

# **National Council on Aging, Inc.**

Financial Report  
June 30, 2021

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## Independent Auditor's Report

Board of Directors  
National Council on Aging, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of National Council on Aging, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 National Council on Aging, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As more fully described in Note 3, the financial statements include investments valued at \$2,685,182 (102% of net assets) and \$2,633,594 (39% of net assets) at June 30, 2021 and 2020, 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 2, 2022

**National Council on Aging, Inc.**

**Statements of Financial Position  
June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 2,938,813	\$ 5,416,952
Cash restricted for grants and contracts	43,598	44,816
Investments	2,881,910	2,769,107
Grants and contributions receivable, net	942,559	3,453,110
Amounts due from subgrantees and federal agencies	3,289,720	3,961,049
Prepaid expenses and other assets	207,861	357,464
Property and equipment, net	552,544	652,425
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<b>Total assets</b>	<b>\$ 10,857,005</b>	<b>\$ 16,654,923</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,213,071	\$ 4,573,462
Deferred rent	853,863	969,119
Accrued pension cost	3,156,744	4,307,367
<b>Total liabilities</b>	<hr/> <b>8,223,678</b>	<hr/> <b>9,849,948</b>
Commitments and contingencies (Notes 8 and 9)		
Net assets (deficit):		
Without donor restrictions	(1,040,087)	(417,645)
With donor restrictions	3,673,414	7,222,620
<b>Total net assets</b>	<hr/> <b>2,633,327</b>	<hr/> <b>6,804,975</b>
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<b>Total liabilities and net assets</b>	<b>\$ 10,857,005</b>	<b>\$ 16,654,923</b>

See notes to financial statements.

National Council on Aging, Inc.

Statement of Activities  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants	\$ 49,337,708	\$ -	\$ 49,337,708
Contributions	1,557,815	1,505,849	3,063,664
Corporate grants	1,090,895	-	1,090,895
Conferences and other	736,230	-	736,230
Investment income, net	24,506	-	24,506
Net assets released from restrictions	5,055,055	(5,055,055)	-
<b>Total revenue and support</b>	<b>57,802,209</b>	<b>(3,549,206)</b>	<b>54,253,003</b>
Expenses:			
Program services:			
Workforce development	33,799,694	-	33,799,694
Access to benefits	13,459,206	-	13,459,206
Healthy aging programs	2,133,567	-	2,133,567
Retirement education programs	1,439,947	-	1,439,947
Aging mastery program	1,167,287	-	1,167,287
Public policy and advocacy	457,440	-	457,440
Membership services and outreach	1,095,214	-	1,095,214
Economic security issues	1,199,039	-	1,199,039
COVID programs	109,916	-	109,916
<b>Total program services</b>	<b>54,861,310</b>	<b>-</b>	<b>54,861,310</b>
Supporting services:			
Management and general	3,532,933	-	3,532,933
Fundraising	718,167	-	718,167
<b>Total supporting services</b>	<b>4,251,100</b>	<b>-</b>	<b>4,251,100</b>
<b>Total expenses</b>	<b>59,112,410</b>	<b>-</b>	<b>59,112,410</b>
<b>Change in net assets before pension-related changes other than net periodic cost</b>	<b>(1,310,201)</b>	<b>(3,549,206)</b>	<b>(4,859,407)</b>
Pension-related changes:			
Other than net periodic cost	687,759	-	687,759
<b>Change in net assets</b>	<b>(622,442)</b>	<b>(3,549,206)</b>	<b>(4,171,648)</b>
Net assets (deficit):			
Beginning	(417,645)	7,222,620	6,804,975
Ending	\$ (1,040,087)	\$ 3,673,414	\$ 2,633,327

See notes to financial statements.

**National Council on Aging, Inc.**

**Statement of Activities  
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support:</b>			
Government grants	\$ 49,040,505	\$ -	\$ 49,040,505
Contributions	381,275	7,026,000	7,407,275
Corporate grants	766,876	-	766,876
Conferences and other	2,510,524	-	2,510,524
Investment income, net	53,079	-	53,079
Net assets released from restrictions	6,210,741	(6,210,741)	-
<b>Total revenue and support</b>	<b>58,963,000</b>	<b>815,259</b>	<b>59,778,259</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Workforce development	33,969,501	-	33,969,501
Access to benefits	12,836,346	-	12,836,346
Healthy aging programs	2,224,898	-	2,224,898
Retirement education programs	936,534	-	936,534
Aging mastery program	2,017,021	-	2,017,021
Public policy and advocacy	463,676	-	463,676
Membership services and outreach	1,065,696	-	1,065,696
Economic security issues	1,156,845	-	1,156,845
COVID programs	71,743	-	71,743
<b>Total program services</b>	<b>54,742,260</b>	<b>-</b>	<b>54,742,260</b>
<b>Supporting services:</b>			
Management and general	3,428,608	-	3,428,608
Fundraising	972,074	-	972,074
<b>Total supporting services</b>	<b>4,400,682</b>	<b>-</b>	<b>4,400,682</b>
<b>Total expenses</b>	<b>59,142,942</b>	<b>-</b>	<b>59,142,942</b>
<b>Change in net assets before pension-related changes other than net periodic cost</b>	<b>(179,942)</b>	<b>815,259</b>	<b>635,317</b>
<b>Pension-related changes:</b>			
Other than net periodic cost	(851,040)	-	(851,040)
<b>Change in net assets</b>	<b>(1,030,982)</b>	<b>815,259</b>	<b>(215,723)</b>
<b>Net assets (deficit):</b>			
Beginning	613,337	6,407,361	7,020,698
Ending	\$ (417,645)	\$ 7,222,620	\$ 6,804,975

See notes to financial statements.

National Council on Aging, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2021

	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	COVID Programs	Management and General	Fundraising	Total
Subgrants	\$ 26,751,225	\$ 6,723,147	\$ 5,000	\$ -	\$ 235,795	\$ -	\$ -	\$ 20,000	\$ 35,000	\$ -	\$ -	\$ 33,770,167
Salaries, wages and fringe	5,909,439	3,021,667	1,384,042	311,343	502,227	398,394	544,821	576,946	12,035	2,092,292	376,646	15,129,852
Contracted services	432,376	2,327,134	372,334	708,540	184,187	4,594	240,654	451,119	59,866	1,101,979	233,179	6,115,962
Outreach advertising and other costs	50,714	538,261	24,069	355,137	3,072	31	129,715	4,621	345	7,401	6,709	1,120,075
Rent	216,145	208,881	96,454	17,196	35,002	25,384	45,998	37,500	1,209	182,582	42,229	908,580
Equipment/computers	250,148	434,056	160,859	43,164	51,570	25,729	58,543	61,147	1,299	59,066	28,468	1,174,049
Travel	14,198	552	(1,253)	14	66	4	500	12	1	1,065	-	15,159
Conferences/meetings	35,592	115,694	67,674	81	3,550	26	56,771	566	6	6,200	195	286,355
Office operations	84,411	47,668	15,455	1,554	148,101	1,474	12,788	8,163	55	35,188	27,250	382,107
Communications	29,426	30,833	4,342	1,806	1,786	1,187	1,360	36,011	34	2,324	1,006	110,115
Insurance	12,563	5,003	793	535	434	170	407	446	41	40,784	-	61,176
Printing	4,460	5,963	3,464	520	618	434	2,750	2,466	24	3,414	455	24,568
Postage/courier	8,990	345	334	18	879	13	608	42	1	638	1,483	13,351
Unallowable	7	2	-	39	-	-	299	-	-	-	547	894
<b>Total expenses</b>	<b>\$ 33,799,694</b>	<b>\$ 13,459,206</b>	<b>\$ 2,133,567</b>	<b>\$ 1,439,947</b>	<b>\$ 1,167,287</b>	<b>\$ 457,440</b>	<b>\$ 1,095,214</b>	<b>\$ 1,199,039</b>	<b>\$ 109,916</b>	<b>\$ 3,532,933</b>	<b>\$ 718,167</b>	<b>\$ 59,112,410</b>

See notes to financial statements.



**National Council on Aging, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2020**

	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	COVID Programs	Management and General	Fundraising	Total
Subgrants	\$ 26,719,863	\$ 6,730,896	\$ (6,870)	\$ -	\$ 457,250	\$ -	\$ 10,570	\$ 30,000	\$ -	\$ -	\$ -	\$ 33,941,709
Salaries, wages and fringe	6,165,298	2,640,671	1,316,099	324,298	932,072	402,064	552,710	519,381	1,505	2,296,101	715,038	15,865,237
Contracted services	316,495	1,941,722	484,558	421,473	185,891	3,277	325,898	409,597	50,596	773,864	100,198	5,013,569
Outreach advertising and other costs	20,166	502,789	17,896	102	7,021	31	13,541	628	13,073	7,300	5,341	587,888
Rent	217,924	204,992	98,452	21,307	45,278	24,217	35,781	32,095	110	167,312	45,126	892,594
Equipment/computers	293,495	386,880	151,658	55,357	104,336	27,288	73,372	58,955	31	46,877	60,749	1,258,998
Travel	73,484	69,716	30,960	16,490	23,884	258	19,079	32,989	533	41,001	19,357	327,751
Conferences/meetings	39,897	120,517	90,233	1,696	12,988	562	-	3,265	16	24,015	6,714	299,903
Office operations	63,719	49,300	24,312	8,725	241,066	3,674	13,466	14,787	15	23,161	13,897	456,122
Communications	31,416	154,411	13,480	86,055	4,248	1,598	1,776	44,479	3,837	7,425	3,587	352,312
Insurance	9,313	3,519	610	257	553	127	292	317	20	30,015	-	45,023
Printing	6,078	23,690	3,247	718	2,302	552	18,005	10,166	2,003	4,936	1,156	72,853
Postage/courier	12,197	6,635	263	56	132	28	871	70	4	6,601	24	26,881
Unallowable	156	608	-	-	-	-	335	116	-	-	887	2,102
<b>Total expenses</b>	<b>\$ 33,969,501</b>	<b>\$ 12,836,346</b>	<b>\$ 2,224,898</b>	<b>\$ 936,534</b>	<b>\$ 2,017,021</b>	<b>\$ 463,676</b>	<b>\$ 1,065,696</b>	<b>\$ 1,156,845</b>	<b>\$ 71,743</b>	<b>\$ 3,428,608</b>	<b>\$ 972,074</b>	<b>\$ 59,142,942</b>

See notes to financial statements.

**National Council on Aging, Inc.**

**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (4,171,648)	\$ (215,723)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	121,647	121,579
Deferred rent	(115,256)	(95,602)
Change in present value discount of receivables	-	14,238
(Increase) decrease in:		
Grants and contributions receivable	2,510,551	1,207,924
Amounts due from subgrantees and federal agencies	671,329	80,072
Prepaid expenses and other assets	149,603	163,173
Increase (decrease) in:		
Accounts payable and accrued expenses	(360,391)	825,693
Accrued pension cost	(1,150,623)	271,006
<b>Net cash (used in) provided by operating activities</b>	<b>(2,344,788)</b>	<b>2,372,360</b>
Cash flows from investing activities:		
Purchases of investments	(138,190)	(105,351)
Sale of investments	25,387	26,070
Purchases of property and equipment	(21,766)	(19,767)
<b>Net cash used in investing activities</b>	<b>(134,569)</b>	<b>(99,048)</b>
<b>Net (decrease) increase in cash, cash equivalents and cash restricted for grants and contracts</b>	<b>(2,479,357)</b>	<b>2,273,312</b>
Cash, cash equivalents and cash restricted for grants and contracts:		
Beginning	5,461,768	3,188,456
Ending	<b>\$ 2,982,411</b>	<b>\$ 5,461,768</b>

See notes to financial statements.

## National Council on Aging, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** National Council on Aging, Inc. (the Organization) was established in 1950 as a service and advocacy organization. The Organization is a national voice for older adults, especially those who are vulnerable and disadvantaged, and the community organizations that serve them. The Organization brings together nonprofit organizations, businesses and government to develop creative solutions that improve the lives of all older adults. The Organization 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 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, the Organization 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 the Organization self-run operations for the years ended June 30, 2021 and 2020, 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 the Organization. For the U.S. Administration on Community Living (under the Department of Health and Human Services), the Organization 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, 2021 and 2020, funding from the DOL contracts approximated 59% and 58% 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 \$34.1 million and \$34.4 million for fiscal years 2021 and 2020, respectively) is renewable and expected to continue.

The Organization also receives revenue from other government agencies including, but not limited to, the Department of Health and Human Services. Funding from this government agency 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, publication sales and earnings on investments.

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

**Basis of presentation:** The 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.

## National Council on Aging, Inc.

### Notes to Financial Statements

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

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.

**Cash and cash equivalents:** For 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 statements of financial position and presented with total cash on statements of cash flows.

**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. 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 3.

**Grants and contributions receivable:** Grants and contributions receivable include unconditional promises to give that are recorded in the 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, 2021 and 2020, 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, 2021 and 2020.

**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 3 to 10 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.

## National Council on Aging, Inc.

### Notes to Financial Statements

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

**Revenue and support recognition:** The Organization receives grants and enters into agreements with the U.S. government, state and local governments, and corporations that primarily provide for cost reimbursement to the Organization.

Unconditional contributions received by the Organization, which include unconditional promises to give, 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 include a right of refund or release and a barrier and are not recorded until material conditions have been met.

The Organization received conditional federal awards that have not been recognized as revenue at the respective statement of financial position date, as remaining related expenditures have not yet occurred. As of June 30, 2021 and 2020, the amount of unrecognized conditional federal awards amounted to \$3,558,611 and \$6,818,602.

The Organization's revenue streams from contracts with customers are comprised primarily from conferences. Revenue is recognized as performance obligations are satisfied when the conference occurs.

The Organization's revenue from contracts with customers do not include significant financing components and do not have variable considerations. The Organization did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are limited factors affecting future revenue and cash inflows from conferences.

**Income taxes:** The Organization is exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is taxed only on its unrelated business income. No provision for income taxes was required for fiscal years 2021 and 2020. The Organization is classified as other than a private foundation by the Internal Revenue Service.

Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements. Generally, the Organization is no longer subject to U.S. federal income tax positions by tax authorities for years before 2018.

**Use of estimates:** The preparation of the financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. 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 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.

## National Council on Aging, Inc.

### Notes to Financial Statements

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

**Reclassification:** Certain items within the consolidated financial statements for the year ended June 30, 2020 have been reclassified to conform to the financial statement presentation for the year ended June 30, 2021. The reclassifications had no effect on the previously reported change in net assets or net assets.

**Adopted accounting pronouncements:** In June 2018, the FASB issued Accounting Standards Update (ASU) 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 adopted this ASU as a resource recipient as of July 1, 2019, on a modified prospective method and as a resource provider as of July 1, 2020. The adoption added additional disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted this ASU as of July 1, 2020 which did not have a material impact on the financial statements.

In August 2018, the FASB issued ASU 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. This standard is effective for the Organization on July 1, 2020. The adoption of this ASU reduced required disclosures in the financial statements.

**Upcoming accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The standard is effective for the Organization on July 1, 2022, with early adoption permitted.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. This standard is effective for the Organization on July 1, 2022. Early adoption is permitted. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

## National Council on Aging, Inc.

### Notes to Financial Statements

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

**Subsequent events:** The Organization evaluated subsequent events for disclosure through February 2, 2022, which is the date the 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 the following at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 2,938,813	\$ 5,416,952
Cash restricted for grants and contracts	43,598	44,816
Investments	2,881,910	2,769,107
Grants and contributions receivable, net	942,559	3,453,110
Amounts due from subgrantees and federal agencies	3,289,720	3,961,049
	<u>10,096,600</u>	<u>15,645,034</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,673,414	7,222,620
Cash restricted for grants and contracts	43,598	44,816
	<u>3,717,012</u>	<u>7,267,436</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,379,588</u>	<u>\$ 8,377,598</u>

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, 2021 and 2020:

	2021	2020
FJC Agency Loan Fund	\$ 2,685,182	\$ 2,633,594
Fidelity Investments Money Market Funds	196,728	135,513
	<u>\$ 2,881,910</u>	<u>\$ 2,769,107</u>

Investment income was as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 79,506	\$ 105,429
Less investment management fees	(55,000)	(52,350)
	<u>\$ 24,506</u>	<u>\$ 53,079</u>

## National Council on Aging, Inc.

### Notes to Financial Statements

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#### 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, 2021 and 2020:

	2021		
	Total	Level 1	Level 3
Fidelity Investments Money Market Funds	\$ 196,728	\$ 196,728	\$ -
FJC Agency Loan Fund	2,685,182	-	2,685,182
	<u>\$ 2,881,910</u>	<u>\$ 196,728</u>	<u>\$ 2,685,182</u>
	2020		
	Total	Level 1	Level 3
Fidelity Investments Money Market Funds	\$ 135,513	\$ 135,513	\$ -
FJC Agency Loan Fund	2,633,594	-	2,633,594
	<u>\$ 2,769,107</u>	<u>\$ 135,513</u>	<u>\$ 2,633,594</u>

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. The Organization 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 its own portfolio of investments.

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 the Organization by the manager of the fund with such valuations received by the Organization management. As a result, the estimated fair value reported on the accompanying 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. The Organization does not have unfunded commitments related to this investment and has the ability to redeem the investment with a 30-day notice. There were no transfers in or out of the FJC Agency Loan Fund.



## National Council on Aging, Inc.

### Notes to Financial Statements

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#### 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, 2021 and 2020:

	2021	2020
Receivable in less than one year	\$ 972,559	\$ 3,483,110
Less allowance for uncollectible receivables	(30,000)	(30,000)
	<u>\$ 942,559</u>	<u>\$ 3,453,110</u>

#### Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020
Leasehold improvements	\$ 2,076,411	\$ 2,054,948
Capitalized software	703,211	703,211
Furniture and fixtures	303,833	303,833
Office computers and equipment	159,665	159,665
	<u>3,243,120</u>	<u>3,221,657</u>
Accumulated depreciation and amortization	(2,690,576)	(2,569,232)
	<u>\$ 552,544</u>	<u>\$ 652,425</u>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020, was \$121,647 and \$121,579, respectively.

#### Note 6. Employee Benefits

**Pension plan:** The Organization maintains a non-contributory, defined benefit retirement plan covering full-time salaried employees of the Organization 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 the Organization). Plan participants fully vest at age 55 or after five years of service, whichever occurs first. Effective June 30, 2006, the Organization 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.

## National Council on Aging, Inc.

### Notes to Financial Statements

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#### Note 6. Employee Benefits (Continued)

The following table sets forth the plan's funded status, the amounts recognized in the statements of financial position and the components of net periodic pension cost at June 30, 2021 and 2020:

	2021	2020
Accumulated benefit obligation	\$ 9,815,991	\$ 9,715,212
Projected benefit obligation	\$ 9,815,991	\$ 9,715,212
Fair value of plan assets	6,659,247	5,407,845
Funded status	(3,156,744)	(4,307,367)
Accrued pension cost	\$ (3,156,744)	\$ (4,307,367)

Assumptions used in the actuarial valuations were as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Discount rate	2.50%	3.00%
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 \$4,167,539. 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 \$208,000.

The following table details the net periodic pension cost, employer contributions and benefits paid for the years ended June 30, 2021 and 2020:

	2021	2020
Net periodic pension cost	\$ 152,760	\$ 140,324
Employer contribution	615,624	720,358
Benefits paid	655,159	598,717

The Organization'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 2022 fiscal year is \$600,000.

**National Council on Aging, Inc.**

**Notes to Financial Statements**

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**Note 6. Employee Benefits (Continued)**

Expected future plan disbursements for benefit payments are:

Years ending June 30:		
2022		\$ 687,609
2023		691,342
2024		700,460
2025		688,244
2026		671,289
2027-2031		3,029,925
Total		<u>\$ 6,468,869</u>

The changes in benefit obligations as of and for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Benefit obligation, beginning of year	\$ 9,715,212	\$ 9,459,037
Interest cost	284,838	327,907
Actuarial loss	471,100	526,995
Benefit payments and settlements	(655,159)	(598,727)
Benefit obligation, end of year	<u>\$ 9,815,991</u>	<u>\$ 9,715,212</u>

The changes in plan assets as of and for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Fair value of assets, beginning of year	\$ 5,407,845	\$ 5,422,676
Actual return (loss) on assets	1,290,937	(136,472)
Actual contributions	615,624	720,358
Benefits paid	(655,159)	(598,717)
Fair value of assets, end of year	<u>\$ 6,659,247</u>	<u>\$ 5,407,845</u>

The components of net periodic benefit cost (charged to expense) for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Interest cost	\$ 284,838	\$ 327,907
Expected return on plan assets	(380,210)	(386,636)
Amortization of net loss	248,132	199,053
	<u>\$ 152,760</u>	<u>\$ 140,324</u>

**National Council on Aging, Inc.****Notes to Financial Statements****Note 6. Employee Benefits (Continued)**

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2021 and 2020, are as follows:

	2021	2020
Discount rate	3.00%	3.50%
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, 2021 and 2020:

	2021	2020
Cash/short term account	\$ 414,735	\$ 449,249
Mutual funds – equities	4,815,089	3,737,975
Mutual funds – bonds	1,429,423	1,220,621
	<u>\$ 6,659,247</u>	<u>\$ 5,407,845</u>

Plan assets by fair value levels at June 30, 2021:

	Total	Level 1
Mutual funds – equities:		
Diversified emerging markets	\$ 456,197	\$ 456,197
Financial	1,474,224	1,474,224
Foreign large value	695,715	695,715
Global real estate	384,021	384,021
Large blend	1,439,306	1,439,306
World bond	365,626	365,626
Mutual funds – bonds:		
Europe stock	367,000	367,000
Inflation-protected bond	424,890	424,890
Intermediate-term bond	637,533	637,533
	<u>6,244,512</u>	<u>6,244,512</u>
Cash – reported at cost	414,735	414,735
	<u>\$ 6,659,247</u>	<u>\$ 6,659,247</u>

## National Council on Aging, Inc.

### Notes to Financial Statements

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#### Note 6. Employee Benefits (Continued)

Plan assets by fair value levels at June 30, 2020:

	Total	Level 1
Mutual funds – equities:		
Diversified emerging markets	\$ 317,809	\$ 317,809
Financial	368,845	368,845
Foreign large value	496,293	496,293
Global real estate	279,141	279,141
Large blend	1,033,909	1,033,909
World stock	377,659	377,659
World bond	864,319	864,319
Mutual funds – bonds:		
Europe stock	247,617	247,617
Inflation-protected bond	400,649	400,649
Intermediate-term bond	572,355	572,355
	<u>4,958,596</u>	<u>4,958,596</u>
Cash – reported at cost	449,249	449,249
	<u>\$ 5,407,845</u>	<u>\$ 5,407,845</u>

The Organization's pension plan assets consist of mutual funds, which are publicly traded and are therefore considered Level 1 items. Cash totaling \$414,735 and \$449,249 related to pension plan assets at June 30, 2021 and 2020, 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, 2021 and 2020. The associated retirement plan expense for this plan was \$508,342 and \$500,127 for the years ended June 30, 2021 and 2020, respectively.

#### Note 7. Net Assets With Donor Restrictions

As of June 30, 2021 and 2020, net assets with donor restrictions are available for the following purposes:

	2021	2020
Center for Benefits Access	\$ 2,634,753	\$ 4,230,408
Aging Mastery Program	434,868	1,834,066
Economic Security/Age Well Planner	274,892	1,074,837
Center for Healthy Aging	328,901	53,284
Membership Services and Outreach	-	30,025
	<u>\$ 3,673,414</u>	<u>\$ 7,222,620</u>

**National Council on Aging, Inc.**

**Notes to Financial Statements**

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**Note 7. Net Assets With Donor Restrictions (Continued)**

For the years ended June 30, 2021 and 2020, net assets with donor restrictions released by program were as follows:

	2021	2020
Center for Benefits Access	\$ 2,045,003	\$ 1,771,621
Aging Mastery Program	1,399,198	2,657,338
Center for Healthy Aging	173,884	174,716
Economic Security/Age Well Planner	1,081,945	1,362,472
Membership Services and Outreach	355,025	244,594
	<u>\$ 5,055,055</u>	<u>\$ 6,210,741</u>

**Note 8. Commitments**

The Organization leases office space for its headquarters in Arlington, Virginia under a non-cancelable lease expiring in April 2026. The Organization 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, the Organization has an irrevocable letter of credit, totaling \$95,727, with a financial institution which automatically renews annually every January 1. The letter of credit was accepted as a security deposit by the landlord.

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

The Organization 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:	
2022	\$ 757,512
2023	746,868
2024	751,101
2025	760,651
2026	650,962
	<u>\$ 3,667,094</u>

Rent expense for all office leases was \$908,580 and \$892,594 for the years ended June 30, 2021 and 2020, respectively.

## National Council on Aging, Inc.

### Notes to Financial Statements

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#### **Note 9. Contingencies**

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.

Subsequent to the coronavirus outbreak in 2020 in the United States, there has been substantial volatility in financial markets and the economy. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets. Management is continually monitoring the potential impact of the pandemic on the Organization.

#### **Note 10. Subsequent Events**

**Office lease amendment:** In December 2021, the Organization executed an amendment to the current office lease in Arlington, Virginia. The amendment reduces the space by 2,916 square feet to 11,443 square feet and extends the term to May 1, 2026. The amendment also provides for 4 months of rental abatement and an improvement allowance of up to \$175,000 of which 25% can be used for soft costs.

**Major gift:** Subsequent to the fiscal year-end (in the Fall of 2021) the Organization received a very significant donation (between \$5 and \$10 million), that came without donor restrictions and can be used for general mission purposes. Governance and management is in the process of determining any specific uses for the funding, but this large donation assures the Organization of ample operating reserves for our continuing operations.