include: ethnic and gender pride, substance abuse education, HIV/AIDS health education, risk reduction, assertiveness skills training, coping skills, support group sessions, referrals for free HIV/AIDS testing, behavioral self-management and counseling services.

Youth Making Proud Choices, YMPC and ¡Cuídate! – provides comprehensive sexual health education for Latino youth via evidence-based program models. This culturally-based program focuses on “taking care of oneself and one’s partner, family, and community.” This is accomplished by working with youth to develop the knowledge, attitudes, and skills needed to reduce their risk of unplanned pregnancy, STDs, and AIDS/HIV. ¡Cuídate! also addresses critical adult preparation subjects including: adolescent development, healthy relationships, educational and career success, healthy life skills, and financial literacy.

Basis of Accounting

The accounts of OCBF are maintained, and the financial statements are prepared, on the accrual basis of accounting. Generally accepted accounting principles used in the United States of America require that OCBF present information about its financial position and activities in two classes of net assets based on the existence or absence of donor-imposed restrictions. A description of each applicable net asset group is as follows:

- Net Assets – Without Donor Restrictions
These are not subject to donor-imposed restrictions. Net assets without donor restrictions generally result from unrestricted contributions, interest, and dividends less expenses incurred in providing services, fundraising, and other administrative expenses.
- Net Assets – With Donor Restrictions
Net assets with donor restrictions represent donor grants and contributions whose use is limited by either donor-imposed time or purpose restrictions. Net assets are released from donor restrictions by the passage of time, incurrence of expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

Grants Receivable

Grants receivable consist of amounts due from the Department of Health & Human Services and the California Department of Public Health for the ¡Cuídate! program. The amounts due were either confirmed directly by the agency or collected prior to the issuance of the financial statements. OCBF does not have a reserve for uncollectible accounts.

Inventory

Inventory is stated at the lower of cost or net realizable value and consists of wine to be used in upcoming fundraising events.

Income Taxes

OCBF is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code as a Section 501(c)(3) entity and has no unrelated business taxable income. Accordingly, no income tax expense has been recorded in the accompanying financial statements.

ORANGE COUNTY BAR FOUNDATION
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Property and Equipment

Expenditures for property and equipment are capitalized at cost. Donated items are capitalized at estimated fair value at the date of contribution. Property and equipment are depreciated over their estimated useful lives which range from 5-50 years using the straight-line method. Assets held under finance leases are depreciated over their expected lives on the same basis as owned assets, or if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term or its useful life. Expenditures for repairs and maintenance are charged to expense when incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any related gain or loss are recognized in that period.

Donated Services and Goods

A number of individuals and entities have contributed significant amounts of their time and/or donated services to OCBF. OCBF recognizes donated services when they create or enhance a non-financial asset. The value of the services is based on average cost of similar services. In 2018, OCBF received \$5,025 for an update to their employee manual which was expensed during 2018.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as restricted support that increases net asset with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses are allocated on a reasonable basis that is consistently applied using estimates of time and effort for each program.

Cash and Cash Equivalents

OCBF considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. OCBF maintains cash in individual banks that are members of the Federal Deposit Insurance Corporation (FDIC). Accounts at each institution are insured by the FDIC, up to \$250,000. At December 31, 2019 and 2018, \$574,508 and \$449,905, respectively, exceeded the FDIC insurance coverage.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

ORANGE COUNTY BAR FOUNDATION
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

2. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2018, OCBF adopted "Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities, Presentation of Financial Statements of Not-for Profit Entities". Under the new standard, reporting for net assets was reduced to two classifications (without donor restrictions and with donor restrictions) from three. Additionally, liquidity and availability disclosures are required, and an expanded description of the methods used to allocate costs among functional categories.

The impact on OCBF is that net assets have been renamed as "Net assets without donor restrictions" and Net assets with donor restrictions" as well as the disclosure of net assets with donor restrictions are reported by program instead of donor. Additionally, new disclosures have been added (liquidity) and some disclosures have been expanded.

Effective January 1, 2019, OCBF adopted "ASU 2018-08, Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The guidance amends the new revenue recognition standard as well as long-standing contribution accounting guidance. ASU 2018-08 eliminates the "remote" stipulation and clarifies that entities cannot utilize the probability assessments when classifying transactions as conditional or unconditional. A conditional contribution becomes unconditional only when the condition has been substantially met, at which time revenue can be recognized.

The accompanying 2018 financial statements have been restated to retrospectively apply the provisions of ASU 2018-08. Previously, OCBF accounted for certain government grants as unconditional under the remote stipulation, resulting in the recognition of revenue and a receivable for unconditional promises to give. The receivable was classified as an asset with donor restrictions. The effect of the restatement resulted in a decrease in the receivable for unconditional promises to give and net assets with donor restrictions totaling \$371,628. Accordingly, net assets at the beginning of 2018 were reduced by \$353,969.

OCBF also adopted "ASU 2016-02, Leases". Under this standard, leased equipment is recognized on the balance sheet as an asset and related liability (Note 9).

3. GRANTS RECEIVABLE

Grants receivable amounted to \$ \$132,073 and \$138,580 as of December 31, 2019 and 2018, respectively. Based on the strength of the donors' reputations, payment history, and signed agreements, management believes that an allowance for uncollectible amounts is not necessary. All of the pledges are receivable in less than one year.

ORANGE COUNTY BAR FOUNDATION

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

4. CAMPAIGN PLEDGES RECEIVABLE/COMPREHENSIVE CAMPAIGN

During 2019 Project Youth OCBF launched a major comprehensive campaign with a goal of securing \$5 million in public and private support to be invested in:

1. Program support to expand programs, create greater program effectiveness and improve and track outcomes
2. Create a Scholarship endowment to offer \$120,000 to students annually
3. Eliminate the mortgage balance on the building

As of December 31, 2019, Project Youth OCBF has received pledges from current and past board members:

Programs	355,200
Scholarships	362,227
Mortgage paydown	<u>236,000</u>
	<u>953,427</u>

OCBF has collected \$262,715 of the amount pledged. Details of the remaining Pledge Receivable is as follows:

Pledge Receivable as of December 31, 2019	\$ 690,712
Less discount to present value	<u>(40,161)</u>
	650,551
Less current maturities	<u>(174,350)</u>
Long term portion of pledges receivable	<u>\$ 476,201</u>

Scheduled payments are as follows:

2020	\$ 174,350
2021	166,850
2022	148,052
2022	148,052
2023	26,408
Thereafter	<u>27,000</u>
	\$ 690,712

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 are summarized as:

	<u>2019</u>	<u>2018</u>
Land, Building & Improvements	\$ 2,103,812	\$ 2,094,712
Furniture & Fixtures	56,509	56,509
Computers & Software	32,970	32,970
Right to use equipment	<u>52,000</u>	<u>52,000</u>
	2,245,291	2,236,191
Accumulated depreciation	<u>(168,665)</u>	<u>(103,631)</u>
Net Property and Equipment	<u>\$ 2,076,626</u>	<u>\$ 2,132,560</u>

Depreciation expense was \$65,031 and \$56,245, respectively, in 2019 and 2018.

ORANGE COUNTY BAR FOUNDATION
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following:

	2019	2018
		Restated
Subject to expenditure for specified purpose:		
SHORTSTOP & STOP SHORT of Addiction	\$ 30,850	\$ 28,000
Higher Education Mentoring Program	21,500	25,000
	52,350	53,000
Subject to OCBF spending policy and appropriation:		
Capital Campaign for Building Payoff (Net of Discount)	202,720	58,000
Capital Campaign for Scholarships (Net of Discount)	348,779	-
Total net assets with donor restrictions	\$ 603,849	\$ 111,000

Net assets were released from donor restrictions by occurrence of events or passage of time specified by donors.

7. LIQUIDITY AND AVAILABILITY

OCBF manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and grants to cover the programs that are being conducted.

As of December 31, 2019 and 2018, OCBF had the following financial assets available for general expenditure within one year of the statements of financial position:

	2019	2018
Cash and cash equivalents	\$ 1,222,715	\$ 1,098,025
Grants receivable	132,073	138,580
Total financial assets	1,354,788	1,236,605
Less those unavailable for general expenditures within one year due to donor or purpose restrictions	(551,499)	(58,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 803,289	\$ 1,178,605

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8. NOTES PAYABLE

The following is a summary of all notes payable:

	<u>2019</u>	<u>2018</u>
Note payable due Farmers & Merchants Bank (Lender) and California Enterprise Development Authority (Issuer), bearing interest at 3% for the first 5 years then converts to a fixed annual rate of U.S. Treasury Note Rate + 1.25%, but not less than 3%. Due February 1, 2027. (Effective interest rate is 3.88%)	\$1,271,375	\$1,411,792
Less unamortized loan origination costs	<u>(88,674)</u>	<u>(101,122)</u>
	1,182,701	1,310,670
Less current maturities	<u>(54,286)</u>	<u>(54,869)</u>
Long term portion of long-term debt	<u>\$1,128,415</u>	<u>\$1,255,801</u>

Scheduled principal payments are due as follows:

2020	\$ 54,286
2021	61,019
2022	62,901
2023	64,841
2024	66,754
Thereafter	<u>961,574</u>
	<u>\$1,271,375</u>

9. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2019</u>
Obligation under capital lease for copier equipment with interest at a rate of 12.23%, maturing October 23, 2023	\$ 41,060
Less current portion	<u>(8,939)</u>
	<u>\$ 32,121</u>

Future minimum lease payments, including principal and interest, under the capital lease for subsequent years are as follows:

2020	13,471
2021	13,471
2022	13,471
2023	<u>11,226</u>
	<u>\$ 51,640</u>

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10. COMMITMENTS

OCBF leases office equipment under an operating lease agreement that expired in 2019. Payments for this lease was \$10,044 for the year ended December 31, 2019.

11. PENSION PLAN

Employees of OCBF participate in the Orange County Bar Foundation 403(b)(7) Retirement Plan, a defined contribution plan qualified under section 403(b) of the Internal Revenue Code. Each covered employee can contribute elective deferrals to the plan, up to the maximum allowed by the Internal Revenue Code. Additionally, OCBF may, at its discretion, match employee contributions. The 403(b) matching contribution cost recognized by OCBF was \$40,667 for 2019 and \$37,906 for 2018.

12. JEFFREY M. CARLTON FOUNDATION GIFT

The OCBF was notified that it will be a recipient of an annual donation from the Jeffrey M. Carlton Foundation established in 2013. OCBF is one of three designated beneficiaries of the net income and principal of the Jeffrey Carlton Foundation managed by the Wilmington Trust Company. OCBF can receive up to one third of 5% of the account balance or an amount the Trustee deems appropriate, annually, until there is full distribution of the Trust. OCBF received \$763,165 in 2019 and \$708,569 in 2018. There are no restrictions imposed on the gift.

13. TRANSACTIONS WITH RELATED PARTIES

Campaign Pledges Receivable:

Pledges receivable are pledges made to OCBF by the current and past OCBF Board and Associate Board of Directors and other community donors. These funds have been restricted by the Donors for use against the note and establishing a scholarship fund. See note 4 for details of campaign pledge receivable and comprehensive campaign.

In-Kind:

HR services were donated by a member of the Board of Directors. See Donated Goods and Services (Note 1).

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 6, 2020 which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen. OCBF has not observed a material impact on its revenue and support; however, it is possible that some programs, donors and foundations may be impacted negatively. At this time, the potential impact is unknown.

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14. SUBSEQUENT EVENTS (CONTINUED)

On April 17, 2020, the OCBF received loan proceeds in the amount of \$211,100 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments until November 1, 2020. OCBF intends to use the proceeds for purposes consistent with the PPP. While management currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot assure that the loan will be forgiven, in whole or in part.