

National Council on Aging, Inc. and Affiliates

Consolidated Financial Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

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, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, 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 National Council on Aging, Inc. and Affiliates as of June 30, 2020 and 2019, 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 adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* on a modified prospective method as a resource recipient. The adoption of this standard resulted in additional disclosures. Our opinion is not modified with respect to this matter.

As more fully described in Note 3, the financial statements include investments valued at \$2,633,594 (39% of net assets) and \$2,555,764 (36% of net assets) at June 30, 2020 and 2019, 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
March 1, 2021

National Council on Aging, Inc. and Affiliates

**Consolidated Statements of Financial Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 5,416,952	\$ 3,139,540
Cash restricted for grants and contracts	44,816	48,916
Investments	2,769,107	2,689,826
Grants and contributions receivable, net	3,453,110	4,675,272
Amounts due from subgrantees and federal agencies	3,961,049	4,041,121
Prepaid expenses and other assets	357,464	520,637
Property and equipment, net	652,425	754,237
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Total assets	\$ 16,654,923	\$ 15,869,549
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,573,462	\$ 3,747,769
Deferred rent	969,119	1,064,721
Accrued pension cost	4,307,367	4,036,361
Total liabilities	9,849,948	8,848,851
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Commitments and contingencies (Notes 8 and 9)		
Net assets (deficit):		
Without donor restrictions	(417,645)	613,337
With donor restrictions	7,222,620	6,407,361
Total net assets	6,804,975	7,020,698
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Total liabilities and net assets	\$ 16,654,923	\$ 15,869,549
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See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants and contracts	\$ 49,040,505	\$ -	\$ 49,040,505
Contributions	381,275	7,026,000	7,407,275
Corporate grants and contracts	766,876	-	766,876
Membership services and conferences	2,510,524	-	2,510,524
Investment income, net	53,079	-	53,079
Net assets released from restrictions	6,210,741	(6,210,741)	-
Total revenue and support	58,963,000	815,259	59,778,259
Expenses:			
Program services:			
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
Total program services	54,742,260	-	54,742,260
Supporting services:			
Management and general	3,428,608	-	3,428,608
Fundraising	972,074	-	972,074
Total supporting services	4,400,682	-	4,400,682
Total expenses	59,142,942	-	59,142,942
Change in net assets before pension-related changes other than net periodic cost	(179,942)	815,259	635,317
Pension-related changes:			
Other than net periodic cost	(851,040)	-	(851,040)
Change in net assets	(1,030,982)	815,259	(215,723)
Net assets (deficit):			
Beginning	613,337	6,407,361	7,020,698
Ending	\$ (417,645)	\$ 7,222,620	\$ 6,804,975

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
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 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
Total expenses	\$ 33,969,501	\$ 12,836,346	\$ 2,224,898	\$ 936,534	\$ 2,017,021	\$ 463,676	\$ 1,065,696	\$ 1,156,845	\$ 71,743	\$ 3,428,608	\$ 972,074	\$ 59,142,942

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statement of Functional Expenses Year Ended June 30, 2019

	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	Total
Subgrants	\$ 25,173,918	\$ 7,563,095	\$ -	\$ -	\$ 356,607	\$ -	\$ 30,000	\$ 75,000	\$ -	\$ -	\$ -	\$ 33,198,620
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
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
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
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
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
Travel	130,255	169,375	112,797	9,836	39,765	5,547	23,538	18,556	96	50,231	17,833	577,829
Office operations	37,265	259,101	109,816	655	14,711	565	170,039	3,359	73	19,904	2,267	617,755
Conferences/meetings	65,014	85,285	13,646	27,093	283,022	2,533	3,834	3,778	718	20,098	18,937	523,958
Communications	43,439	476,862	21,491	32,263	3,830	3,978	861	12,227	16,902	21,147	3,370	636,370
Insurance	12,596	5,145	975	279	739	218	288	339	79	41,316	-	61,974
Printing	14,927	11,560	4,341	1,094	2,689	863	4,993	1,474	395	10,630	2,233	55,199
Postage/courier	10,332	1,101	83	26	505	65	366	9	2	1,139	33	13,661
Unallowable	321	517	93	-	-	-	-	-	-	-	51	982
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

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (215,723)	\$ (2,927,255)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	121,579	120,368
Deferred rent	(95,602)	(76,481)
Change in present value discount of receivables	14,238	(14,238)
(Increase) decrease in:		
Grants and contributions receivable	1,207,924	2,997,615
Amounts due from subgrantees and federal agencies	80,072	(1,146,989)
Prepaid expenses and other assets	163,173	(111,635)
Increase (decrease) in:		
Accounts payable and accrued expenses	825,693	(261,973)
Accrued pension cost	271,006	95,408
Net cash provided by (used in) operating activities	2,372,360	(1,325,180)
Cash flows from investing activities:		
Purchases of investments	(105,351)	(128,294)
Sale of investments	26,070	24,890
Purchases of property and equipment	(19,767)	-
Net cash used in investing activities	(99,048)	(103,404)
Net increase (decrease) in cash, cash equivalents and cash restricted for grants and contracts	2,273,312	(1,428,584)
Cash, cash equivalents and cash restricted for grants and contracts:		
Beginning	3,188,456	4,617,040
Ending	\$ 5,461,768	\$ 3,188,456

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

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, 2020 and 2019.

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, 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 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, 2020 and 2019, funding from the DOL contracts approximated 58% and 60% 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 \$34.4 million and \$34.01 million for fiscal years 2020 and 2019, 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.

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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

Principles of consolidation: All significant inter-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.

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 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 and presented with total cash on consolidated 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, 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, 2020 and 2019, 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.

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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, 2020 and 2019.

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.

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 include a right of refund or release and a barrier and are not recorded until material conditions have been met.

NCOA 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, 2020, the amount of unrecognized conditional federal awards amounted to \$6,818,602.

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 2020 and 2019. 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, 2020 and 2019.

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 2017.

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 the reported amounts of assets and liabilities, 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.

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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.

Adopted accounting pronouncements: In November 2016, the FASB issued Accounting Standards Update (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. The ASU is required to be applied retrospectively for each year presented. The Organization has adopted this ASU which did not have a material impact on the consolidated statements of cash flows as of July 1, 2018.

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 adopted this ASU as a resource recipient as of July 1, 2019 on a modified prospective method. The adoption added additional disclosures.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU No. 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 May 2014, the FASB issued ASU No. 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. This standard is effective for the Organization on July 1, 2020. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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. This standard is effective for the Organization on July 1, 2020. 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*. 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 consolidated financial statements.

Subsequent events: The Organization evaluated subsequent events for disclosure through March 1, 2021, 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:

	2020	2019
Cash and cash equivalents	\$ 5,416,952	\$ 3,139,540
Cash restricted for grants and contracts	44,816	48,916
Investments	2,769,107	2,689,826
Grants and contributions receivable, net	3,453,110	4,675,272
Amounts due from subgrantees and federal agencies	3,961,049	4,041,121
	<u>15,645,034</u>	<u>14,594,675</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	7,222,620	6,407,361
Cash restricted for grants and contracts	44,816	48,916
	<u>7,267,436</u>	<u>6,456,277</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,377,598</u>	<u>\$ 8,138,398</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.

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements

Investments are recorded at fair value. Investments consist of the following at June 30, 2020 and 2019:

	2020	2019
FJC Agency Loan Fund	\$ 2,633,594	\$ 2,555,764
Fidelity Investments Money Market Funds	135,513	134,062
	<u>\$ 2,769,107</u>	<u>\$ 2,689,826</u>

Investment income was as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 105,429	\$ 128,603
Less investment management fees	(52,350)	(51,701)
	<u>\$ 53,079</u>	<u>\$ 76,902</u>

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, 2020 and 2019:

	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>
	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
	<u>\$ 2,689,826</u>	<u>\$ 134,062</u>	<u>\$ 2,555,764</u>

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

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 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 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:

	2020	2019
	FJC Agency Loan Fund	FJC Agency Loan Fund
Beginning balance	\$ 2,555,764	\$ 2,454,914
Reinvestment interest	103,934	125,853
Investment management fees	(26,104)	(25,003)
Ending balance	<u>\$ 2,633,594</u>	<u>\$ 2,555,764</u>

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, 2020 and 2019:

	2020	2019
Receivable in less than one year	\$ 3,483,110	\$ 4,691,034
Less discount to net present value	-	14,238
Less allowance for uncollectible receivables	(30,000)	(30,000)
	<u>\$ 3,453,110</u>	<u>\$ 4,675,272</u>

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Leasehold improvements	\$ 2,054,948	\$ 2,050,448
Capitalized software	703,211	687,942
Furniture and fixtures	303,833	303,833
Office computers and equipment	159,665	159,665
	<u>3,221,657</u>	<u>3,201,888</u>
Accumulated depreciation and amortization	(2,569,232)	(2,447,651)
	<u>\$ 652,425</u>	<u>\$ 754,237</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019, was \$121,579 and \$120,368, 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, 2020 and 2019:

	2020	2019
Accumulated benefit obligation	<u>\$ 9,715,212</u>	<u>\$ 9,459,037</u>
Projected benefit obligation	\$ 9,715,212	\$ 9,459,037
Fair value of plan assets	5,407,845	5,422,676
Funded status	<u>(4,307,367)</u>	<u>(4,036,361)</u>
Accrued pension cost	<u>\$ (4,307,367)</u>	<u>\$ (4,036,361)</u>

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6. Employee Benefits (Continued)

Assumptions used in the actuarial valuations were as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Discount rate	3.00%	3.50%
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 \$4,855,298. 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 \$246,000.

The following table details the net periodic pension cost, employer contributions and benefits paid for the years ended June 30, 2020 and 2019:

	2020	2019
Net periodic pension cost	\$ 140,324	\$ 144,792
Employer contribution	720,358	411,448
Benefits paid	598,717	587,312

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 2021 fiscal year is \$626,000.

Expected future plan disbursements for benefit payments are:

Years ending June 30:	
2021	\$ 699,531
2022	679,115
2023	682,667
2024	691,551
2025	678,744
2026-2030	3,095,856
Total	<u>\$ 6,527,464</u>

The changes in benefit obligations as of and for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Benefit obligation, beginning of year	\$ 9,459,037	\$ 9,344,983
Interest cost	327,907	357,803
Actuarial loss	526,995	343,563
Benefit payments and settlements	(598,727)	(587,312)
Benefit obligation, end of year	<u>\$ 9,715,212</u>	<u>\$ 9,459,037</u>

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6. Employee Benefits (Continued)

The changes in plan assets as of and for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Fair value of assets, beginning of year	\$ 5,422,676	\$ 5,404,030
Actual (loss) return on assets	(136,472)	194,510
Actual contributions	720,358	411,448
Benefits paid	(598,717)	(587,312)
Fair value of assets, end of year	<u>\$ 5,407,845</u>	<u>\$ 5,422,676</u>

The components of net periodic benefit cost (charged to expense) for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Interest cost	\$ 327,907	\$ 357,803
Expected return on plan assets	(386,636)	(372,617)
Amortization of net loss	199,053	159,606
	<u>\$ 140,324</u>	<u>\$ 144,792</u>

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Discount rate	3.50%	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, 2020:

Cash/short term account	\$ 449,249
Mutual funds – equities	3,737,975
Mutual funds – bonds	1,220,621
	<u>\$ 5,407,845</u>

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
	<u>\$ 5,422,676</u>

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

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
Mutual funds – bonds:		
Europe stock	247,617	247,617
Inflation-protected bond	400,649	400,649
Intermediate-term bond	572,355	572,355
World bond	864,319	864,319
	<u>\$ 4,958,596</u>	<u>\$ 4,958,596</u>

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
Large blend	314,997	314,997
Market neutral	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
	<u>\$ 5,124,841</u>	<u>\$ 5,124,841</u>

NCOA's pension plan assets consist of mutual funds, which are publicly traded and are therefore considered Level 1 items. Cash totaling \$449,249 and \$297,835 related to pension plan assets at June 30, 2020 and 2019, 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.

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6. Employee Benefits (Continued)

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, 2020 and 2019. The associated retirement plan expense for this plan was \$500,127 and \$537,370 for the years ended June 30, 2020 and 2019, respectively.

Note 7. Net Assets with Donor Restrictions

As of June 30, 2020 and 2019, net assets with donor restrictions are available for the following purposes:

	2020	2019
Center for Benefits Access	\$ 4,230,408	\$ 1,652,029
Aging Mastery Program	1,834,066	4,289,404
Economic Security/Age Well Planner	1,074,837	187,309
Center for Healthy Aging	53,284	35,000
Membership Services and Outreach	30,025	243,619
	<u>\$ 7,222,620</u>	<u>\$ 6,407,361</u>

For the years ended June 30, 2020 and 2019, net assets with donor restrictions released by program were as follows:

	2020	2019
Center for Benefits Access	\$ 1,771,621	\$ 2,300,053
Aging Mastery Program	2,657,338	1,967,995
Center for Healthy Aging	174,716	128,902
Economic Security/Age Well Planner	1,362,472	1,012,019
Public Policy and Advocacy	-	62,749
Home Equity	-	123,391
Membership Services and Outreach	244,594	123,881
	<u>\$ 6,210,741</u>	<u>\$ 5,718,990</u>

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 automatically renews annually every January 1. 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.

National Council on Aging, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8. Commitments (Continued)

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:

2018	
2021	\$ 747,588
2022	728,503
2023	716,986
2024	738,496
2025	760,651
Thereafter	650,962
	<u>\$ 4,343,186</u>

Rent expense for all office leases was \$892,594 and \$939,759 for the years ended June 30, 2020 and 2019, 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.

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.