Cedars

Creative, Productive, Joyous Lives

THE CEDARS OF MARIN

Combined Financial Statements

For the Years Ended

September 30, 2020 and 2019

With Independent Auditors' Report Thereon

REGALIA & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Cedars of Marin

We have audited the accompanying combined financial statements of The Cedars of Marin (a California nonprofit organization) which comprise the combined statement of financial position as of September 30, 2020 and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Cedars of Marin as of September 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
We have previously audited The Cedars of Marin's September 30, 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated March 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Regalia & Associates

Danville, California
April 15, 2021

Combined Statements of Financial Position

September 30, 2020 and 2019

ASSETS

	September 30	
	2020	2019
Current assets:		
Cash and cash equivalents	$ 2,428,025	$ 925,595
Cash - restricted	362,370	361,090
Accounts receivable, net of doubtful allowance of $11,386 and $4,410, respectively	1,079,483	648,227
Grants and donations receivable (short term portion)	1,010,000	1,010,000
Prepaid expenses	253,768	195,231
Total current assets	5,133,646	3,140,143
Noncurrent assets:		
Investments	8,789,820	7,600,864
Grants and donations receivable (long-term portion)	9,070	877,119
Other assets	14,226	15,149
Property and equipment, net	11,438,679	11,501,128
	$ 25,385,441	$ 23,134,403

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Accounts payable	$ 302,232	$ 254,778
Accrued payroll, payroll taxes and related liabilities	412,120	308,296
Accrued compensated absences	263,287	196,269
Other accrued expenses	196,438	110,012
Deferred revenue	112,996	-
Loan payable to the SBA under the Paycheck Protection Program	1,416,665	-
Indebtedness - short term portion	60,833	52,377
Total current liabilities	2,764,571	921,732
Long-term liabilities:		
Retirement obligation	384,453	474,558
Indebtedness - long term portion	1,870,170	1,953,166
Total long-term liabilities	2,254,623	2,427,724
Total liabilities	5,019,194	3,349,456
Net Assets:		
Net assets without donor restrictions	14,963,962	14,573,431
Net assets with donor restrictions	5,402,285	5,211,516
Total net assets	20,366,247	19,784,947
	$ 25,385,441	$ 23,134,403

Combined Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2020 and 2019

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Residential rentals and day program income	$ 9,982,890	$ -	**$ 9,982,890**	$ 8,617,076	$ -	$ 8,617,076
Contributed income, including grants, donations and special events	896,294	313,286	**1,209,580**	1,553,786	286,902	1,840,688
Community endowment fund distributions	118,634	-	**118,634**	120,514	-	120,514
Change in split interest gifts						
Change in present value of long-term receivables	-	95,262	**95,262**	-	136,162	136,162
Interest and dividend income	107,180	91,350	**198,530**	93,457	109,274	202,731
Realized and unrealized gains (losses) on investments	(199,349)	291,051	**91,702**	(100,639)	81,391	(19,248)
Other	73,886	-	**73,886**	(836)	-	(836)
Satisfaction of restrictions	600,180	(600,180)	**-**	526,873	(526,873)	-
Total revenue and support	11,579,715	190,769	**11,770,484**	10,810,231	86,856	10,897,087
Expenses:						
Program services	9,516,338	-	**9,516,338**	8,845,089	-	8,845,089
Management and general	1,242,892	-	**1,242,892**	1,192,825	-	1,192,825
Fundraising	429,954	-	**429,954**	545,076	-	545,076
Total expenses	11,189,184	-	**11,189,184**	10,582,990	-	10,582,990
Increase in net assets	390,531	190,769	**581,300**	227,241	86,856	314,097
Increase in net assets	390,531	190,769	**581,300**	227,241	86,856	314,097
Net assets at beginning of year	14,573,431	5,211,516	**19,784,947**	14,346,190	5,124,660	19,470,850
Net assets at end of year	$ 14,963,962	$ 5,402,285	**$ 20,366,247**	$ 14,573,431	$ 5,211,516	$ 19,784,947

Combined Statements of Cash Flows

For the Years Ended September 30, 2020 and 2019

	Year Ended September 30	
	2020	**2019**
Operating activities:		
Increase in net assets	**$ 581,300**	$ 314,097
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	**592,379**	584,739
Change in present value of long-term receivables	**(95,262)**	(136,162)
Unrealized (gains) losses from investments	**(91,188)**	105,051
(Gain) loss on disposition of certain assets	**(6,781)**	1,219
Changes in:		
Accounts receivable	**(431,256)**	(104,746)
Grants and donations receivable	**963,311**	1,009,523
Inventory	**-**	15,771
Prepaid expenses	**(58,537)**	615
Other assets	**923**	16,881
Accounts payable	**47,454**	(13,609)
Accrued payroll, payroll taxes and related liabilities	**103,824**	74,982
Accrued compensated absences	**67,018**	17,352
Other accrued expenses	**86,426**	36,903
Deferred revenue	**112,996**	(171,686)
Retirement obligation	**(90,105)**	32,535
Net cash provided by operating activities	**1,782,502**	1,783,465
Investing activities:		
Transfers to cash - restricted	**(1,280)**	(198,614)
Acquisition of investments	**(1,097,768)**	(2,117,388)
Acquisition of property and equipment	**(523,149)**	(209,127)
Net cash used for investing activities	**(1,622,197)**	(2,525,129)
Financing activities:		
Principal payments on indebtedness	**(74,540)**	(645,697)
Proceeds from loan payable to the SBA under the Paycheck Protection Program	**1,416,665**	-
Proceeds from issuance of indebtedness	**-**	850,000
Net cash provided by (used for) financing activities	**1,342,125**	204,303
Net increase (decrease) in cash and cash equivalents	**1,502,430**	(537,361)
Cash and cash equivalents at beginning of year	**925,595**	1,462,956
Cash and cash equivalents at end of year	**$ 2,428,025**	$ 925,595
Additional cash flow information:		
State registration taxes paid	**$ 225**	$ 225
Interest paid	**$ 60,752**	$ 85,161

Combined Statement of Functional Expenses

For the Year Ended September 30, 2020

(With Comparative Totals for the Year Ended September 30, 2019)

	Year Ended September 30, 2020				
	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Human Resource Expenses:					
Salaries and wages	$ 6,071,928	$ 733,723	$ 270,067	**$ 7,075,718**	$ 6,332,126
Payroll taxes and benefits	544,954	96,276	34,377	**675,607**	618,714
Group hospital and medical/dental insurance	589,966	57,284	31,534	**678,784**	757,062
Worker compensation insurance	135,382	3,195	1,926	**140,503**	71,096
Other employee benefits	-	-	-	**-**	61,759
Total human resource expenses	7,342,230	890,478	337,904	**8,570,612**	7,840,757
Other Expenses:					
Automobile and travel	94,762	1,574	516	**96,852**	142,458
Computer consultant	29,969	72,242	-	**102,211**	92,463
Computer - other	57,337	15,777	4,623	**77,737**	78,391
Consultants	42,390	4,449	10,555	**57,394**	78,380
Cost of goods sold	21,616	-	-	**21,616**	40,981
Depreciation	540,921	51,458	-	**592,379**	584,739
Equipment rentals and repairs	7,099	4,869	811	**12,779**	30,023
Food and recreation	338,224	-	2,212	**340,436**	363,885
Garbage and utilities	181,146	7,751	2,785	**191,682**	183,459
Health services costs	-	17,828	-	**17,828**	14,729
Household and small equipment	20,647	25	-	**20,672**	20,646
Insurance	118,275	17,829	794	**136,898**	114,325
Interest	38,362	22,390	-	**60,752**	85,161
Investment fees and bank charges	-	15,379	-	**15,379**	30,270
Legal and accounting	33,719	27,757	-	**61,476**	64,448
Maintenance, janitorial, gardening	138,612	8,589	-	**147,201**	79,967
Office and postage	30,541	6,599	2,786	**39,926**	38,875
Outside services	-	-	-	**-**	2,510
Printing	3,586	1,411	25,081	**30,078**	87,060
Property taxes, licenses and fees	62,126	-	-	**62,126**	55,368
Rent and storage	92,637	22,801	19,725	**135,163**	175,274
Security	2,233	3,466	-	**5,699**	2,426
Staff training	7,045	2,678	1,863	**11,586**	26,746
Supplies and minor equipment	176,110	-	595	**176,705**	146,354
Telephone, cable and internet	112,464	37,042	11,689	**161,195**	121,790
Miscellaneous	24,287	10,500	8,015	**42,802**	48,970
Total other expenses	2,174,108	352,414	92,050	**2,618,572**	2,709,698
Total expenses	$ 9,516,338	$ 1,242,892	$ 429,954	**$ 11,189,184**	$ 10,550,455

Notes to Combined Financial Statements
September 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

Organization:
The Cedars of Marin ("the Corporation") is a California nonprofit public benefit corporation organized in 1919 and incorporated in 1965. The Corporation's main campus residential facility is located in the town of Ross, California. The Corporation maintains ten group homes, including Walter House, Michelle Circle and Ferris Drive. Additionally, the Corporation runs three-day program sites in Marin County. The Corporation's primary purpose is to provide residential and program services for adults with developmental disabilities located in Marin County, California so that they can live creative joyous productive lives.

Combined Financial Statements:
The Corporation is related to three separate nonprofit public benefit corporations: (1) Marin Handicapped Housing #5, (2) Lamont House, Inc., and (3) Dante House, Inc. Each of these entities provides elderly and/or handicapped adults with specially designed housing facilities and services located in Novato, California. All of the members of the board of directors of these entities are also members of the Corporation's board of directors. Each of the entities listed above received funding from the Department of Housing and Urban Development ("HUD") and are maintained as separate entities. The Corporation and these entities share some financial resources. Management of the Corporation believes that combined financial statements better reflect overall operations. All intercompany transactions have been eliminated in the combined financial statements.

Method of Accounting:
The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"). The accrual method of accounting reflects revenue when earned, which may be prior to receipt, and expenses as incurred which may be prior to payment. Rental income reflects the gross potential rent that may be earned. Vacancies are shown separately as a reduction in rental income. For purposes of reporting cash flows, cash and cash equivalents include unrestricted cash on hand and cash in bank.

Basis of Presentation and Measure of Operations:
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification *(ASC) 958.205, Presentation of Financial Statements of Not-for-Profit Entities*. The combined statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those events attributable to the Corporation's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate returns from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Notes to Combined Financial Statements

1. Organization and Summary of Significant Accounting Policies *(continued)*

Use of Estimates:

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

Reclassifications:

Certain reclassifications have been made to the 2019 combined financial statements in order to conform to the presentation used in 2020.

Cash and Cash Equivalents

The Corporation's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and deposits. The Corporation maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Corporation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, the Corporation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of the Corporation's mission.

Grants and Accounts Receivable

The Corporation records accounts, grants, and pledges receivable which are expected to be collected within one year at net realizable value. When material, grants and pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions which market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue on the statement of activities.

The allowance for estimated uncollectible receivables amounted to $11,386 and $4,410 at September 30, 2020 and 2019, respectively, and is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off (and the allowance reduced) when deemed uncollectible. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

1. Organization and Summary of Significant Accounting Policies *(continued)*

Investments

The Corporation follows the provisions of *ASC 958.320, Investments* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Corporation could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

The estimates are based on pertinent information available to management as of September 30, 2020 and 2019. Economic conditions can vary significantly throughout the year, impacting the carrying value of investments. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments include cash, certificates of deposit, stocks, bonds, and mutual funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

Property and Equipment:

The Corporation records property and equipment at cost of acquisition or construction. The cost of maintenance and repairs is charged to expense as incurred; significant improvements are capitalized. Depreciation is computed using the straight-line method for financial statement and tax return purposes. The estimated useful lives range from 5 to 40 years. For income tax reporting purposes, the buildings and furnishings are depreciated using straight-line methods which are acceptable under provisions of the Internal Revenue Code applicable to low-income residential housing and personal property.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Corporation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 : Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

1. Organization and Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements *(continued)*

Level 2 : Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 : Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Income Taxes:

Financial statement presentation follows the recommendations of *ASC 740, Income Taxes*. Under ASC 740, the Corporation is required to report information regarding its exposure to various tax positions taken by the Corporation and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that the Corporation has adequately evaluated its current tax positions and has concluded that as of September 30, 2020 and 2019, the Corporation does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

The Corporation has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the Corporation continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. The Corporation may periodically receive unrelated business income requiring the Corporation to file separate tax returns under federal and state statutes. Under such conditions, the Corporation calculates and accrues the applicable taxes.

Regulatory Environment:

The following projects are subject to regulatory oversight and approval by the California Housing Finance Authority ("CalHFA"): Walter House, Michelle Circle and Ferris Drive. Projects managed by Marin Handicapped Housing #5, Lamont House, Inc. and Dante House, Inc. are subject to regulatory oversight by HUD.

1. Organization and Summary of Significant Accounting Policies *(continued)*

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. As of September 30, 2020, the Board has designated $1,095,325 and $3,091,609 for an operating reserve and long-term reserve, respectively.

Net Assets With Donor Restrictions

Net assets donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Donated Services and In-Kind Contributions

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (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.

Continued

1. Organization and Summary of Significant Accounting Policies *(continued)*

Donated Services and In-Kind Contributions *(continued)*

Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and changes in net assets and statement of functional expenses.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using the Corporation's payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

Recent and Relevant Accounting Pronouncements

The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of April 15, 2021 (the date of the Independent Auditors' Report), the Corporation management has made this evaluation and has determined that the Corporation has the ability to continue as a going concern.

In September 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Notes to Combined Financial Statements

2. Cash and Cash Equivalents

Cash and cash equivalents of $2,428,025 and $925,595 at September 30, 2020 and 2019, respectively, include all funds in banks (checking, savings, and money market) at the time of purchase that have a maturity date of 90 days or less. From time to time, the Corporation may have funds which are not covered by insurance provided by the federal government (not FDIC insured). It is the opinion of management that the solvencies of the referenced financial institutions are satisfactorily strong and that the Corporation's financial position will not be compromised.

The Corporation attempts to limit its credit risk associated with cash equivalents and marketable securities by utilizing highly rated corporate financial institutions. Restricted cash consists of funds held in trust for various purposes, including regulatory reserve accounts, and amounted to $362,370 and $361,090 at September 30, 2020 and 2019, respectively.

3. Grants and Donations Receivable

Grants and donations receivable are expected to be collected as follows as of September 30, 2020 and 2019:

	2020	2019
Year ending September 30, 2020	$ -	$ 1,010,000
Year ending September 30, 2021	1,010,000	1,010,000
Year ending September 30, 2022	10,000	10,000
Year ending September 30, 2023	-	-
Total grants and donations receivable	1,020,000	2,030,000
Less: discount for multi-year contributions receivable	(930)	(142,881)
Present value of grants and donations receivable	1,019,070	1,887,119
Less: receivables due within one year (current)	(1,010,000)	(1,010,000)
Grants and donations receivable (long-term portion)	$ 9,070	$ 877,119

Grants and donations receivable due in more than one year are reflected at the present value of estimated future cash flows using an appropriate discount rate in effect at the time the long-term receivables were recorded.

The change in the value of the grants and donation receivables during the years ended September 30, 2020 and 2019 amounted to $95,262 and $136,162, respectively, and is reflected as a component of revenue and support under net assets with donor restrictions on the combined statements of activities and changes in net assets.

4. Investments

Investments are domiciled at Charles Schwab (managed by Equius) and Vanguard (managed by Vanguard) and consist of the following at September 30, 2020 and 2019:

	September 30, 2020		September 30, 2019	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Cash equivalents	$ 13,157	$ 13,157	$ 14,140	$ 14,140
Mutual funds primarily invested in equities	5,502,833	5,763,007	4,512,100	4,726,868
Mutual funds primarily invested in bonds	2,922,313	3,013,656	2,812,484	2,859,856
Totals	$ 8,438,303	$ 8,789,820	$ 7,338,724	$ 7,600,864

During the years ended September 30, 2020 and 2019, earnings on investments were reinvested. Net realized and unrealized gains (losses) amounted to $91,702 and ($19,248) for the years ended September 30, 2020 and 2019, respectively.

5. Fair Value Measurements

Composition of assets utilizing fair value measurements at September 30, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts receivable	$ 1,079,843	$ -	$ 1,079,843	$ -
Grants and donations receivable	1,019,070	-	1,010,000	9,070
Investments	8,789,820	8,789,820	-	-
Totals	$ 10,888,733	$ 8,789,820	$ 2,089,843	$ 9,070

Composition of assets utilizing fair value measurements at September 30, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts receivable	$ 648,227	$ -	$ 648,227	$ -
Grants and donations receivable	1,887,119	-	1,010,000	877,119
Investments	7,600,864	7,600,864	-	-
Totals	$ 10,136,210	$ 7,600,864	$ 1,658,227	$ 877,119

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on “unobservable inputs," such as a company’s own estimates and pricing models.

6. Liquidity

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents and other sources (including the future collection of receivables).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Corporation considers all expenditures related to its mission, as well as the conduct of services undertaken, to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Corporation anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The following table shows the total financial assets held by the Corporation and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Cash and cash equivalents	$ 2,428,025	$ 925,595
Accounts receivable	1,079,483	648,227
Grants and accounts receivable (current portion)	1,010,000	1,010,000
Investments	8,789,820	7,600,864
Subtotal	13,306,328	10,184,686
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs/endowment	(5,393,215)	(5,193,807)
Financial assets available to meet general expenditures over the next twelve months	$ 7,913,113	$ 4,990,879

The Corporation receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Corporation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

7. Concentration

The Corporation receives a substantial amount of funding from Golden Gate Regional Center (GGRC) under a contractual relationship. Total funding from GGRC amounted to $8,019,856 and $6,546,324 for the years ending September 30, 2020 and 2019, respectively.

Notes to Combined Financial Statements

8. Property and Equipment

Property and equipment consist of the following at September 30, 2020 and 2019:

	2020	2019
Land	**$ 1,685,384**	$ 1,685,384
Buildings and improvements	**17,353,768**	17,032,087
Furniture and equipment	**1,153,330**	1,118,996
Vehicles	**571,597**	479,185
Subtotal	**20,764,079**	20,315,652
Less: accumulated depreciation	**(9,326,400)**	(8,814,524)
	$ 11,438,679	$ 11,501,128

Depreciation expense amounted to $592,379 and $584,739 for the years ended September 30, 2020 and 2019, respectively. During the year ended September 30, 2020, the Corporation disposed of certain fully and partially depreciated fixed assets with an original cost basis of $80,503, resulting in a gain of $6,781. During the year ended September 30, 2019, the Corporation disposed of certain fully and partially depreciated fixed assets with an original cost basis of $177,740, resulting in a loss of $1,219.

9. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, the Corporation is required to record a liability for the estimated amounts of compensation for vacation and sick leave. Employees are permitted to accrue a specific number of hours for estimated future absences, and such accruals are recorded in the combined financial statements as an accrued liability on the combined statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued benefits amounted to $263,287 and $196,269 at September 30, 2020 and 2019, respectively.

10. Indebtedness

Indebtedness consists of the following at September 30, 2020 and 2019:

	2020	2019
Mortgage loan payable to Bank of Marin, bearing interest at the rate of 4.450% per annum, due in monthly installments of $7,213 (including interest), and is due in full on September 5, 2032. The mortgage is secured by a deed of trust on the real property and an assignment of rents agreement (Marin Handicapped Housing #5 group home).	**$ 800,876**	$ 850,000

(continued)

10. Indebtedness *(continued)*

		2020		2019
Mortgage loan payable to Bank of Marin, bearing interest at the fixed rate of 4.80% per annum (for the entire term of the loan), and is due in monthly installments of principal and interest. The loan has a maturity date of February 5, 2028, at which time the outstanding balance becomes due and payable. The loan is secured by a first deed of trust on real property.	**$**	**429,327**	$	454,743
Capital advance payable to HUD under Section 811 of the National Housing Act, noninterest-bearing, no repayment requirement as long as the housing remains available to eligible (very-low income) households for a period of 40 years (through July 2038). Failure to comply with the loan provisions will result in the entire amount becoming due and payable, together with interest accrued at the contractual HUD rate. The capital advance is secured by a deed of trust and an assignment of rents on the real property (Dante House).		**350,400**		350,400
Capital advance payable to HUD under Section 811 of the National Housing Act, noninterest-bearing, no repayment requirement as long as the housing remains available to eligible (very-low income) households for a period of 40 years (through July 2038). Failure to comply with the loan provisions will result in the entire amount becoming due and payable, together with interest accrued at the contractual HUD rate. The capital advance is secured by a deed of trust and an assignment of rents on the real property (Lamont House).		**350,400**		350,400
Subtotal	**$**	**1,931,003**	$	2,005,543
Less: Current portion of indebtedness due within one year		**(60,833)**		(52,377)
Indebtedness (long-term portion)	**$**	**1,870,170**	$	1,953,166

Interest expense amounted to $60,752 and $85,161 for the years ended September 30, 2020 and 2019, respectively. Maturities of indebtedness at September 30, 2020 are due as follows:

		2020		2019
Year ending September 30, 2020	**$**	**-**	$	52,377
Year ending September 30, 2021		**60,833**		60,833
Year ending September 30, 2022		**63,627**		63,627
Year ending September 30, 2023		**66,552**		66,552
Year ending September 30, 2024		**69,610**		69,610
Year ending September 30, 2025		**72,809**		72,809
Thereafter		**1,597,572**		1,619,735
Totals	**$**	**1,931,003**	$	2,005,543

(continued)

10. Indebtedness *(continued)*

Line of Credit

The Corporation has a line of credit with the Bank of Marin, renewable annually, which permits borrowings of up to $1,000,000. If utilized, borrowings under the line of credit (a) bear interest at the bank's prime rate of interest, (b) have a maturity date of April 5, 2022 and (c) are secured by real estate properties owned by the Corporation. There were no outstanding loan balances as of September 30, 2020 and 2019.

Community Development Block Grant (CDBG)

Because of CDBG funding that was put in place for the building of Novato Boulevard and Ferris house, there are liens in place (filed in 2003 and 2017) stating that in the event Cedars ceases for any reason to use these properties for affordable housing, or sells either property, the County of Marin will be entitled to receive a portion of the fair market value of the properties as follows: (a) 19.2% of the Novato Boulevard property and (b) 25.4% of the Ferris House property. The Corporation has no plans to sell or stop using either of these two houses for the original purpose of affordable housing.

11. Loan Payable to the SBA Under the Paycheck Protection Program

During May 2020, the Corporation applied for and received $1,416,665 in a forgivable loan under the Small Business Administration (SBA) Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to $10 million per borrower, which qualifying entities can spend to cover payroll, interest, rent, and utilities.

The Corporation expended the funds for payroll, operating overhead, and other eligible costs in accordance with the PPP terms. Based on the guidance in *FASB ASC 405-20-40-1, Liabilities*, the proceeds from the loan remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Corporation has been "legally released" or (2) the Corporation pays off the loan to the creditor. Until such time that the loan is forgiven (if ever), the loan bears interest at the fixed rate of 1.0% per annum and is due in monthly installments of $79,725 during the maturity period of two years. If, during the fiscal year ending June 30, 2021, formal forgiveness is received from the SBA, the Corporation will remove the loan payable and record a government contribution in the amount of $1,416,665 on the statement of activities and changes in net assets.

12. Other Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future program activities, which are not reflected in the financial statements.

(continued)

Notes to Combined Financial Statements

12. Other Commitments and Contingencies *(continued)*

Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate the Corporation to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond the Corporation's control, such as generosity of donors and general economic conditions, and (c) Financial risks associated with funds on deposit at bank and investment brokerage accounts.

Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

13. Leases

The Corporation leases a variety of property spaces under short and long-term rental agreements for various activities which include day program activities, retail sales, storage, and operation of a care facility for adults with developmental disabilities. Rent and storage costs amounted to $135,163 and $175,274 for the years ended September 30, 2020 and 2019, respectively. As of September 30, 2020, future minimum payments under lease agreements with original lease terms of more than one year are as follows: Year ending September 30, 2021: $8,610.

14. Segment Operations

Summarized operations for the Cedars of Marini and the three related entities for the years ended September 30, 2020 and 2019 is as follows:

Income:	The Cedars of Marin	Marin Handicapped Housing #5	Lamont House, Inc.	Dante House, Inc.	**2020 Combined Total**	**2019 Combined Total**
Residential and day program income (net)	$ 9,780,156	$ 144,226	$ 30,130	$ 28,378	**$ 9,982,890**	$ 8,617,076
Contributed income	1,328,214	-	-	-	**1,328,214**	1,961,202
Interest income and other	459,247	98	2	33	**459,380**	318,809
Total income	11,567,617	144,324	30,132	28,411	**11,770,484**	10,897,087
Expenses:						
Program services	9,264,996	175,222	39,622	36,498	**9,516,338**	8,812,554
Management and general	1,209,173	20,583	6,636	6,500	**1,242,892**	1,192,825
Fundraising	429,954	-	-	-	**429,954**	545,076
Total expenses	10,904,123	195,805	46,258	42,998	**11,189,184**	10,550,455
Increase (decrease) in net assets	$ 663,494	$ (51,481)	$ (16,126)	$ (14,587)	**$ 581,300**	$ 346,632

15. Pension and Employee Benefit Plans

The Corporation has adopted *ASC 716.60 Compensation - Retirement Plans* which provide accounting guidance for pension and retirement plan. These standards require the Corporation to accrue the expected cost of postretirement benefits as employees render service.

The Corporation is obligated under a Collective Bargaining Agreement with the Service Employees International Union National Industry Pension Fund to make periodic contributions covering union employees. Additionally, the Corporation sponsors a health and welfare program ("the Plan") with defined benefits, providing medical coverage for full-time employees who were hired prior to January 1, 1990 and who terminate employment either after age 55 or due to disability after completing 18 or more years of continuous service. The coverage extends only to these employees.

Under the Plan, the Corporation pays eligible employees who retire after March 19, 1998 a fixed amount monthly toward their medical coverage. The amount paid differs for those who are Medicare-eligible and those who do not qualify as Medicare-eligible and is based on the cost of the Cedars medical plan on the retirement date of the retiree.

For employees that retired on or before March 19, 1998, the Corporation pays 100% of the cost of the medical coverage for the life of the retirees. The Corporation funds the cost of this plan as incurred. The following schedule sets forth the computation of the accrued benefit liability for postretirement medical coverage, the fair value of plan assets, the plan's funded status, and the accrued benefit liability recognized in the statements of financial position as of September 30, 2020 and 2019:

	2020	**2019**
Accumulated postretirement benefit obligation	**$ 384,453**	$ 474,558
Fair value of plan assets	**-**	-
Plan assets (less than) in excess of projected benefit obligations	**(384,453)**	(474,558)
Amounts funded for post-retirement benefits	**(20,062)**	(21,981)

Funding Policy: The postretirement medical plan is not funded in advance. This means that The Cedars of Marin is not prefunding the postretirement medical plan. It provides for the postretirement medical benefits on a pay-as-you-go basis. Post-retirement payments amounted to $20,062 and $21,981 for the years ended September 30, 2020 and 2019, respectively. The following table summarizes the assumptions used in computing the present value of projected benefit obligations and net periodic cost as of September 30, 2020 and 2019:

Weighted average assumptions for net-periodic cost:	**2020**	**2019**
Discount rate	**5.00%**	5.00%
Return of assets	**-**	-
Rate of compensation increase	**-**	-

Healthcare cost trend rate assumed to be between 8.0% per annum (medical) and 8.0% per annum (vision).

15. Pension and Employee Benefit Plans

The estimated minimum benefit payments which reflect expected future service, as appropriate, to be paid by the Corporation are as follows:

	2020	2019
Year ending September 30, 2020	$ -	$ 31,648
Year ending September 30, 2021	30,431	36,049
Year ending September 30, 2022	31,134	44,991
Year ending September 30, 2023	35,919	45,767
Year ending September 30, 2024	40,851	46,605
Year ending September 30, 2025	41,584	47,455
Thereafter	204,534	222,043
Totals	$ 384,453	$ 474,558

The Corporation also has a plan that qualifies under Internal Revenue Code Section 403(b) whereby some employees make pre-tax contributions from their wages to a tax-sheltered annuity. The Corporation matches a dollar to each two-dollar contribution, up to certain limitations based on the number of years of service by an employee. Contributions to this plan by the Corporation amounted to $112,824 and $100,129 for the years ended September 30, 2020 and 2019, respectively.

16. Net Assets

Net assets with donor restrictions consist of the following at September 30, 2020 and 2019:

	2020	2019
Donor restricted for future operations	$ 9,070	$ 17,709
Donor-restricted for programs	133,138	323,920
Donor-restricted in perpetuity for endowment	5,260,077	4,869,887
Total net assets with donor restrictions	$ 5,402,285	$ 5,211,516

During the years ended September 30, 2020 and 2019, the Corporation recorded $313,286 and $286,902, respectively, in restricted grants and donations. Net assets with donor restrictions released to net assets without donor restrictions amounted to $600,180 and $526,873 for the years ended September 30, 2020 and 2019, respectively.

17. Home and Community-Based Services

Home and Community-Based Services (HCBS) were developed to offer support to individuals in community settings as an alternative to institutional care. In 2014, new federal rules were released by the Centers for Medicare & Medicaid Services (CMS), requiring homes and programs where HCBS are delivered to meet new criteria. The Department and its partners are working to implement the requirements for home and community-based settings in accordance with this Final Rule. Everyone who receives, or provides, HCBS services may be affected by the CMS Final Rule. Activities are happening now to help California meet these new requirements, before the implementation deadline of March 17, 2023.

(continued)

17. Home and Community-Based Services *(continued)*

Cedars is in full compliance with current standards and, in 2018, received a two-year grant of $168,000. Subsequently, Cedars received a second one-year grant with proceeds to be used to ensure the organization secures full compliance with HCBS standards by the 2023 deadline. The California Department of Developmental Services (DDS) commissioned Burns and Associates to conduct a rate study intended to address the many inconsistences in how services are reimbursed state-wide and to make recommendations to the State Legislature. One of the recommendations included in the study is to not increase rates for facilities that have more than 6 beds, which, if approved, would affect Cedars Ross Residences which provides a home to 45 of our 102 individuals. This was based on assumption by DDS that large facilities would not be compliant with HCBS.

As of this date, the rate study has not been implemented by the State, and Cedars and others are advocating that the provision regarding a rate freeze for large facilities be stricken from any final recommendations. Cedars is also exploring additional options that would address the sustainability of the facility should the rate study be adopted as currently written.

18. Community Endowment Fund

A donor advised fund (the "Donor Fund") was established at the Marin Community Foundation ("MCF"), an unrelated nonprofit organization, in order to provide unrestricted financial support to the Corporation. The Donor Fund is under the administration of MCF which also has complete variance power over the Donor Fund. The Corporation receives distributions from the Donor Fund based on earnings and as determined by MCF. Distributions amounted to $118,634 and $120,514 for the years ended September 30, 2020 and 2019, respectively. The estimated value of the Donor Fund amounted to $2.4 million and $2.3 million as of September 30, 2020 and 2019, respectively.

19. COVID-19

In late 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) which was characterized as a pandemic by the World Health Organization on March 11, 2020. The COVID-19 threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which the Corporation conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time.

20. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, the Corporation has evaluated subsequent events through April 15, 2021, the date the combined financial statements were available to be issued. Subsequent to the end of the fiscal year, the Corporation received a one-year grant in the amount of $88,517 from GGRC and, on April 7, 2021, the Corporation's PPP loan was forgiven by the SBA. In the opinion of management, there are no other subsequent events which are required to be disclosed.