

**Breathe California of the Bay Area, Golden Gate,  
and Central Coast**

**Financial Statements and Independent Auditor's Report  
For the Year Ended June 30, 2020**

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## **KAREN A. HAHN CPA, INC.**

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### **Independent Auditor's Report**

To the Board of Directors  
Breathe California of the Bay Area, Golden Gate, and Central Coast  
1469 Park Avenue  
San Jose, CA 95126

I have audited the accompanying statements of Breathe California of the Bay Area, Golden Gate, and Central Coast, which comprise the statements of financial position at June 30, 2020, and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, where 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.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position Breathe California of the Bay Area, Golden Gate, and Central Coast, as of June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Karen A. Hahn  
Certified Public Accountant

Milpitas, California  
June 24, 2022

**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Statement of Financial Position**  
**June 30, 2020**

	<b>6/30/20</b>
<b>ASSETS</b>	
Current Assets	
Cash & Cash Equivalents	\$671,424
Investments	1,186
Inventory	33,860
Unconditional promises to give	105,653
Deposits	1,233
Prepaid Expenses	<u>255,024</u>
Total Current Assets	1,068,378
Fixed Assets	
Less Accumulated Depreciation	<u>(357,913)</u>
Net Fixed Assets	<u>634,044</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$1,702,422</u></u></b>
<b>LIABILITIES &amp; NET ASSETS</b>	
Current Liabilities	
Accounts Payable	\$21,033
Accrued Pension	201,330
PPP Loan	89,682
Rental Deposits	5,000
Accrued Expenses	<u>16,355</u>
Total Current Liabilities	333,400
Long Term Liabilities	
Unfunded Pension Liability	<u>494,661</u>
Long Term Liabilities	494,661
<b>TOTAL LIABILITIES</b>	<b>828,061</b>
<b>NET ASSETS</b>	
Without Donor Restrictions	626,107
With Donor Restrictions	<u>248,254</u>
<b>TOTAL NET ASSETS</b>	<b><u><u>874,361</u></u></b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u><u>\$1,702,422</u></u></b>

See accompanying notes and auditor's report

**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Statement of Activities**  
**For the Years Ended June 30, 2020**

	<b>06/30/20</b>		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUES</b>			
Contributons	\$951,982	\$0	\$951,982
Fundraising	(772)	0	(772)
Interest Income	617	0	617
Rental Income	28,000	0	28,000
Restricted Income	3,625	0	3,625
Misc. Income	115	0	115
Workplace Giving	4,361	0	4,361
In-Kind Services	101,324	0	101,324
In-Kind Goods	114,958	0	114,958
	1,204,209	0	1,204,209
<b>EXPENSES</b>			
Program Expenses	848,347	0	848,347
Fundraising	12,513	0	12,513
General and Administration	110,403	0	110,403
	971,262	0	971,262
Change in Net Assets	232,947	0	232,947
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>393,160</b>	<b>248,254</b>	<b>641,414</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>\$626,107</b>	<b>\$248,254</b>	<b>\$874,361</b>

See accompanying notes and auditor's report

**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2020**

	06/30/20
Cash Flow from Operating Activities	
Indirect Method:	
Change in Net Assets	\$232,947
Add back non cash charges:	
Depreciation	\$23,095
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease (Increase) in Unconditional Promises to Give	11,839
Decrease (Increase) in Inventory	(1,550)
Decrease (Increase) in Prepaid Expenses	1,329
Decrease (Increase) in Deposits	6,310
Decrease (Increase) in Other Assets	(20,487)
(Decrease) Increase in Accounts Payable	(8,451)
(Decrease) Increase in Accrued Pension	184,046
(Decrease) Increase in Accrued Pension BCGG	(268,314)
(Decrease) Increase in PPP Loan	89,682
(Decrease) Increase in Accrued Expenses	(500)
(Decrease) Increase in 403-B Withholding	(1,088)
(Decrease) Increase in Accrued Vacation	17,943
(Decrease) Increase in Unfunded Pension Liability	32,346
	43,106
Total Adjustments	43,106
Total Cash Provided by Operations	299,148
Cash Flow (Used) Provided from Investment Activities:	
(Increase) Decrease in Investments	12,991
BEGINNING CASH	359,285
ENDING CASH	\$671,424

See accompanying notes and auditor's report

**BREATHE CALIFORNIA OF THE BAY AREA and  
BREATHE CALIFORNIA, GOLDEN GATE PUBLIC HEALTH PARTNERS**

Combined Statement of Functional Expenses  
Year Ended June 30, 2020

	Program Services					Supporting Services			
	Environmental	Tobacco	Asthma & Other Lung	Community	Total	Fund Raising	Administrative & General	Total	Total
Salaries	\$143,077	\$166,849	\$111,797	\$33,795	\$455,518	\$10,848	\$60,139	\$70,987	\$526,505
Employee benefits	15,840	23,667	12,084	3,944	55,535	250	7,887	8,137	63,672
Payroll taxes	10,500	15,686	8,010	2,615	36,811	166	4,524	4,690	41,501
Professional fees	19,359	25,391	4,495	355	49,600	23	6,334	6,357	55,957
Building occupancy	3,335	4,982	2,544	830	11,691	53	3,701	3,754	15,445
Insurance	9,305	13,902	7,098	2,317	32,622	147	19,578	19,725	52,347
Telephone	414	618	706	103	1,841	7	178	185	2,026
Office supplies & expenses	2,654	5,762	1,401	378	10,195	33	655	688	10,883
Program supplies	9,781	16,423	91,082	2,223	119,509	141	3,847	3,988	123,497
Printing & publishing	1,618	1,036	31	10	2,695	1	18	19	2,714
Postage & shipping	320	233	941	15	1,509	372	41	413	1,922
Dues & subscriptions	5,932	8,862	4,525	1,477	20,796	94	2,555	2,649	23,445
Media expenses	115	172	88	3,213	3,588	8	50	58	3,646
Meetings & travel	5,237	3,941	695	84	9,957	14	146	160	10,117
Miscellaneous	3,186	4,412	1,801	3,420	12,821	50	1,619	1,669	14,490
Depreciation	5,699	6,153	7,247	734	19,833	441	2,821	3,262	23,095
<b>Total</b>	<b><u>\$236,372</u></b>	<b><u>\$298,090</u></b>	<b><u>\$254,545</u></b>	<b><u>\$55,513</u></b>	<b><u>\$844,520</u></b>	<b><u>\$12,648</u></b>	<b><u>\$114,093</u></b>	<b><u>\$126,741</u></b>	<b><u>\$971,262</u></b>

**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**1. Organization and Summary of Significant Accounting Policies**

(a) Organization and Nature of Activities

Breathe California of the Bay Area, Golden Gate, and Central Coast was founded in 1911 and recognized by the Internal Revenue Service as an exempt, not-for-profit, voluntary health organization 501(3) in February 1948. Breathe Bay Area was incorporated in California on November 30, 1959. Breathe California, Golden Gate Health Partnership is a nonprofit voluntary health organization incorporated in California, and Breathe California Central Coast was incorporated in September 17, 1957. Effective June 30, 2019, these three organizations merged activities and begin operating collectively as Breathe California of the Bay Area (until such time a new name is approved).

The non-profit has been dedicated to the conquest of lung disease and the promotion of lung health throughout their histories and will continue with this purpose. They both conduct programs to inform the public of environmental health issues, smoking and health hazards, asthma, lung disease and community health and will continue with these programs. It is funded by public donations and government grants.

(b) Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets pursuant to Statement of Financial Accounting Standards Codification 958, Financial Statements of Not-for-Profit Organization. The organization is also required to present a statement of cash flows.

(c) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

(d) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with purchased initial maturities of less than ninety days.

**CASH:**

ACCOUNT	BALANCE
<i>UNRESTRICTED</i>	<u>06/30/20</u>
Wells Fargo	\$ 8,644
Wells Fargo	583,637
Wells Fargo	1,646
Wells Fargo	6,272
Bank of the West	20,507
TD Ameritrade	50,359
Petty Cash	109
Petty Cash Golden Gate	250
<b>TOTAL</b>	<u><u>\$ 671,424</u></u>

(e) Investments:

Investments in trading securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Short-Term Investments are comprised of the following at: 06/30/20

Common Stocks	<u>\$ 1,186</u>
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**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

(f) Unconditional promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in without donor restricted net assets if the restrictions expire in the fiscal year in which the contributions are 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.

(g) Inventory

Inventory is valued at the lower of cost or market and consists primarily of respiratory care supplies.

(h) Property and Equipment

Property and equipment with an estimated useful life in excess of one year and cost greater than \$1000 are capitalized at cost; donated assets are capitalized at the fair value at date of receipt. Depreciation is computed using the straight-line method.

Property and equipment consist of the following:	<u>06/30/20</u>
Fixed Assets	\$ 991,957
Less Accumulated Depreciation	<u>(357,913)</u>
NET ASSETS	<u>\$ 634,044</u>

(i) Donated Assets and Services

Donated services are recognized as contributions at their fair value if the services (a) create or enhance non-financial 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. The amounts reflected in the accompanying financial statements as in-kind services are offset by a like amount of expenses. Donated program and supporting services for the year ended June 30, 2020 were valued at approximately \$101,324 and related to volunteer professional services for a total of approximately 1,264 hours.

Donated C-PAP supplies, primarily for respiratory care, for the year ended June 30, 2020, totaled 339 machines. They were reported at fair value at the date the contributions were received and were valued at approximately \$113,850. Miscellaneous donated goods for travel and supplies were valued at approximately \$1,108.

(j) Contributions

Contributions received are recorded as with or without donor restricted net assets depending on the existence or nature of any donor restrictions.

(k) Functional Allocation of Expenses

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

(l) 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. Significant estimates include Unconditional promise to give, accrued expenses and functional allocation of expenses. Accordingly, actual results could differ from those estimates.

(m) Fair Value of Financial Instruments

The organization's financial instruments, including cash and cash equivalents, unconditional promises to give, accounts payable and accrued expenses are stated at cost as the carrying amounts approximated fair value due to their short maturities.

(n) Advertising Costs

	6/30/20
Total	\$ <u>1,856</u>

## 2. Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and under California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for such taxes in the accompanying financial statements.

The Organization has been classified as an organization that is not a Private Foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

The Organization assesses its accounting for uncertainties in income taxes recognized in its financial statements and prescribes a threshold of more likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. There was no material impact on the organization's financial statements as a result of the adoption of this policy.

## 3. Commitments and Contingencies

### Credit Risk

The Organization maintains its cash balances and investments at financial institutions in the United States. Cash accounts are insured by The Federal Deposit Insurance Corporation. There were no amounts in excess of FDIC limits as of June 30, 2020.

### Risk Management

The Organization is exposed to various risks of loss related to torts: theft, damage and destruction of assets; business interruption; errors and omissions; job related illnesses or injuries to employees; and natural disasters, for which it carries commercial insurance at levels considered by management to be appropriate. There were no claims for the years ended June 30, 2020.

**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**4. “With donor restricted” net assets available are as follows:**

“With donor restricted” net assets available at June 30, 2020 are as follows:

Net Assets	\$248,254
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**5. Contribution Receivable from Remainder Trust**

Breathe Golden Gate holds a 25% corpus interest in a charitable remainder unitrust which was created in 2003 upon the death of the trust settlor. The charitable remainder unitrust provides payment of income distributions to several beneficiaries over the trust’s twenty-year term. The remaining assets are to be distributed to charitable organizations upon termination of the trust in 2023. The distribution will be sharable with American Lung Association (ALA) (see Note 11).

The present value of the estimated future cash flows that Breathe Golden Gate expects to receive according to the trust provisions has been recorded in the statement of financial position as an asset with donor restrictions. The expected balance to be distributed to the Breathe Golden Gate in 2023 assumes an estimated 1.23% annual investment rate of return and that any earnings will cover the annual income distributions to beneficiaries.

The present value has been calculated based on an annual discount rate of 4.81%. Annual adjustments to reflect the change in present value of the estimated future cash flows from the trust is recorded on the statement of activities as a non-operating activity.

**6. Pension Plans**

Breathe Bay Area and Breathe Golden Gate have separate noncontributory defined benefit pension plans covering certain current and former employees. Breathe Bay Area closed its plan to new participants effective April 1, 2009. Breathe Golden Gate closed its plan to new participants effective July 1, 2014 and froze each participant’s accrued benefit amount as of December 31, 2016. As a result, no additional benefits are accruing in the Breathe Golden Gate plan.

Plan assets for both plans consist of listed securities. Changes in these values attributable to differences between actual and assumed returns on plan assets are deferred as unrecognized gains or losses and amortized in the determination of net pension expense over time. The measurement date used to determine the pension measurements for the majority of plan assets and benefit obligations is June 30 of each year.

Their funding policy is to make the minimum annual contribution required by applicable regulations. Contributions to the Breathe Bay Area plan are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Employer contributions to the plans for the year ended June 30, 2020 were \$60,000 for Breathe Bay Area.

**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**6. Pension Plans (continued)**

The following tables set forth further information regarding the plans as of and for the year ended June 30, 2020.

Obligations and funded status	
Projected benefit obligation	\$ (1,575,716)
Plan assets at fair value	<u>682,393</u>
Funded status	( 893,323)
Accumulated benefit obligation	(1,575,716)
Benefits paid	33,016
Funded status	( 893,323)
Unrecognized net loss	494,667
Prior year service cost	<u>403,323</u>
Accrued pension costs	( 4,661)
Components of net periodic benefit cost	
Service cost	-
Interest cost	27,405
Expected return on plan assets	( 32,111)
Recognized net loss	10,729
Recognized loss due to settlement	-
Net periodic benefit cost	<u>6,023</u>
Other changes in plan assets and benefit obligations (non-operating activity)	
Unrecognized net loss, beginning of year	( 374,462)
Current year unrecognized return	( 120,199)
Unfunded pension liability	( 494,661)

The estimated net loss that will be amortized into net periodic benefit cost for the fiscal year June 30, 2021 is \$12,920 for Breathe Bay Area. Total expected employer contributions for the fiscal year June 30, 2021 is \$87,500.

The following assumptions were used to determine the plan status as of the for the years ended June 30, 2020.

Weighted average assumptions used to determine benefit obligations:	
Discount rate	2.50%
Expected long-term return on plan assets	7.00%
Rate of compensation increase	3.00%
Weighted average assumptions used to determine net periodic benefit costs:	
Discount rate	3.21%
Expected long-term return on plan assets	7.00%
Rate of compensation increase	3.00%

**Breathe California of the Bay Area, Golden Gate, and Central Coast**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**6. Pension Plans (continued)**

The expected rate of return on plan assets is determined by the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Benefits expected to be paid in each of the next five fiscal years and the following five years in aggregate are as follows:

Years ending June 30:

2021	\$75,971
2022	74,818
2023	73,701
2024	72,369
2025	<u>72,722</u>
5 years thereafter	348,238

The fair value of the pension plan assets as of June 30, 2020 are as follows:

	<u>2020</u>	<u>TOTAL</u>
Breathe Bay Area	682,393	682,393

In order to meet its needs, investment strategy emphasizes total return; that is, the aggregate return from capital appreciation, dividend income, and interest income. Specifically, the primary objective in the investment management for the plans is income and growth in order to achieve a balanced return of current income and appropriate growth of principal.

The secondary objective in the investment management of assets is the preservation of purchasing power after spending in order to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of plan assets. Additional objectives for the investment managers are preservation of capital and minimization of costs.

Risk control is an important element in the investment of plan assets and is achieved through a diversified target allocation and the prohibition of investing in derivative instruments, private placements, limited partnerships, and venture-capital investments. In addition, short selling and margin transactions are prohibited. Investments in companies that derive their revenue from the manufacture and sale of tobacco products are strictly prohibited.

**7. Beneficial Interest in Charitable Gift Annuity**

Breathe Golden Gate has been named a remainder beneficiary of a charitable gift annuity administered by the American Lung Association. Upon the death of the donor, the beneficial interest remaining is to be distributed to Breathe Golden Gate. The donor receives a total annuity each year of \$2,680. Based on the donor life expectancy and a 3.8% discount rate, the estimated financial interest is \$8,147.

**8. Subsequent Events**

In preparing the financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through June 24, 2022, the date the financial statements were available to be issued.

See Accountants Report