

**Fallbrook Healthcare Foundation, Inc.  
dba Foundation for Senior Care  
(A Non-Profit Organization)  
Financial Statements  
June 30, 2014 and 2013**

**Fallbrook Healthcare Foundation, Inc.**  
**dba Foundation for Senior Care**  
**June 30, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Fallbrook Healthcare Foundation Inc.  
dba Foundation for Senior Care  
Fallbrook, California

We have audited the accompanying financial statements of Fallbrook Healthcare Foundation Inc. dba Foundation for Senior Care (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activity, functional expense 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

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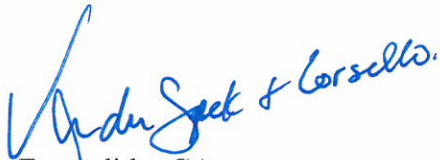
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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fallbrook Healthcare Foundation, Inc. dba Foundation for Senior Care as of June 30, 2014 and 2013, 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.

## **Report on Summarized Comparative Information**

We have previously audited Fallbrook Healthcare Foundation dba Foundation for Senior Care's 2013 financial statements and our report dated October 29, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, reading "Audin Speck & Corsello". The signature is written in a cursive, flowing style.

Escondido, CA  
November 22, 2014

**Fallbrook Healthcare Foundation, Inc.**  
**dba Foundation for Senior Care**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 39,457	\$ 134,538
Prepaid insurance	632	179
Investments	729,932	733,605
Fixed assets less accum depreciation & amort	393,193	409,839
Total assets	<u>\$ 1,163,214</u>	<u>\$ 1,278,161</u>
 <b>Liabilities</b>		
Payroll liabilities	\$ 28,633	\$ 28,594
Accounts payables		
	<u>28,633</u>	<u>28,594</u>
 <b>Net Assets</b>		
Unrestricted net assets	1,063,854	1,179,405
Temporarily restricted net assets	3,148	4,744
Permanently restricted net assets	67,579	65,419
	<u>1,134,581</u>	<u>1,249,568</u>
 Total liabilities and net assets	<u>\$ 1,163,214</u>	<u>\$ 1,278,161</u>

See Notes to Financial Statements

**Fallbrook Healthcare Foundation, Inc.**  
**dba Foundation for Senior Care**  
Statement of Activities  
For the year ended June 30, 2014  
with comparative totals for the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
<b>Changes in unrestricted</b>					
<b>net assets:</b>					
Support and revenues					
Bequests	\$ 68,281			\$ 68,281	\$ 254,750
Fees	70,090			70,090	99,995
Fundraising	42,075			42,075	92,648
Non cash donations	10,080			10,080	47,332
Donations - public support	41,189	\$ 26,049	\$ 2,160	69,398	57,051
Grants	123,490			123,490	98,531
Investment income	13,833			13,833	21,766
Gain or (loss) on sale of assets	14,289			14,289	1
Gain or (loss) on dispositions				-	1
Unrealized gain(loss) on investments	48,757			48,757	20,920
Total support and revenues	<u>432,084</u>	<u>26,049</u>	<u>2,160</u>	<u>460,293</u>	<u>692,994</u>
Net assets released from restrictions					
Satisfaction of donor restrictions	<u>27,645</u>	<u>(27,645)</u>			
Expenses					
Programs	449,797			449,797	434,829
Fundraising	24,278			24,278	64,008
General and administrative	101,205			101,205	97,837
Total expenses	<u>575,280</u>	<u>-</u>	<u>-</u>	<u>575,280</u>	<u>596,674</u>
Change in net assets	(115,551)	(1,596)	2,160	(114,987)	96,320
Net assets, beginning	1,179,405	4,744	65,419	1,249,568	1,153,248
Net assets, ending	<u>\$ 1,063,854</u>	<u>\$ 3,148</u>	<u>\$ 67,579</u>	<u>\$ 1,134,581</u>	<u>\$ 1,249,568</u>

See Notes to Financial Statements

**Fallbrook Healthcare Foundation, Inc.**  
**dba Foundation for Senior Care**  
Statement of Functional Expenses  
For the year ended June 30, 2014  
with comparative totals for the year ended June 30, 2013

	Program	Fundraising	General Admin	2014 Totals	2013 Totals
Accounting	\$ 11,220	\$ 281	\$ 2,525	\$ 14,025	\$ 13,625
Bank charges	1,467	37	330	1,834	1,869
Depreciation & amortization	14,838	371	3,338	18,547	19,055
Dues and subscriptions	1,701	43	383	2,126	2,218
Event & program expenses	5,854	146	1,317	7,318	19,397
Fundraisers		13,032		13,032	53,137
Insurance	48,436	1,211	10,898	60,545	35,521
Licenses	178	5	40	223	275
Office expense & supplies	16,708	418	3,759	20,885	20,364
Professional fees	17,191	430	3,868	21,489	11,313
Publicity	16,305	408	3,669	20,381	17,532
Postage	1,252	31	282	1,565	1,335
Salaries & wages	259,246	6,481	58,330	324,058	323,019
Repairs & maintenance	8,572	214	1,929	10,714	6,395
Taxes	22,582	565	5,081	28,228	29,964
Travel & transport	14,166	354	3,187	17,707	20,493
Utilities	10,082	252	2,269	12,603	21,161
Totals for 2014	<u>\$ 449,797</u>	<u>\$ 24,278</u>	<u>\$ 101,205</u>	<u>\$ 575,280</u>	
Totals for 2013	<u>\$ 434,829</u>	<u>\$ 64,008</u>	<u>\$ 97,837</u>		<u>\$ 596,674</u>

See Notes to Financial Statements

**Fallbrook Healthcare Foundation, Inc.**  
**dba Foundation for Senior Care**  
 Statements of Cash Flows  
 For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (114,987)	\$ 96,320
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation & amortization	18,547	19,055
Endowment donations transferred to financing	(2,160)	(29,635)
(Increase)/decrease in prepaids	(453)	3,208
Increase/(decrease) in accounts payable		(158)
Increase/(decrease) in payroll liabilities	39	786
Gain on sale of investments	(14,289)	
Net cash provided (used by) operations	<u>(113,303)</u>	<u>89,576</u>
Cash flows from investing activities:		
Purchase of fixed assets	(1,901)	(29,762)
Sale of investments	2,212,400	1,008,113
Purchase of investments	(2,209,940)	(1,042,314)
Bequest of stock	64,260	
Change in fair market value	(48,757)	(20,920)
Net cash (used in) investing activities	<u>16,062</u>	<u>(84,883)</u>
Cash flows from financing activities:		
Endowment donations	2,160	29,635
Net cash (used in) financing activities	<u>2,160</u>	<u>29,635</u>
Net increase/(decrease) in cash	(95,081)	34,328
Cash balance at beginning of year	<u>134,538</u>	<u>100,210</u>
Cash balance at end of year	<u>\$ 39,457</u>	<u>\$ 134,538</u>

See Notes to Financial Statements



**Fallbrook Healthcare Foundation, Inc.**  
**dba Foundation for Senior Care**  
Notes to Financial Statements  
June 30, 2014 and 2013

**Note 1 - Summary of significant accounting policies**

**Nature of Activities**

Fallbrook Healthcare Foundation, Inc. is a California tax-exempt corporation. The Fallbrook Healthcare Foundation, Inc. was incorporated August 1979. Its purpose is to engage in activities intended to identify, assess, promote and fund programs to solve health issues important to the communities comprising of the Fallbrook Hospital District.

The financial statements of Fallbrook Healthcare Foundation, Inc. have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

**Basis of Accounting**

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America on an accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**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.

**Financial statement presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to donor-imposed restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

**Fallbrook Healthcare Foundation, Inc.**  
**dba Foundation for Senior Care**  
Notes to Financial Statements  
June 30, 2014 and 2013

**Note 1 – Summary of significant accounting policies (cont'd)**

**Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net asset are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Property and Equipment**

Acquisitions of property and equipment of \$500 or more are capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation.

Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of five to forty years.

**Functional Allocation of Expenses**

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

**Advertising Costs**

The Organization expenses the costs of advertising as they are incurred.

**Fallbrook Healthcare Foundation, Inc.**  
**dba Foundation for Senior Care**  
Notes to Financial Statements  
June 30, 2014 and 2013

**Note 1 – Summary of significant accounting policies (cont'd)**

**Fair values of financial instruments**

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments: The fair values of investments are based on quoted market prices for those or similar investments. Unrealized gains and losses are included in the change in net assets.

**Income tax status**

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code.

The organization adopted Financial Accounting Standards Board Interpretation No.48, *Accounting for Uncertainty in Income Taxes*, which provides accounting and disclosure guidance about uncertain tax positions taken by an organization. Management believes that all of the positions taken by the Organization in its federal and state Exempt Organization Income Tax Returns are more likely than not to be sustained upon examination. The Organization's Exempt Organization Returns are subject to examination by the Internal Revenue Service and The California Franchise Tax Board, generally for three years after they were filed.

**Subsequent Events**

The Organization has evaluated subsequent events through November 22, 2014 which is the date the financial statements were available to be issued.

**Fallbrook Healthcare Foundation, Inc.**  
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Notes to Financial Statements  
June 30, 2014 and 2013

**Note 2- Investments**

Investments in securities are stated at fair market value and are summarized as follows at June 30, 2013 and 2012:

	June 30, 2014		June 30, 2013	
	<u>Fair Market Value</u>	%	<u>Fair Market Value</u>	%
Investments:				
Sweep Accts	\$ 13,761	2%	\$ 434,444	59%
Mutual Funds & ETFs	716,171	98%	299,161	41%
Total Investments	<u>\$ 729,932</u>	100%	<u>\$ 733,605</u>	100%

**Note 3 - Restricted net assets**

Net assets are restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
<u>Temporarily Restricted</u>		
Computer Center	<u>\$ 3,148</u>	<u>\$ 4,744</u>
<u>Permanently Restricted</u>		
Endowment Fund	<u>\$ 67,579</u>	<u>\$ 65,419</u>

**Fallbrook Healthcare Foundation, Inc.**  
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Notes to Financial Statements  
June 30, 2014 and 2013

**Note 4 - Donated Goods & Services**

The organization recognized contribution revenue in 2014 and 2013 for contributed goods and services related to the program. Contribution revenue from goods and services was measured based on the fair market value of those services, and the amounts recognized for 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Program volunteers	\$ 10,080	\$ 10,800
Fundraising prizes	<u>5,705</u>	<u>23,229</u>
Total	<u>\$ 15,785</u>	<u>\$ 34,029</u>

**Note 5 - Property and equipment and depreciation**

Fixed assets are depreciated using a MACRS basis so as to write off the cost of the assets over their estimated economic lives as following:

	<u>Years</u>
Computers/copier	5
Vehicles	5
Furniture and equipment	7
Buildings/building improvements	39

	<u>2014</u>	<u>2013</u>
Vans	\$ 76,802	\$ 76,802
Office equipment/furniture	39,023	39,023
Building	115,293	115,293
Building improvements	134,587	132,686
Land	200,579	200,579
Start Up Costs	<u>4,639</u>	<u>4,639</u>
	570,923	569,022
Accumulated depn/amort	<u>(177,730)</u>	<u>(159,183)</u>
Total	<u>\$ 393,193</u>	<u>\$ 409,839</u>

**Fallbrook Healthcare Foundation, Inc.**  
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Notes to Financial Statements  
June 30, 2014 and 2013

**Note 5 - Property and equipment and depreciation (cont'd)**

Depreciation and amortization expense for the year ended June 30, 2014 and 2013 was \$18,574 and \$19,055 respectively.

**Note 6 - Operating Lease**

The company leases a Konica Minolta Bizhub digital copier under an operating lease expiring January 29, 2017. Minimum future rental payments under this non-cancelable operating lease are as follows:

2015	4,569
2016	4,569
2017	1,903

**Note 7- Endowment**

During 2012 the Traditions Society Endowment was established by the board of directors. The goal is to raise \$5,000,000 in donations. Funds donated to this endowment will be invested and the income used to support the foundation's projects into perpetuity. As of June 30, 2014 the endowment has received a total of \$67,579 in donations.