THE CAMPBELL CENTER
GLENDALE, CALIFORNIA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

THE CAMPBELL CENTER
GLENDALE, CALIFORNIA

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MARCH 31, 2021

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To the Board of Directors
The Campbell Center
Glendale, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of The Campbell Center (a nonprofit organization), which comprise the statement of financial position as of March 31, 2021, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatements.

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 Campbell Center as of March 31, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ROJAS & ASSOCIATES, CPAs

Rojas & Associates, CPAs

Los Angeles, California
October 12, 2021

THE CAMPBELL CENTER
GLENDALE, CALIFORNIA

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

ASSETS

Current Assets:	
Cash and cash equivalents	$ 549,784
Investments	671,814
Accounts receivable	188,907
Prepaid expenses	24,160
Total current assets	1,434,665
Property and Equipment:	
Land	744,854
Buildings and improvements	1,577,948
Furniture, fixtures, and equipment	56,048
Vehicles	168,495
Total property and equipment	2,547,345
Less: accumulated depreciation	1,421,528
Property and equipment, net	1,125,817
Website	6,420
Less: accumulated amortization	3,210
Website, net	3,210
TOTAL ASSETS	$2,563,692

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	$ 22,894
Accrued payroll liabilities	30,344
Accrued paid time off	39,058
Client trust liability	5,180
Due to Department of Developmental Services	39,793
Total current liabilities	137,269
Long-term Liabilities	
EIDL Loan	150,000
Due to Department of Developmental Services	56,374
Total long-term liabilities	206,374
Total liabilities	343,643
Net Assets:	
Without donor restrictions	2,078,154
With donor restrictions	141,895
Total net assets	2,220,049
TOTAL LIABILITIES AND NET ASSETS	$2,563,692

This statement is to be considered in conjunction with the accompanying independent auditors' report.
The accompanying notes are an integral part of this statement.

THE CAMPBELL CENTER
GLENDALE, CALIFORNIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021

REVENUES	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains:			
Sales and Services	$ 40,288	$ 0	$ 40,288
Program services	1,531,661	0	1,531,661
Contributions	326,894	96,218	423,112
Realized and unrealized gain on investments	116,224	0	116,224
Interest and dividends	9,595	0	9,595
Proceeds from insurance settlement	4,850	0	4,850
Loan forgiveness income	305,000	0	305,000
Other income	8,882	0	8,882
Gross special events revenue	33,391	0	33,391
Less cost of direct benefits to donors	(3,379)	0	(3,379)
Net special events revenue	30,012	0	30,012
Net assets released from restriction	84,016	(84,016)	0
Revenue, support and gains	2,457,422	12,202	2,469,624
EXPENSES			
Program services	1,457,083	0	1,457,083
Administrative	245,989	0	245,989
Fundraising	194,496	0	194,496
Total expenses	1,897,568	0	1,897,568
Change in net assets	559,854	12,202	572,056
Net assets, Beginning of Year	1,518,300	129,693	1,647,993
Net Assets, End of Year	$2,078,154	$ 141,895	$ 2,220,049

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The accompanying notes are an integral part of this statement.

THE CAMPBELL CENTER
GLENDALE, CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021

	PROGRAM SERVICE									
	Fulfillment	Hamilton House	Alma House	David Gogian House	Pastimes	Supported Employment	Arts Academy	Administrative	Fundraising	Total
Compensation and related:										
Staff wages	$87,216	$189,633	$167,571	$177,113	$145,789	$136,704	$15,826	$106,755	$122,478	$1,149,085
Payroll Taxes	7,472	17,826	14,935	15,656	13,133	12,313	1,378	9,100	10,714	102,557
Employee Benefits	10,534	10,351	17,451	19,304	13,428	2,442	1,134	19,586	9,755	103,965
	105,222	217,810	199,957	212,103	172,350	151,459	18,338	135,441	142,927	1,355,607
Insurance	9,316	14,666	12,704	12,858	4,657	5,790	1,166	5,571	2,843	69,571
Maintenance and repairs	2,531	4,153	2,213	5,727	4,031	2,531	1,557	2,566	788	26,097
Office supplies	636	996	588	1,470	5,121	799	673	997	1,405	12,685
Transportation and delivery	2,291	94	248	378	627	209	0	3,192	122	7,161
Association dues	0	0	0	454	248	0	152	6,985	6,165	14,004
Utilities and telephone	9,089	13,573	9,885	12,517	5,808	2,004	4,147	5,575	463	63,061
Interest	0	0	0	14,965	0	0	0	0	0	14,965
Postage	8	97	39	27	83	45	0	375	2,909	3,583
Staff training/conferences	0	658	130	192	4,287	170	0	1,400	310	7,147
Professional fees	9,278	10,234	7,595	9,951	7,820	10,657	1,298	24,034	35,513	116,380
Other expenses	625	1,638	2,300	660	2,580	5,481	37	28,091	935	42,347
Project supplies	1,563	285	0	0	501	514	537	699	27	4,126
Facility costs	1,861	2,650	2,073	1,782	1,861	1,861	1,296	2,597	0	15,981
Bank service charges	0	0	0	18	0	0	0	1,101	0	1,119
Client specific expenses	0	26,428	28,434	24,869	373	371	0	353	89	81,044
Total expenses before depreciation	142,547	293,282	266,166	297,971	210,347	181,891	29,201	218,977	194,496	1,834,878
Depreciation and amortization	0	3,776	16,514	15,388	0	0	0	27,012	0	62,690
Total expenses	$142,547	$297,058	$282,680	$313,359	$210,347	$181,891	$29,201	$245,989	$194,496	$1,897,568

This statement is to be considered in conjunction with the accompanying independent auditors' report.
The accompanying notes are an integral part of this statement.

THE CAMPBELL CENTER
GLENDALE, CALIFORNIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 572,056
Non-cash items included in change in net assets:	
Depreciation and amortization	62,690
Realized and unrealized gain on investments	(116,224)
Changes in operating assets and liabilities:	
Accounts receivable	42,304
Prepaid expenses	(1,585)
Accounts payable	(1,378)
Accrued payroll liabilities	3,340
Accrued paid time off	(15,021)
Due to Department of Development Services	(23,213)
Client trust liability	1,199
Net cash provided by operating activities	524,168
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(5,937)
Proceeds from sales of investments	132,065
Purchases of investments	(285,457)
Net cash provided by investing activities	159,329
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from EIDL Loan	150,000
Net cash provided by financing activities	150,000
Increase in cash and cash equivalents	514,839
Beginning cash and cash equivalents	34,945
Ending cash and cash equivalents	$ 549,784

This statement is to be considered in conjunction with the accompanying independent auditors' report.
The accompanying notes are an integral part of this statement.

NOTE 1. PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Glendale Association for the Retarded (the "Association") was incorporated on April 1, 1958, and is a non-profit organization dedicated to fulfilling the needs of the developmentally disabled. Clients with disabilities primarily related to mental retardation, cerebral palsy and epilepsy, are served through comprehensive programs. On January 28, 2014, the Association changed its name to The Campbell Center.

The Campbell Center operates a workshop ("Campbell Vocational Training Center"), a work-training center that teaches vocational and practical living skills through educational and social programs. Additionally, The Campbell Center operates three group homes: the Hamilton House, the Alma House, and the David Gogian House (the "Houses"), that provide permanent residences for developmentally disabled men and women. The Campbell Center also operates Pastimes, which was established to provide additional activity programs for aging clients. Supported Employment Services places clients out of the workshop environment to work with the general public.

The Campbell Vocational Training Center receives funds from local businesses for small packaging, assembly work and mail preparation. The majority of funding is provided by the California Regional Centers, fundraising projects, and private/corporate donations. The Houses, along with Pastimes and Supported Employment Services, receive funding entirely from the California Regional Centers and private/corporate donations.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets 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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Cash

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

NOTE 1. PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for program service fees. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of March 31, 2021, there was no allowance for uncollectable accounts as all amounts were deemed to be fully collectable.

Contributions Receivable

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give 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 market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Property and Equipment

We record property and equipment additions over $2,500 at cost, or if donated, at fair value on the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation and amortization expense for the year ended March 31, 2021, was $62,690.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

NOTE 1. PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenues related to program services and sales are recognized when earned. General support, including pledges, as well as any other unconditional promises to give, are recognized as revenue in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Special event revenues are recognized when earned, whereas expenses are recognized when incurred.

Grants represent contributions if the resources provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential public benefit to be provided by using the assets. Grants represent an exchange transaction if the potential public benefit to be derived is secondary to the potential benefit received by the resource provider.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Association. Fundraising costs are expenses as incurred, even though they may result in contributions received in future years. The Association generally does not conduct its fundraising activities in conjunction with its other activities.

Income Taxes

The Association is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(3) and California Code Section 23701d, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3). The Association is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Association is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. We have determined that the Association is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Association’s income tax filings are subject to routing audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association believes that it is no longer subject to examinations for the years prior to 2017.

NOTE 1. PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

The Campbell Center records the value of donated materials or services at the respective fair value of the materials or services received at the date of donation. During the year ended March 31, 2021, the value of donated materials and services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, mutual funds, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in mutual funds. To date, we have not experienced losses in any of these accounts.

For the year ended March 31, 2021, the Association received approximately 59% of its revenues from clients referred by Frank D. Lanterman Regional Center. The reliance on this customer could subject the Association to the economic stability of this customer.

Recent Accounting Pronouncements:

In February 2016, FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the balance sheet as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Association is currently evaluating the effect the provisions of this ASU will have on the financial statements.

In June 2018, the F ASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019. The Association adopted this ASU effective April 1, 2020, and there were no significant impact to the financial statements.

NOTE 1. PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

The Campbell Center has evaluated subsequent events through October 12, 2021, the date on which these financial statements were available to be issued. Based upon this review, The Campbell Center has determined that there were no events which took place that would have material impact on its financial statements.

NOTE 2. NET ASSETS WITH DONOR RESTRICTIONS

On August 1997, The Campbell Center financed the purchase of one of its properties, the David Gogian House, with a mortgage payable to the Housing Authority of the City of Glendale (California). The initial balance financed was $498,827, with a fixed interest rate of 3%. As stipulated by formal agreement, The Campbell Center will have its annual principal and interest forgiven by the lender if the residual receipts from the designated property results in a loss. Residual receipts are defined as revenue less operating expenses of the specific facility being financed. The residual receipts calculation is subject to verification by the lender. If the residual receipts in any given fiscal year is positive, then The Campbell Center will be required to pay the lender 50% of the profits earned in that year.

In the year ending March 31, 2021, the subject facility generated a loss, resulting in the forgiveness of principal and interest totaling $31,592. This has been recorded on the statement of activities as a release of net assets from restriction. As of March 31, 2021, the balance is $90,066 and is included on the statement of financial position as part of the net assets with donor restrictions.

During the year ended March 31, 2021, the Association received $36,275 restricted to be used for a Community Integration Specialist, $5,000 to be used for Pastimes, $1,500 for a Chromebook, $15,000 for the Community Integration Program, $21,978 for PCT training, and $1,500 for hand dryers. All amounts were properly used for the related items and were released from net assets with donor restrictions with the exception of $19,117 for the Community Integration Specialist, $15,000 for the Community Integration Program and $17,712 for PCT training, which remain in the net assets with donor restrictions at March 31, 2021.

NOTE 3. PROFIT SHARING PLAN

In April 1997, The Campbell Center implemented a 401(k) profit sharing plan for all eligible employees. Employees are eligible to participate in the plan if they have completed one year of service with The Campbell Center and are age 21 or older. Generally, employees can contribute up to 15% of their gross pay into the plan, not to exceed amounts stipulated by tax law. The Campbell Center will match 2% of employee compensation. Employer contributions to the plan for the fiscal year ended March 31, 2021, were $4,293.

NOTE 4. FAIR VALUE MEASUREMENTS AND DISCLOSURES

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

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 transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

NOTE 5. INVESTMENTS

Our investment assets are classified within Level 1 because they are comprised of equities with readily determinable fair values based on daily redemption values. Investments as of March 31, 2021, consist of the following:

	Market Value
Exchange traded Funds	$150,056
Mutual Funds	$521,758
	$671,814

NOTE 6. AMOUNT DUE TO DEPARTMENT OF DEVELOPMENTAL SERVICES

The California Department of Developmental Services performed an audit of regional center billings during and after the fiscal year ending March 31, 2019. The audit initially covered the fiscal year ending March 31, 2017, but due to findings was expanded to include the fiscal years ended March 31, 2018, and a portion of March 31, 2019. The result of this audit was the Association was deemed to have overbilled the regional centers by a total of $119,380 for the supported employment and work activity programs for these fiscal years and will be required to reimburse these funds.

The amount due is to be repaid over three years at $3,316.11 per month. Required payments under the repayment agreement are as follows:

Twelve months ended March 31,

2022	39,793
2023	39,793
2024	16,581
	$ 96,167

NOTE 7. EIDL AND PAYCHECK PROTECTION PROGRAM LOANS

The Association applied for and received a loan from the SBA on April 28, 2020, under the Paycheck Protection Program. The loan bears interest at a rate of 1 % per annum and was scheduled to mature April 28, 2022. Loan payments were deferred to either the date that SBA remits the borrower's loan forgiveness amount to the lender, or if the borrower did not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period. This program allowed for full forgiveness of the loan and interest if the funds were used for payroll costs, interest on mortgage loans, rent, and utilities. Forgiveness was based on the employer maintaining or quickly rehiring employees and maintaining salary

NOTE 7. EIDL AND PAYCHECK PROTECTION PROGRAM LOANS (CONTINUED)

levels. Forgiveness would be reduced if full-time headcount declines, or if salaries and wages decrease. As of January 13, 2021, the Organization had applied for and received full forgiveness of this loan.

The Organization also applied for and received a second loan for $150,000 from the SBA on August 11, 2020, under the Economic Injury Disaster Loan advance program. The loan bears interest at a rate of 2. 75% per annum and requires monthly payments of $641 beginning twelve months from the date of the note. The principal and interest is payable in full by August 11, 2050.

Following is a schedule by years of future minimum principal payments required under the terms of the EIDL loan, as of March 31, 2021.

Year ended March 31,

2022	$ 0
2023	2,072
2024	3,670
2025	3,772
2026	3,877
Thereafter	136,609
Total principal payments required	$150,000

NOTE 8. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 549,784
Investments	671,814
Accounts Receivable	188,907
Total financial assets	$ 1,410,505
Less:	
Restricted by donors with purpose restrictions	141,895
Total financial assets available for general expenditure within one year	$ 1,268,610

The Association occasionally receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Association manages its liquidity with the principle of maintaining adequate liquid assets to fund near-term operating needs, and

NOTE 8. LIQUIDITY AND AVAILABILITY (CONTINUED)

maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The Association's expenses, excluding special events, average approximately $160,000 per month, and therefore the Association has sufficient liquidity reserves to fund approximately eight months of operations. The expenses for the additional months for the coming year are expected to be funded through program services and contributions.

NOTE 9. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.