National Council on Aging, Inc. and Affiliates

Consolidated Financial Report
June 30, 2019

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
National Council on Aging, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of National Council on Aging, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements (collectively, 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As disclosed on Note 1 to the financial statements, the Organization retrospectively adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 856): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in addition of statement of functional expenses, additional disclosures over liquidity and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

As more fully described in Note 2, the financial statements include investments valued at $2,555,764 (36% of net assets) and $2,454,914 (25% of net assets) at June 30, 2019 and 2018, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment fund managers. Our opinion is not modified with respect to this matter.

RSM US LLP

McLean, Virginia
February 13, 2020

National Council on Aging, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 3,139,540	$ 4,568,124
Cash restricted for grants and contracts	48,916	36,301
Investments	2,689,826	2,586,422
Grants and contributions receivable, net	4,675,272	7,671,264
Amounts due from subgrantees and federal agencies	4,041,121	2,894,132
Prepaid expenses and other assets	520,637	409,002
Property and equipment, net	754,237	874,605
Total assets	$ 15,869,549	$ 19,039,850
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 3,747,769	$ 4,009,742
Deferred rent	1,064,721	1,141,202
Accrued pension cost	4,036,361	3,940,953
Total liabilities	8,848,851	9,091,897
Commitments and contingencies (Notes 8 and 9)		
Net assets:		
Without donor restrictions	613,337	879,790
With donor restrictions	6,407,361	9,068,163
Total net assets	7,020,698	9,947,953
Total liabilities and net assets	$ 15,869,549	$ 19,039,850

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants and contracts	$ 49,515,711	$ -	$ 49,515,711
Contributions	335,141	3,058,188	3,393,329
Corporate grants and contracts	1,253,548	-	1,253,548
License/Sponsorship fee	-	-	-
Membership services and conferences	1,901,168	-	1,901,168
Investment income, net	76,902	-	76,902
Net assets released from restrictions	5,718,990	(5,718,990)	-
Total revenue and support	58,801,460	(2,660,802)	56,140,658
Expenses:			
Program services:			
Workforce development	33,492,291	-	33,492,291
Access to benefits	13,679,575	-	13,679,575
Healthy aging programs	2,592,698	-	2,592,698
Retirement education programs	742,501	-	742,501
Aging mastery program	1,965,425	-	1,965,425
Public policy and advocacy	579,658	-	579,658
Membership services and outreach	764,757	-	764,757
Economic security issues	901,085	-	901,085
Home equity programs	210,610	-	210,610
Total program services	54,928,600	-	54,928,600
Supporting services:			
Management and general	3,053,198	-	3,053,198
Fundraising	724,051	-	724,051
Total supporting services	3,777,249	-	3,777,249
Total expenses	58,705,849	-	58,705,849
Change in net assets before pension-related changes other than net periodic cost	95,611	(2,660,802)	(2,565,191)
Pension-related changes:			
Other than net periodic cost	(362,064)	-	(362,064)
Change in net assets	(266,453)	(2,660,802)	(2,927,255)
Net assets:			
Beginning	879,790	9,068,163	9,947,953
Ending	$ 613,337	$ 6,407,361	$ 7,020,698

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants and contracts	$ 49,942,171	$ -	$ 49,942,171
Contributions	257,792	10,400,496	10,658,288
Corporate grants and contracts	3,568,006	-	3,568,006
License/Sponsorship fee	457,620	-	457,620
Membership services and conferences	179,374	-	179,374
Investment income, net	49,241	-	49,241
Net assets released from restrictions	4,720,505	(4,720,505)	-
Total revenue and support	59,174,709	5,679,991	64,854,700
Expenses:			
Program services:			
Workforce development	37,299,508	-	37,299,508
Access to benefits	11,154,917	-	11,154,917
Healthy aging programs	2,247,719	-	2,247,719
Retirement education programs	1,599,935	-	1,599,935
Aging mastery program	1,531,565	-	1,531,565
Public policy and advocacy	657,976	-	657,976
Membership services and outreach	499,040	-	499,040
Economic security issues	427,663	-	427,663
Home equity programs	374,377	-	374,377
Healthy aging social enterprises	6,721	-	6,721
New business development	3,278	-	3,278
Total program services	55,802,699	-	55,802,699
Supporting services:			
Management and general	2,715,367	-	2,715,367
Fundraising	452,370	-	452,370
Total supporting services	3,167,737	-	3,167,737
Total expenses	58,970,436	-	58,970,436
Change in net assets before pension-related changes other than net periodic cost	204,273	5,679,991	5,884,264
Pension-related changes:			
Other than net periodic cost	38,549	-	38,549
Change in net assets	242,822	5,679,991	5,922,813
Net assets:			
Beginning	636,968	3,388,172	4,025,140
Ending	$ 879,790	$ 9,068,163	$ 9,947,953

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Schedule of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Workforce Development	Access to Benefits	Healthy Aging Programs	Retirement Education Programs	Aging Mastery Program	Public Policy and Advocacy	Membership Services and Outreach	Economic Security Initiatives	Home Equity Programs	Management and General	Fundraising	2019 Total	2018 Total
Subgrants	$ 25,173,918	$ 7,563,095	$ -	$ -	$ 356,607	$ -	$ 30,000	$ 75,000	$ -	$ -	$ -	$ 33,198,620	$ 31,325,479
Salaries, wages and fringe	7,047,545	2,741,353	1,010,032	356,599	871,620	492,084	342,678	598,958	121,220	2,172,285	548,862	16,303,236	18,205,767
Contracted services	313,414	1,258,326	1,066,024	139,278	205,977	2,767	112,631	71,226	47,603	524,330	23,124	3,764,700	4,995,643
Outreach advertising and other costs	43,771	489,277	14,113	80,213	12,548	(662)	8,968	238	32	26,827	2,580	677,905	709,181
Rent	281,665	197,992	87,567	36,598	63,379	32,061	13,466	41,495	6,111	138,163	41,262	939,759	971,824
Equipment/computers	317,829	420,586	151,720	58,567	110,033	39,639	53,095	74,426	17,379	27,128	63,499	1,333,901	921,730
Travel	130,255	169,375	112,797	9,836	39,765	5,547	23,538	18,556	96	50,231	17,833	577,829	665,125
Conferences/meetings	37,265	259,101	109,816	655	14,711	565	170,039	3,359	73	19,904	2,267	617,755	346,760
Office operations	65,014	85,285	13,646	27,093	283,022	2,533	3,834	3,778	718	20,098	18,937	523,958	423,907
Communications	43,439	476,862	21,491	32,263	3,830	3,978	861	12,227	16,902	21,147	3,370	636,370	279,822
Insurance	12,596	5,145	975	279	739	218	288	339	79	41,316	-	61,974	58,884
Printing	14,927	11,560	4,341	1,094	2,689	863	4,993	1,474	395	10,630	2,233	55,199	40,173
Postage/courier	10,332	1,101	83	26	505	65	366	9	2	1,139	33	13,661	24,332
Unallowable	321	517	93	-	-	-	-	-	-	-	51	982	1,809
Total expenses	$ 33,492,291	$ 13,679,575	$ 2,592,698	$ 742,501	$ 1,965,425	$ 579,658	$ 764,757	$ 901,085	$ 210,610	$ 3,053,198	$ 724,051	$ 58,705,849	$ 58,970,436

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ (2,927,255)**	$ 5,922,813
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**120,368**	133,962
Change in present value discount of receivables	**(14,238)**	13,506
(Increase) decrease in:		
Cash restricted for grants and contracts	**(12,615)**	109,316
Grants and contributions receivable	**3,010,230**	(3,671,419)
Amounts due from subgrantees and federal agencies	**(1,146,989)**	(1,669,897)
Prepaid expenses and other assets	**(111,635)**	(182,280)
(Decrease) increase in:		
Accounts payable and accrued expenses	**(261,973)**	1,264,980
Deferred rent	**(76,481)**	(57,936)
Deferred revenue	**-**	(51,053)
Accrued pension cost	**95,408**	(205,924)
Net cash (used in) provided by operating activities	**(1,325,180)**	1,606,068
Cash flows from investing activities:		
Purchases of investments	**(128,294)**	(101,418)
Sale of investments	**24,890**	24,115
Net cash used in investing activities	**(103,404)**	(77,303)
Net (decrease) increase in cash and cash equivalents	**(1,428,584)**	1,528,765
Cash and cash equivalents:		
Beginning	**4,568,124**	3,039,359
Ending	**$ 3,139,540**	$ 4,568,124

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The accompanying consolidated financial statements include the accounts of National Council on Aging, Inc. (NCOA) and the NCOA Development Corporation (the Corporation) herein referred to collectively as the Organization. NCOA's affiliates are controlled by essentially the same management and Board of Directors (the Board).

NCOA was established in 1950 as a service and advocacy organization. NCOA is a national voice for older adults, especially those who are vulnerable and disadvantaged, and the community organizations that serve them. NCOA brings together nonprofit organizations, businesses and government to develop creative solutions that improve the lives of all older adults. NCOA works with thousands of organizations across the country to help seniors live independently, find jobs and benefits, improve their health and remain active in their communities.

The Corporation is a taxable subsidiary formed in 1995 to develop commercial computer applications and opportunities consistent with and growing out of the work of NCOA. This subsidiary was inactive for the years ended June 30, 2019 and 2018.

The Organization serves as a national contractor to assist lower-income, older persons secure employment through the Senior Community Service Employment Program (SCSEP) authorized under Title V of the Older Americans Act. Under the SCSEP, NCOA and its subcontractors match eligible older adults with host community service agencies, effectively subsidizing their part-time jobs at these sites. Participants build skills and self-confidence while earning a modest income. For most, their SCSEP experience leads to opportunities for full-time employment as they exit the program. The Organization operates the SCSEP through agencies in approximately 35 communities, with NCOA self-run operations for the year ended June 30, 2019, in California, New Jersey, North Carolina, Virginia, West Virginia and Tennessee. The other communities are handled through subcontractor organizations, still under the guidance and oversight of NCOA. For the U.S. Administration on Community Living (under the Department of Health and Human Services), NCOA also serves as both the National Resource Center on Chronic Disease Self-Management Education programs as well as the National Resource Center for Benefits Outreach and Enrollment.

The Organization's largest source of funding is provided through various contracts with the Department of Labor (DOL) under Title V of the Older Americans Act. For the years ended June 30, 2019 and 2018, funding from the DOL contracts approximated 60% and 61% of the Organization's unrestricted support and revenue, respectively. The annual contract's funding normally expires each June 30, but is often extended a few months into the next fiscal year. The annual SCSEP award (approximately $34.01 million and $35.7 million for fiscal year 2019 and 2018, respectively) is renewable and expected to continue.

The Organization also receives revenue from other government agencies including, but not limited to, the Environmental Protection Agency, Department of Housing and Urban Development and the Department of Health and Human Services. Funding from these government agencies supports other aging-related programs and initiatives. Other sources of revenue include private and corporate grants, contracts and contributions, non-federal government grants and contracts, membership services, sponsorships, publication sales and earnings on investments.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Principles of consolidation: All significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this ASC topic, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Cash and cash equivalents: For consolidated financial statement purposes, the Organization considers all highly liquid, temporary investments purchased with an original maturity of three months or less to be cash and cash equivalents. However, amounts held in the investment portfolio, regardless of maturity, are reported with investments.

Cash restricted for grants and contracts: Cash and cash equivalents required to be held in a separate account are included in cash restricted for grants and contracts on the consolidated statements of financial position. For cash flow purposes, restricted cash for grants and contracts are segregated.

Financial risk: The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

Investments: Investments consist primarily of money market funds and the FJC Agency Loan Fund. Money market funds are reported at fair value, which approximates cost. The FJC Agency Loan Fund is a diversified portfolio of direct loans made to nonprofit organizations and investments, and is stated at fair value. Fair value is discussed in Note 2. Investment income is reported net of management fees.

Grants and contributions receivable: Grants and contributions receivable include unconditional promises to give that are recorded in the consolidated financial statements at the time the promises are made and exchange transaction grants that are recorded when earned. Grants and contributions receivable are recorded net of an appropriate allowance. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. The provision for an allowance for doubtful accounts as of June 30, 2019 and 2018, was $30,000. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at rates applicable to the years in which the promises were received. Amortization of the discount is included in contributions revenue.

Amounts due from subgrantees and federal agencies: These receivables consist of billed and unbilled receivables. Certain subgrantees receive cash advances on their contracted services. A receivable is recorded if the total amount of expenses incurred to date is less than the amount paid to the subgrantee. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. All receivables are deemed by management to be fully collectible as of June 30, 2019 and 2018.

Property and equipment: The Organization capitalizes all acquisitions of property and equipment greater than $5,000. Property and equipment are carried at cost. Depreciation and amortization are computed using the straight-line method over estimated service lives of three to ten years for office furniture, computers, equipment and software. Amortization of leasehold improvements is computed over the shorter of the life of the lease or the useful life of the asset.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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

Without donor restrictions: Net assets that are not subject to any donor-imposed stipulations or other legal limitations, and are therefore available for use in the Organization's general operations.

With donor restrictions: Net assets subject to donor-imposed stipulations on the use of the assets that may be met either by actions of the Organization or by the passage of time.

Revenue and support recognition: Revenue and expenses are recognized in the period in which services or benefits are provided or received. NCOA receives grants and enters into contracts with the U.S. Government, state and local governments, and corporations that primarily provide for cost reimbursement to NCOA. These grants and contracts are deemed to be exchange transactions, and revenue is recognized as reimbursable expenditures, including subgrant expenses, are incurred.

Unconditional contributions received by NCOA, which include unconditional promises to give (pledges), are recognized as support in the period received at their estimated fair value. Contributions are considered to be without donor restrictions unless specifically restricted by the donor or are due in future periods.

Contributions receivable are reported net of any estimated uncollectible amounts. Contributions expected to be collected beyond one year are discounted to present value. Conditional contributions are not recorded until material conditions have been met.

Income taxes: NCOA is exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, NCOA is taxed only on its unrelated business income. No provision for income taxes was required for fiscal years 2019 and 2018. NCOA is classified as other than a private foundation by the Internal Revenue Service. The Corporation is a for-profit entity which had no significant income or loss for the fiscal years ended June 30, 2019 and 2018.

Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal income tax positions by tax authorities for years before 2016.

Use of estimates: The preparation of the consolidated 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 disclosures. Actual results could differ from those estimates.

Functional allocation of expenses: The costs of providing the various services and other activities have been summarized on a program basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, wages and fringe expenses are allocated based on level of efforts. Rent expense is allocated based on square footage of each program it occupies. Communications, insurance, printing, postage and courier expenses are allocated based on salaries and wages expenses.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The Organization retrospectively adopted this ASU in 2019. As permitted by the ASU in the year of election, the Organization elected to present the consolidated statement of functional expenses and the liquidity disclosure for only the current year.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, along with the various updates in 2016 and 2015, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect the new standard will have on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted *Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For nonpublic entities, ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of the ASU is to clarify and improve the scope and accounting guidance for contributions received and made. The amendments in the ASU 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. The amendments in this ASU likely will result in more grants and contracted being accounted for as either contributions or conditional contributions than observed in practice under current guidance. The amendments in this ASU should be applied on a modified prospective basis, although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as a resource recipient to annual periods beginning after December 15, 2018. Entities should apply the amendments for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU applies the provisions of recently released Chapter 8, "Notes to the Financial Statements", of the FASB's *Conceptual Framework for Financial Reporting*, resulting in the removal, modification and addition of certain disclosure requirements. The amendments apply to all entities that are required to make disclosures about recurring or nonrecurring fair value measurements, however certain disclosure requirements do not apply to nonpublic entities. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2019. Early adoption is permitted, including the ability to early adopt any removed or modified disclosures while delaying adoption of the additional disclosures until the required effective date. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. For nonpublic entities, the ASU No. 2018-14 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

Subsequent events: The Organization evaluated subsequent events for disclosure through February 13, 2020, which is the date the consolidated financial statements were available to be issued.

Note 2. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise of following:

Cash and cash equivalents	$ 3,139,540
Cash restricted for grants and contracts	48,916
Investments	2,689,826
Grants and contributions receivable, net	4,675,272
Amounts due from subgrantees and federal agencies	4,041,121
	14,594,675
Less amounts not available to be used within one year:	
Net assets with donor restrictions	6,407,361
Cash restricted for grants and contracts	48,916
	6,456,277
Financial assets available to meet general expenditures within one year	$ 8,138,398

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, unrestricted contributions, and investments that can be redeemed with a 30-day notice.

Note 3. Investments and Fair Value Measurements

Investments are recorded at fair value. Investments consist of the following at June 30, 2019 and 2018:

	2019	2018
FJC Agency Loan Fund	$ 2,555,764	$ 2,454,914
Fidelity Investments Money Market Funds	134,062	131,508
	$ 2,689,826	$ 2,586,422

Investment income was as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividends	$ 128,603	$ 101,796
Less investment management fees	(51,701)	(52,555)
	$ 76,902	$ 49,241

Note 3. Investments and Fair Value Measurements (Continued)

The Fair Value Measurement Topic of the FASB ASC establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2019 and 2018:

	2019		
	Total	Level 1	Level 3
Fidelity Investments Money Market Funds	$ 134,062	$ 134,062	$ -
FJC Agency Loan Fund	2,555,764	-	2,555,764
	$ 2,689,826	$ 134,062	$ 2,555,764

	2018		
	Total	Level 1	Level 3
Fidelity Investments Money Market Funds	$ 131,508	$ 131,508	$ -
FJC Agency Loan Fund	2,454,914	-	2,454,914
	$ 2,586,422	$ 131,508	$ 2,454,914

The FJC Agency Loan Fund is an investment fund operated by FJC, which is a foundation managing donor advised funds as well as offering programs for philanthropic giving and assistance to nonprofit organizations. NCOA has chosen to maintain some of their investment funds with FJC to achieve investment returns and support the nonprofit community. The FJC Agency Loan Fund provides secured loans to credit qualified charitable organizations and also holds their own portfolio of investments.

Note 3. Investments and Fair Value Measurements (Continued)

Amounts invested in the FJC Agency Loan Fund are valued based upon the internally calculated net present values of allocated underlying assets (which consist of secured loan balances) proportionately assigned to NCOA by the manager of the fund with such valuations received by NCOA management. As a result, the estimated fair value reported on the accompanying consolidated financial statements might differ from the values that would have been used had a ready market existed and there is at least a reasonable possibility that estimates may change by material amounts in the near term. NCOA does not have unfunded commitments related to this investment and has the ability to redeem the investment with a 30-day notice.

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the ASC requires reconciliation of the beginning and ending balances, separately, for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Organization's assets measured at fair value on a recurring basis using significant unobservable inputs:

	2019 FJC Agency Loan Fund	2018 FJC Agency Loan Fund
Beginning balance	$ 2,454,914	$ 2,378,820
Reinvestment interest	125,853	100,176
Investment management fees	(25,003)	(24,082)
Ending balance	$ 2,555,764	$ 2,454,914

Note 4. Grants and Contributions Receivable

Grants and contributions receivable, including both unconditional promises to give and exchange transaction grants, were as follows at June 30, 2019 and 2018:

	2019	2018
Receivable in less than one year	$ 4,691,034	$ 5,817,049
Receivable in one to five years	-	1,898,453
	4,691,034	7,715,502
Less discount to net present value	14,238	(14,238)
Less allowance for uncollectible receivables	(30,000)	(30,000)
	$ 4,675,272	$ 7,671,264

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018
Leasehold improvements	$ 2,050,448	$ 2,050,448
Capitalized software	687,942	687,942
Furniture and fixtures	303,833	303,833
Office computers and equipment	159,665	159,665
	3,201,888	3,201,888
Accumulated depreciation and amortization	(2,447,651)	(2,327,283)
	$ 754,237	$ 874,605

Depreciation and amortization expense for the years ended June 30, 2019 and 2018, was $120,368 and $133,962, respectively.

Note 6. Employee Benefits

Pension plan: NCOA maintains a non-contributory, defined benefit retirement plan covering full-time salaried employees of NCOA hired before June 30, 2006, who were at least 21 years of age, had completed at least one year of employment and met certain minimum hour requirements. Benefits are based on years of service and final average earnings (highest average earnings during any 36 consecutive months out of the last 120 months of employment with NCOA and its affiliates). Plan participants fully vest at age 55 or after five years of service, whichever occurs first. Effective June 30, 2006, NCOA froze the accrual of additional benefits and no new participants were allowed to enter the plan. A measurement date of June 30 has been used.

Authorized investments under the plan's investment policy consist of mutual funds with registered investment companies; pooled guaranteed investment contracts managed by outside fund managers, commodity-linked investments, hedge funds and commingled funds. The plan's target asset allocation is 45% in equities (plus or minus 20%), 35% in fixed income investments (plus or minus 20%), 20% in alternative assets (plus or minus 20%) and 0% (but the maximum is up to 10%) in cash-equivalent or money-market investments. The plan's asset mix is reviewed quarterly and rebalanced as necessary.

The following table sets forth the plan's funded status, the amounts recognized in the consolidated statements of financial position and the components of net periodic pension cost at June 30, 2019 and 2018:

	2019	2018
Accumulated benefit obligation	$ 9,459,037	$ 9,344,983
Projected benefit obligation	$ 9,459,037	$ 9,344,983
Fair value of plan assets	5,422,676	5,404,030
Funded status	(4,036,361)	(3,940,953)
Accrued pension cost	$ (4,036,361)	$ (3,940,953)

Note 6. Employee Benefits (Continued)

Assumptions used in the actuarial valuations were as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Discount rate	3.50%	4.00%
Rate of increase in compensation	N/A	N/A
Long-term rate of return on plan assets	7.00%	7.00%

The unrecognized net actuarial loss subsequent to transition included in net assets is $4,004,258. The unrecognized net loss will be amortized into net periodic pension cost in future years. The amount expected to be recognized into net periodic cost in the coming year is $195,923.

The following table details the net periodic pension cost, employer contributions and benefits paid for the years ended June 30, 2019 and 2018:

	2019	2018
Net periodic pension cost	$ 144,792	$ 171,378
Employer contribution	411,448	340,328
Benefits paid	587,312	599,160

NCOA's funding policy is to contribute annually based upon the actuarial cost method. Under the aggregate actuarial cost method, the scheduled contribution consists of the normal cost plus any additional amounts necessary to meet minimum funding requirements. The estimated contribution for 2020 fiscal year is $416,600.

Expected future plan disbursements for benefit payments are:

Years ending June 30:	
2020	$ 679,557
2021	675,847
2022	656,760
2023	661,719
2024	671,973
2025-2029	3,124,964
Total	$ 6,470,820

Note 6. Employee Benefits (Continued)

The changes in benefit obligations as of and for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Benefit obligation, beginning of year	$ 9,344,983	$ 9,525,935
Interest cost	357,803	372,325
Actuarial loss	343,563	45,883
Benefit payments and settlements	(587,312)	(599,160)
Benefit obligation, end of year	$ 9,459,037	$ 9,344,983

The changes in plan assets as of and for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Fair value of assets, beginning of year	$ 5,404,030	$ 5,379,058
Actual return on assets	194,510	283,804
Actual contributions	411,448	340,328
Benefits paid	(587,312)	(599,160)
Fair value of assets, end of year	$ 5,422,676	$ 5,404,030

The components of net periodic benefit cost (charged to expense) for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Interest cost	$ 357,803	$ 372,325
Expected return on plan assets	(372,617)	(366,336)
Amortization of net loss	159,606	165,389
	$ 144,792	$ 171,378

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Discount rate	4.00%	4.00%
Expected long-term return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

Plan assets by category as of June 30, 2019:

Cash/short term account	$ 297,835
Mutual funds – equities	4,099,920
Mutual funds – bonds	1,024,921
	$ 5,422,676

Note 6. Employee Benefits (Continued)

Plan assets by category as of June 30, 2018:

Cash/short term account	$	262,219
Mutual funds – equities		4,121,848
Mutual funds – bonds		1,019,963
	$	5,404,030

Plan assets by fair value levels at June 30, 2019:

		Total		Level 1
Mutual funds – equities:				
Commodities broad basket	$	176,011	$	176,011
Diversified emerging markets		342,664		342,664
Equity energy		229,310		229,310
Financial		221,425		221,425
Foreign large value		535,444		535,444
Global real estate		314,997		314,997
Large blend		985,946		985,946
World stock		414,312		414,312
Mutual funds – bonds:				
Europe Stock		291,700		291,700
Inflation-protected bond		369,921		369,921
Intermediate-term bond		363,300		363,300
World bond		879,811		879,811
	$	5,124,841	$	5,124,841

Plan assets by fair value levels at June 30, 2018:

		Total		Level 1
Mutual funds – equities:				
Commodities broad basket	$	188,178	$	188,178
Diversified emerging markets		336,141		336,141
Equity energy		259,441		259,441
Financial		199,146		199,146
Foreign large value		557,977		557,977
Large blend		1,015,589		1,015,589
Market neutral		332,348		332,348
World stock		389,181		389,181
Mutual funds – bonds:				
Europe Stock		326,308		326,308
Inflation-protected bond		353,589		353,589
Intermediate-term bond		340,074		340,074
World bond		843,839		843,839
	$	5,141,811	$	5,141,811

Note 6. Employee Benefits (Continued)

NCOA's pension plan assets consist of mutual funds, which are publicly traded and are therefore considered Level 1 items. Cash totaling $297,835 and $262,219 related to pension plan assets at June 30, 2019 and 2018, respectively, is not included in the above tables, because it is recorded at cost.

403(b) retirement savings plan: The Organization maintains a 403(b) retirement savings plan (the Plan) covering all employees. Assets of the Plan are held in trust by a third-party retirement account custodian. Under the Plan, employees may make elective salary-deferral contributions on a pre-tax basis. Additionally, the Organization makes discretionary employer contributions to eligible employees' 403(b) accounts. Employer contributions have a required vesting period of two years from date of hire.

The Organization made a discretionary employer contribution of 6% of salary to all eligible participants' 403(b) accounts for the fiscal years ended June 30, 2019 and 2018. The associated retirement plan expense for this plan was $537,370 and $421,408 for the years ended June 30, 2019 and 2018, respectively.

Note 7. Net Assets with Donor Restrictions

As of June 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes:

	2019	2018
Access to Benefits	$ 1,652,029	$ 4,077,082
Aging Mastery Program	4,289,404	4,226,711
Economic Security	187,309	499,328
Home Equity	-	123,391
Healthy Aging Programs	35,000	78,902
Public Policy and Advocacy	-	62,749
Membership Services and Outreach	243,619	-
	$ 6,407,361	$ 9,068,163

For the years ended June 30, 2019 and 2018, net assets with donor restrictions releases by program were as follows:

	2019	2018
Access to Benefits	$ 2,300,053	$ 2,127,003
Aging Mastery Program	1,967,995	1,110,015
Healthy Aging Programs	128,902	609,555
Economic Security	1,012,019	481,829
Public Policy and Advocacy	62,749	197,854
Home Equity	123,391	181,829
Healthy Aging Social Enterprises	-	7,420
Training - NISC	-	5,000
Membership Services and Outreach	123,881	-
	$ 5,718,990	$ 4,720,505

Note 8. Commitments

NCOA leases office space for its headquarters in Arlington, Virginia under a non-cancelable lease expiring in April 2026. NCOA received rent abatements under the agreement as well as a tenant improvement allowance. A deferred rent amount was recognized to allocate the benefit of this free rent and tenant improvement allowance along with escalating rent payments throughout the term of the lease. The amounts related to the tenant improvements made are recognized as a reduction in rent expense and an increase in depreciation expense, respectively, over the life of the lease. In conjunction with this office lease, NCOA obtained an irrevocable letter of credit, totaling $191,453, with a financial institution which was automatically renews annually every January 1st. The letter of credit was reduced by 50% during the year ended June 30, 2019, to $95,727, per the NCOA headquarters office lease agreement. The letter of credit was accepted as a security deposit by the landlord.

In addition to the above lease, NCOA maintains office locations in various states. These offices support NCOA's SCSEP contract under the DOL grant. NCOA's lease payments under these leases are fully reimbursed by the DOL. NCOA's leases for these offices are generally cancelable in the event that the SCSEP contract is not renewed.

NCOA also rents equipment under non-cancelable operating leases expiring at different times.

Future minimum rental payments under the operating leases are as follows:

Years ending June 30:	
2020	$ 763,244
2021	732,228
2022	728,503
2023	716,986
2024	738,496
Thereafter	1,411,613
	$ 5,091,070

Rent expense for all office leases was $939,759 and $971,824 for the years ended June 30, 2019 and 2018, respectively.

Note 9. Contingency

The Organization participates in a number of federally-assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. Management does not anticipate any significant adverse adjustments as a result of such audits.