

**ONEGENERATION**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
ONEgeneration  
Van Nuys, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of ONEgeneration, which comprise the statement of financial position as of **June 30, 2018**, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 ONEgeneration as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Schedule # 1 – Statement of Functional Expenses – Department of Aging is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### *Report on Summarized Comparative Information*

We have previously audited ONEgeneration's June 30, 2017 financial statements, and our report dated January 19, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2019 on our consideration of ONEgeneration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ONEgeneration's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ONEgeneration's internal control over financial reporting and compliance.

*The Ozurovich Group, Inc.*

Los Angeles, California  
February 14, 2019

**ONEGENERATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

	2018			2017
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents - general	\$ -	\$ 770,467	\$ 770,467	\$ 382,302
Cash and cash equivalents - board designated	10,375	-	10,375	10,375
Investments - board designated (Note 3)	250,734	-	250,734	200,240
Grants and fees receivable - net	236,532	-	236,532	311,540
Pledges receivable - net (Note 3)	-	-	-	15,000
Prepaid expenses	105,583	-	105,583	122,473
<b>Total current assets</b>	<b>603,224</b>	<b>770,467</b>	<b>1,373,691</b>	<b>1,041,930</b>
Property and equipment - net (Note 4)	2,397,413	-	2,397,413	1,968,955
<b>TOTAL ASSETS</b>	<b>\$ 3,000,637</b>	<b>\$ 770,467</b>	<b>\$ 3,771,104</b>	<b>\$ 3,010,885</b>
<b>LIABILITIES</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 263,663	\$ -	\$ 263,663	\$ 238,223
Accrued expenses (Note 5)	331,216	-	331,216	297,603
Deferred income	21,280	-	21,280	-
Notes payable - current (Note 6)	8,657	-	8,657	8,657
<b>Total current liabilities</b>	<b>624,816</b>	<b>-</b>	<b>624,816</b>	<b>544,483</b>
<i>Long-term liabilities</i>				
Notes payable (Note 6)	117,993	-	117,993	126,650
Line of credit (Note 7)	650,000	-	650,000	90,000
<b>Total long-term liabilities</b>	<b>767,993</b>	<b>-</b>	<b>767,993</b>	<b>216,650</b>
<b>TOTAL LIABILITIES</b>	<b>1,392,809</b>	<b>-</b>	<b>1,392,809</b>	<b>761,133</b>
<b>NET ASSETS</b>				
<i>Unrestricted net assets</i>				
General fund	1,346,719	-	1,346,719	1,497,209
Board designated fund	261,109	-	261,109	210,615
<b>Total unrestricted net assets</b>	<b>1,607,828</b>	<b>-</b>	<b>1,607,828</b>	<b>1,707,824</b>
Temporarily restricted net assets (Note 10)	-	770,467	770,467	541,928
<b>TOTAL NET ASSETS</b>	<b>1,607,828</b>	<b>770,467</b>	<b>2,378,295</b>	<b>2,249,752</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,000,637</b>	<b>\$ 770,467</b>	<b>\$ 3,771,104</b>	<b>\$ 3,010,885</b>

*See independent auditor's report and accompanying notes*

**ONEGENERATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

	2018			2017
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
<b>REVENUE AND SUPPORT</b>				
<i>Support</i>				
Contributions	\$ 475,978	\$ 770,467	\$ 1,246,445	\$ 1,065,800
Government contracts	1,670,230	-	1,670,230	1,474,735
Special events	185,929	-	185,929	177,768
Program service donations	115,607	-	115,607	111,682
<b>Total support</b>	<u>2,447,744</u>	<u>770,467</u>	<u>3,218,211</u>	<u>2,829,985</u>
<i>Revenue</i>				
Daycare fees	2,983,637	-	2,983,637	2,706,588
Farmers market income	156,298	-	156,298	147,433
Other income	337,287	-	337,287	244,495
Travel income - senior program	59,579	-	59,579	63,197
Rental income	297,668	-	297,668	141,308
Interest income	554	-	554	313
<b>Total revenue</b>	<u>3,835,023</u>	<u>-</u>	<u>3,835,023</u>	<u>3,303,334</u>
Donated facilities (Note 11)	611,244	-	611,244	509,370
Net assets released from restrictions	541,928	(541,928)	-	-
<b>TOTAL REVENUE, SUPPORT AND RECLASSIFICATIONS</b>	<u>7,435,939</u>	<u>228,539</u>	<u>7,664,478</u>	<u>6,642,689</u>
<b>EXPENSES</b>				
<i>Program services</i>				
Department of aging	1,989,632	-	1,989,632	1,819,420
Childcare	2,618,142	-	2,618,142	2,041,765
Care management	19,417	-	19,417	15,170
Adult day health care	491,696	-	491,696	437,045
Adult day social care	762,231	-	762,231	631,956
Senior services	390,421	-	390,421	393,033
Farmers market	88,078	-	88,078	88,334
<b>Total program services</b>	<u>6,359,617</u>	<u>-</u>	<u>6,359,617</u>	<u>5,426,723</u>
<i>Supporting services</i>				
Administrative and fund development	1,176,318	-	1,176,318	971,925
<b>Total supporting services</b>	<u>1,176,318</u>	<u>-</u>	<u>1,176,318</u>	<u>971,925</u>
<b>TOTAL EXPENSES</b>	<u>7,535,935</u>	<u>-</u>	<u>7,535,935</u>	<u>6,398,648</u>
<b>CHANGE IN NET ASSETS</b>	(99,996)	228,539	128,543	244,041
<b>NET ASSETS, Beginning of year</b>	<u>1,707,824</u>	<u>541,928</u>	<u>2,249,752</u>	<u>2,005,711</u>
<b>NET ASSETS, End of year</b>	<u>\$ 1,607,828</u>	<u>\$ 770,467</u>	<u>\$ 2,378,295</u>	<u>\$ 2,249,752</u>

*See independent auditor's report and accompanying notes*

**ONEGENERATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

	2018								2017		
	Program Services						Supporting Services				
	Department of Aging	Childcare	Care Management	Adult Day Health Care	Adult Day Social Care	Senior Services	Farmers Market	PROGRAM TOTAL	Admin/Fund Development	TOTAL	TOTAL
Salaries	\$ 599,553	\$ 1,635,817	\$ 9,884	\$ 191,458	\$ 464,848	\$ 201,085	\$ 52,609	\$ 3,155,254	\$ 647,805	\$ 3,803,059	\$ 3,310,853
Payroll taxes and employee benefits	161,885	278,089	1,680	34,462	83,673	34,184	8,944	602,917	74,060	676,977	616,267
Total salaries, payroll taxes, and employee benefits	761,438	1,913,906	11,564	225,920	548,521	235,269	61,553	3,758,171	721,865	4,480,036	3,927,120
Advertising and recruitment	-	1,183	-	-	196	-	-	1,379	1,219	2,598	2,379
Audit	14,802	-	-	-	-	-	-	14,802	6,698	21,500	20,632
Bad debt	-	107	-	1,797	2,696	-	-	4,600	-	4,600	30,877
Bank charges	-	59,816	-	-	-	-	15	59,831	6,631	66,462	49,169
Board expenses	-	-	-	-	-	-	-	-	1,093	1,093	1,269
Computer expenses	-	13,846	825	2,580	6,123	2,199	-	25,573	3,094	28,667	29,693
Consulting	-	260	-	2,218	-	-	-	2,478	142	2,620	29,737
Depreciation	3,411	-	-	-	-	-	-	3,411	198,966	202,377	168,824
DOA - Indirect costs	151,371	-	-	-	-	-	-	151,371	-	151,371	120,317
Dues and subscriptions	-	96	-	3,230	-	60	-	3,386	3,972	7,358	6,843
Equipment	-	-	-	-	-	-	-	-	-	-	1,497
Fund development	-	-	-	-	-	-	-	-	32,918	32,918	39,108
Insurance	28,007	4,184	-	800	1,920	800	80	35,791	14,752	50,543	40,912
Interest expenses	-	-	-	-	-	-	-	-	7,778	7,778	6,501
Legal and accounting	-	10,320	-	1,200	2,880	1,200	-	15,600	4,077	19,677	18,779
Maintenance and repair	-	120,632	-	32,500	44,400	18,722	-	216,254	10,388	226,642	165,303
Marketing and promotion	-	-	-	-	-	-	-	-	3,627	3,627	3,653
Meals	622,443	130,061	5,140	25,240	42,286	893	-	826,063	-	826,063	618,347
Mileage	24,755	-	-	262	2	3,001	-	28,020	2,034	30,054	27,852
Miscellaneous	-	23,706	226	6,083	8,125	3,372	11,865	53,377	4,221	57,598	36,379
Newsletter	-	-	-	-	-	-	-	-	-	-	880
Office supplies	39,470	11,520	-	4,475	4,298	14,307	56	74,126	5,694	79,820	47,599
Outside services/Professional fees	48,095	17,682	846	101,256	18,641	23,066	-	209,586	8,295	217,881	152,598
Postage	-	248	-	56	-	28	-	332	4,359	4,691	4,429
Printing	-	44	-	55	-	-	-	99	4,126	4,225	1,741
Seminars and training	-	13,093	-	4,118	4,085	3,976	-	25,272	7,786	33,058	12,642
Supplies	-	62,351	-	7,495	8,192	-	1,532	79,570	442	80,012	59,393
Taxes, license and permits	2,120	2,527	-	2,480	954	5,008	7,784	20,873	670	21,543	19,572
Telephone	22,322	908	-	41	-	265	-	23,536	10,426	33,962	29,178
Transportation	-	400	-	26,476	-	-	-	26,876	518	27,394	29,940
Travel expenses	-	62	-	-	-	43,486	-	43,548	232	43,780	39,654
Utilities	87,738	19,225	-	3,922	7,493	3,122	-	121,500	7,716	129,216	117,982
Vehicle fuel and maintenance	22,280	-	-	-	-	-	-	22,280	3,247	25,527	28,173
Volunteers recognition	-	-	-	-	-	-	-	-	-	-	306
<b>Total expenses before donated facilities</b>	1,828,252	2,406,177	18,601	452,204	700,812	358,774	82,885	5,847,705	1,076,986	6,924,691	5,889,278
Donated facilities	161,380	211,965	816	39,492	61,419	31,647	5,193	511,912	99,332	611,244	509,370
<b>TOTAL EXPENSES</b>	<b>\$ 1,989,632</b>	<b>\$ 2,618,142</b>	<b>\$ 19,417</b>	<b>\$ 491,696</b>	<b>\$ 762,231</b>	<b>\$ 390,421</b>	<b>\$ 88,078</b>	<b>\$ 6,359,617</b>	<b>\$ 1,176,318</b>	<b>\$ 7,535,935</b>	<b>\$ 6,398,648</b>

See independent auditor's report and accompanying notes



**ONEGENERATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 128,543	\$ 244,041
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	202,377	168,824
Change in allowance for doubtful accounts	(6,714)	5,086
Change in present value discount	3,343	3,343
(Increase) decrease in assets		
Grants and fees receivable	81,722	30,003
Pledges receivable	15,000	500
Prepaid expenses	16,890	21,622
Increase (decrease) in liabilities		
Accounts payable	25,440	69,182
Accrued expenses	33,613	48,914
Deferred income	21,280	-
Net cash provided by operating activities	<u>521,494</u>	<u>591,515</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(50,494)	(240)
Capital expenditures	(630,835)	(447,239)
Net cash (used) by investing activities	<u>(681,329)</u>	<u>(447,479)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(12,000)	(24,500)
Repayments on line of credit	(420,000)	(320,000)
Borrowings from line of credit	980,000	320,000
Net cash provided/(used) by financing activities	<u>548,000</u>	<u>(24,500)</u>
<b>NET INCREASE IN CASH</b>	<b>388,165</b>	<b>119,536</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>392,677</u>	<u>273,141</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 780,842</u>	<u>\$ 392,677</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Interest paid	<u>\$ 7,778</u>	<u>\$ 6,501</u>

*See independent auditor's report and accompanying notes*

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION**

ONEgeneration (the “Organization”) has as its mission the provision of exceptional senior services, childcare and caregiver services. ONEgeneration's staff and volunteers serve many thousands of families in the community. Throughout its history, ONEgeneration has continued to develop innovative programming and has expanded to meet growing needs. At the heart of this organizational growth is a dedication to a singular vision- providing intergenerational services that both allow older adults to remain independent and productive and encourage successful early childhood development.

ONEgeneration's programs include a multi-faceted Senior Enrichment Center, a social hot-lunch program, a myriad of services provided to seniors who are homebound, and ONEgeneration Daycare, the first dually accredited intergenerational program in the nation. As ONEgeneration prepares to enter its second quarter-century of community service, ONEgeneration has been recognized with a Model of Excellence designation by the United States Congress.

ONEgeneration daycare, adult daycare, and adult day health care components require scholarship support to ensure that all program participants in need of rehabilitative services are able to receive them and to enable economically disadvantaged seniors to have the same opportunity for care as those with sufficient resources. ONEgeneration daycare enables very frail older persons to remain in the community and to do so in an environment of love and vitality that improves the quality of their lives. The program also serves as an Alzheimer's daycare resource center.

The ONEgeneration daycare childcare component provides exceptional infant and toddler care, as well as enriching preschool education. Children experience the positive benefits of intergenerational love and support while developing age-appropriate skills that will prepare them to enter elementary school.

ONEgeneration Senior Enrichment Center is a multi-service center dedicated to meeting the needs of the active elderly. It addresses needs for social interaction, productive activity, legal assistance, advocacy assistance, and the many services required by older adults who are seeking to maximize their independence and quality of life. Nutrition counseling and the provision of a hot, nutritious meal every weekday helps to ensure that seniors avoid problems of malnutrition.

ONEgeneration's services to homebound elderly include home-delivered meals, grocery shopping, transportation, daily check-in calls and other services that allow seniors to continue to live in their own homes and to do so in an atmosphere of safety and health. A notable example of ONEgeneration's commitment to enhanced service to homebound seniors is the expansion of its home-delivered meals program to include weekends as well.

The ONEgeneration Encino Farmers Market provides active seniors with an important volunteer "job" that contributes to their quality of life while at the same time providing affordable healthy produce to the entire community. In addition, this program makes the public aware of the vital services offered by ONEgeneration.

*(Note 1 continued on the following page)*

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION (Continued)**

ONEgeneration is a non-sectarian organization partially funded by the City of Los Angeles Department of Aging, the Community Development Block Grant (CDBG), private donations, bequests and membership fundraising events.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted General Net Assets* – Includes contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

*Board Designated Fund* – Includes contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to unforeseen financial hardships that may befall the Organization.

*Temporarily Restricted Net Assets* – Include gifts and grants received that are temporarily restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

*Permanently Restricted Net Assets* – Included assets that have been restricted by the donor in perpetuity while permitting the Organization to use or expend part or all of the income derived from the assets. The Organization has no permanently restricted net assets at June 30, 2018.

*(Note 2 continued on the following page)*

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Tax Status**

ONEgeneration is a nonprofit benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and corresponding state provisions. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The Organization's federal income tax and informational returns for tax years ending June 30, 2014 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending June 30, 2014 and subsequent.

The Organization has adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. For the Organization, these provisions could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because of the Organization's general tax-exempt status, the provisions of ASC 740-10-05 are not anticipated to have a material impact on the Organization's financial statements.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Restricted and Unrestricted Revenue and Support**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reported period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For the purpose of the financial statements, the Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents. Commercial banks have FDIC coverage up to \$250,000 per depositor per bank. At June 30, 2018 and 2017 the uninsured amounts was \$569,809 and \$94,631, respectively.

*(Note 2 continued on the following page)*

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment amount that will be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**Grants and Fees Receivable**

Grants receivable include receivables from governmental agencies based on specific contract awards for providing meals and services to seniors. At June 30, 2018 and 2017 government grants receivable were \$189,498 and \$240,657, respectively.

Fees receivable are amounts based on services billed for adult and child daycare programs. A majority of fees receivable are open billings to Medi-Cal that take several months to process while the client is getting required paperwork and testing. The Medi-Cal client will attend the daycare program during this interim waiting period to obtain necessary approvals to bill Medi-Cal. Total Medi-Cal receivables for the years ended June 30, 2018 and 2017 were \$12,644 and \$29,539, respectively.

At June 30, 2018 and 2017 other receivables are composed of childcare fees receivable of \$2,130 and \$498, respectively, and of adult care fees receivable of \$41,865 and \$58,290, respectively, and of employee advances of \$2,625 and \$1,500, respectively.

The allowance for doubtful accounts includes any grants and fees receivable balances that are determined to be uncollectible, along with a general reserve. The balance in the allowance for doubtful accounts as of June 30, 2018 and 2017 was \$12,230 and \$18,944, respectively.

**Property and Equipment**

Property and equipment are recorded at cost if purchased and at fair value at the date of donation if donated. Repairs and maintenance are expensed as incurred and improvements of property and equipment items in excess of \$1,000 are capitalized. Depreciation and amortization are provided by use of the straight-line method over the estimated useful lives of the assets.

**Grant Revenue**

The Organization receives funding through federal grants. Grant revenue includes exchange transactions under which revenue is recognized when earned and expenses are recognized when incurred. Grant receipts from exchange transactions not earned are reported as deferred income.

*(Note 2 continued on the following page)*

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising**

Advertising costs are expensed as incurred. During the years ended June 30, 2018 and 2017, advertising costs totaled \$2,598 and \$2,379, respectively.

**Vacation and Sick Leave Benefits**

Employees are credited during the current year for future vacation benefits. The expense and corresponding liability are accrued when vacations are earned rather than when vacations are paid.

**Risks and Uncertainties**

ONEgeneration's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, ONEgeneration has no provision for the possible disallowance of program costs on its financial statements.

Several factors could contribute to short-term financial problems that adversely affect the Organization's cash flows. These problems include budgetary issues at the state level, which could result in a reduction in operating grants, as well as potential reductions in private donations. The Organization's Board of Directors has discussed these risks and uncertainties and has formulated alternative strategic plans to mitigate the effects of these concerns.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statement for the year ended June 30, 2017, from which the summarized information was derived.

**Expense Allocation**

The costs of providing the program and the supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and the supporting services in reasonable ratios determined by management.

*(Note 2 continued on the following page)*

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncements**

**Leases** – In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

**Presentation of Financial Statements of Not-for-Profit Entities** – In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user’s ability to assess an entity’s available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

**NOTE 3 – FAIR VALUE MEASUREMENTS**

The Organization has adopted the provisions of ASC 820-10, for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The assets that are recorded at fair value on a recurring basis are investments in mutual funds. The Organization has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis.

ASC 820-10 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

*(Note 3 continued on the following page)*

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)**

- Level 1: fair values are based on quoted prices in active markets for identical assets and liabilities. The Organization's Level 1 assets consist of certificates of deposit with maturities greater than 3 months.
- Level 2: fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Organization does not hold any Level 2 assets.
- Level 3: fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Organization's Level 3 assets consist of pledges receivable.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering from sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018 and 2017.

<i>Assets at Fair Value as of June 30, 2018</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 250,734	\$ -	\$ -	\$ 250,734
<i>Assets at Fair Value as of June 30, 2017</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges receivable	\$ -	\$ -	\$ 15,000	\$ 15,000
Certificates of deposit	200,240	-	-	200,240
	<u>\$ 200,240</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 215,240</u>



**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)**

**Level 3 Gains and Losses**

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	<i>Pledges Receivable</i>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 15,000	\$ 15,500
New pledges	-	15,000
Payments received	(15,000)	(15,500)
Change in allowance for uncollectible accounts	-	-
Change in present value discount	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ 15,000</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	<b>Method</b>	<b>Estimated Useful Lives (Years)</b>	<b>2018</b>	<b>2017</b>
Furniture and fixtures	Straight-line	5 – 24	\$ 964,045	\$ 918,616
Vehicles	Straight-line	7	222,160	222,160
Leasehold improvements	Straight-line	5 – 40	3,773,069	3,099,646
			<u>4,959,274</u>	<u>4,240,422</u>
Less: accumulated depreciation			<u>(2,561,861)</u>	<u>(2,359,484)</u>
			2,397,413	1,880,938
Construction in progress			<u>-</u>	<u>88,017</u>
			<u>\$ 2,397,413</u>	<u>\$ 1,968,955</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$202,377 and \$168,824, respectively.

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – ACCRUED EXPENSES**

The Organization's accrued expense balance consists of the following categories at June 30:

	<u>2018</u>	<u>2017</u>
Payroll and payroll taxes	\$ 171,486	\$ 154,432
Vacation	125,085	121,849
Unemployment claims reserve	32,836	19,912
Other	1,809	1,410
	<u>\$ 331,216</u>	<u>\$ 297,603</u>

**NOTE 6 – NOTES PAYABLE**

On February 7, 2013 ONEgeneration entered into a loan agreement with a financial institution. The loan is interest only from February 7, 2013 to September 30, 2013, at a rate of prime plus 1%. Beginning on October 1, 2013 the loan is fully amortizable over a three year period at 4.25% interest rate. Borrowings are personally guaranteed by certain board members, and are secured by substantially all assets of the company. The loan was paid in full during year ended June 30, 2017.

On May 1, 2013, ONEgeneration entered into a promissory note and loan agreement with a third party whereby its proceeds were used for the purchase of two prefabricated structured modular units. The note was for \$204,000 which includes payments of \$1,000 per month for 10 years and an \$84,000 balloon payment due on May 1, 2023. There was no stated interest for the note. Therefore, the note was accounted for using an imputed interest rate of 2.57%. The present value of the note as of June 30, 2018 and 2017 was \$126,650 and \$135,307, respectively.

The present value of the note is as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Face amount of the note	\$ 143,000	\$ 155,000
Present value discount	(16,350)	(19,693)
Present value of future payments	<u>\$ 126,650</u>	<u>\$ 135,307</u>

*(Note 6 continued on the following page)*

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – NOTES PAYABLE (Continued)**

The following is a schedule of the future minimum principal for the Organization's notes payable as of June 30, 2018:

Years ending June 30:		
2019	\$	8,657
2020		8,657
2021		8,657
2022		8,657
2023		<u>92,022</u>
	\$	<u>126,650</u>

**NOTE 7 – LINE OF CREDIT**

ONEgeneration has two revolving line of credit agreements with a bank. Under the terms of the agreement for the first line of credit, the cap amount was \$100,000. The line of credit bears interest at a variable rate determined as the Prime Rate plus 150 basis points per annum (6.50% as of June 30, 2018). The line of credit was set to expire on November 20, 2017, however, on September 15, 2017 the Organization signed an extension agreement with the bank to extend the maturity date to November 20, 2018 and increase the cap amount to \$400,000. Borrowings are secured by substantially all of the assets of ONEgeneration. At June 30, 2018 and 2017, the Organization had \$400,000 and \$90,000 outstanding under this line of credit, respectively.

The second revolving line of credit had a maximum borrowing limit of \$100,000. The line of credit bears interest at a fixed rate of 2.20%. The line of credit was set to expire on June 29, 2017; however, on June 19, 2017 the Organization signed an extension agreement with the bank to extend the maturity date to December 29, 2017, increase the cap amount to \$200,000, and increases the interest rate to 2.22%. On June 29, 2018 the Organization signed an extension agreement with the bank to extend the maturity date to December 28, 2018. Borrowings are collateralized by a security interest in a Certificate of Deposit of \$250,000 that is under deposit with the same bank. At June 30, 2018 and 2017, ONEgeneration had \$250,000 and none outstanding under this line of credit, respectively.

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – LEASE COMMITMENTS**

The Organization leases equipment for use in its day-to-day operations under noncancelable agreements which are accounted for as operating leases. The leases are currently scheduled to expire on dates ranging from June 30, 2016 to June 30, 2020. The monthly lease payments range from \$897 to \$900. The following is a schedule of minimum future lease payments as of June 30, 2018.

Years ending June 30:	
2019	10,800
2020	<u>10,800</u>
	<u>\$ 21,600</u>

Rent expense for the years ended June 30, 2018 and 2017 was \$28,667 and \$29,693, respectively.

**NOTE 9 – RETIREMENT PLAN**

ONEgeneration contributes to a 403(b) retirement plan (“the Plan”) for the benefit of all eligible employees, as defined. The ONEgeneration makes matching contributions to the Plan as determined by the Organization. Retirement plan expense for the years ended **June 30, 2018** and 2017 was **\$34,335** and \$25,446, respectively.

**NOTE 10– TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets of the Organization are restricted as follows, as of June 30:

	<u>2018</u>	<u>2017</u>
Meals program	\$ -	\$ 22,000
PCL Program	10,000	-
Capital projects	157,560	-
Direct services	602,907	504,928
Pledges receivable	-	15,000
	<u>\$ 770,467</u>	<u>\$ 541,928</u>

**ONEGENERATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – CONTRIBUTIONS IN-KIND**

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time and services in the Organization's core activities. Only those amounts that meet the criteria above are recorded in the accompanying financial statements.

The fair value of in-kind services provided to ONEgeneration that do not meet the criteria for recognition in the Statements of Activities and Statements of Functional Expenses for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
In-kind services, calculated at a range of \$13.97 to \$19.05 per hour for volunteers contributing services as care managers, house cleaners, shoppers, and clerical support and others	\$ <u>171,432</u>	\$ <u>185,345</u>

During the years ended June 30, 2018 and 2017 the Organization received free rent for its corporate offices and day care center facilities in the amounts of \$611,244 and \$509,370, respectively. The contributions were recorded at their fair market value at the date of donation. Equal amounts were also recorded as an expense.

**NOTE 12 – SUBSEQUENT EVENTS**

Events subsequent to June 30, 2018 have been evaluated through February 14, 2019, the date at which the Organization's audited financial statements were available to be issued. No events requiring disclosures have occurred through this date.

**ONEGENERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(WITH EXPENDITURES OF CERTAIN NON-FEDERAL AWARDS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Contract Number	Total Expenditures
<b><i>Federal award expenditures</i></b>			
<u>U.S. Department of Health and Human Services:</u>			
Special programs for the aging			
Pass-through, City of Los Angeles Department of Aging:			
Title III B, Social Services	93.044	130173	\$ 230,234
Title III C-1, Congregate Meals	93.045	130173	516,676
Title III C-2, Home Delivered Meals	93.045	130173	662,040
Title III C-1, NSIP - Nutrition Services Incentives Program	93.053	130173	48,468
Title III C-2, NSIP - Nutrition Services Incentives Program	93.053	130173	50,751
			<u>1,508,169</u>
<u>U.S. Department of Agriculture</u>			
Pass-through, California Department of Education			
Child and Adult Care Food Program	10.558	05026	28,971
Pass-through, Food and Nutrition Services, California Department of Food and Agriculture, and the City of Los Angeles Department of Aging:			
Senior Farmer's Market Nutrition Program (SFMNP)	10.576	128202	5,800
			<u>34,771</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through, City of Los Angeles Department of Aging:			
Evidence Based Program (07/01/2017-03/31/2018)	14.218	127815	57,840
Evidence Based Program (04/01/2018-06/30/2018)	14.218	129256	19,155
			<u>76,995</u>
<b><i>Total federal award expenditures</i></b>			<u>1,619,935</u>
<b><i>Non-federal award expenditures</i></b>			
City of Los Angeles Department of Aging:			
Proposition A, Transportation Assistance Program	N/A	128202	243,088
<b><i>Total non-federal award expenditures</i></b>			<u>243,088</u>
<b><i>Total federal and non-federal award expenditures</i></b>			<u><b>\$ 1,863,023</b></u>

**ONEGENERATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

***Note 1 - Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of ONEgeneration (the Organization) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

***Note 2 - Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
ONEgeneration  
Van Nuys, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ONEgeneration as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise ONEgeneration's basic financial statements, and have issued our report thereon dated February 14, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered ONEgeneration's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ONEgeneration's internal control. Accordingly, we do not express an opinion on the effectiveness of ONEgeneration's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.** However, material weaknesses may exist that have not been identified.



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether ONEgeneration's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*The Ozurovich Group, Inc.*

Los Angeles, California  
February 14, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM  
GUIDANCE**

To the Board of Directors of  
ONEgeneration  
Van Nuys, California

**Report on Compliance for Each Major Federal Program**

We have audited ONEgeneration's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ONEgeneration's major federal programs for the year ended ONEgeneration. ONEgeneration's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of ONEgeneration's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ONEgeneration's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ONEgeneration's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, ONEgeneration complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control over Compliance**

Management of ONEgeneration is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ONEgeneration's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ONEgeneration's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*The Ozurovich Group, Inc.*

Los Angeles, California  
February 14, 2019

**ONEGENERATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**PART I - SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements of ONEgeneration.
2. **No significant deficiencies** relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance material** to the financial statements of the ONEgeneration were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance In Accordance With the Uniform Guidance.
5. The auditor's report on compliance for the U.S. Department of Health and Human Services Special Programs for the Aging – Title III Part B, Grants for Supportive Services and Senior Centers, Title III Part C Nutrition Services, and, the Nutrition Services Incentive Program, passed-through the City of Los Angeles Department of Aging expresses an unmodified opinion.
6. **There are no audit findings relative to the major federal awards** program for the ONEgeneration.
7. The programs tested as a major program were the U.S. Department of Health and Human Services Special Programs for the Aging – Title III Part B, Grants for Supportive Services and Senior Centers, Title III Part C Nutrition Services, and, the Nutrition Services Incentive Program passed-through the City of Los Angeles Department of Aging, CFDA #'s 93.044, 93.045, and 93.053.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. **ONEgeneration did qualify as a low-risk auditee.**

**PART II - FINANCIAL STATEMENT FINDINGS**

**None**

**PART III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**None**

**PART IV - PRIOR YEAR AUDIT FINDINGS-MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**None**

**ONEGENERATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES - DEPARTMENT OF AGING**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

	2018					2017	
	Title III B	Title III C1	Title III C2	Prop A	Evidence Based Program	TOTAL	TOTAL
Salaries	\$ 115,269	\$ 133,528	\$ 169,327	\$ 128,662	\$ 52,767	\$ 599,553	\$ 581,668
Payroll taxes and employee benefits	31,123	36,055	45,719	34,739	14,249	161,885	157,050
Total salaries, payroll taxes, and employee benefits	146,392	169,583	215,046	163,401	67,016	761,438	738,718
Audit	2,112	4,854	5,304	2,532	-	14,802	19,443
DOA - Indirect costs	20,927	42,680	58,851	22,095	6,818	151,371	120,317
Insurance	3,900	8,940	9,780	4,274	1,113	28,007	27,284
Maintenance and repair	-	-	-	-	-	-	381
Meals	-	285,856	336,587	-	-	622,443	514,699
Mileage	-	-	24,755	-	-	24,755	24,999
Office supplies	5,510	10,716	17,106	4,090	2,048	39,470	20,241
Outside services/Professional fees	35,867	4,680	5,112	2,436	-	48,095	37,771
Seminars and training	-	-	-	-	-	-	2,488
Taxes, license and permits	-	-	-	2,120	-	2,120	2,315
Telephone	3,006	6,910	7,549	4,857	-	22,322	19,822
Utilities	12,520	28,778	31,437	15,003	-	87,738	80,569
Vehicle fuel and maintenance	-	-	-	22,280	-	22,280	25,460
Subtotal functional expenses	230,234	562,997	711,527	243,088	76,995	1,824,841	1,634,507
Depreciation						3,411	57,765
<b>Total expenses before donated facilities</b>	230,234	562,997	711,527	243,088	76,995	1,828,252	1,692,272
Donated facilities						161,380	127,148
<b>TOTAL EXPENSES</b>	<b>\$ 230,234</b>	<b>\$ 562,997</b>	<b>\$ 711,527</b>	<b>\$ 243,088</b>	<b>\$ 76,995</b>	<b>\$ 1,989,632</b>	<b>\$ 1,819,420</b>

See independent auditor's report and accompanying notes