

**ACTIVITIES,
RECREATION, AND CARE
(A Nonprofit California
Corporation)**

FINANCIAL STATEMENTS

**For the year ended
June 30, 2025**

**ACTIVITIES, RECREATION, AND CARE
(A Nonprofit California Corporation)**

June 30, 2025

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Activities, Recreation, and Care
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Activities, Recreation, and Care ("ARC") which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ARC as of June 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ARC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ARC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ARC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Maguire, Knechtel & McIntyre, LLP
September 19, 2025

**ACTIVITIES, RECREATION, AND CARE
(A NONPROFIT CALIFORNIA CORPORATION)**

STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS

Current assets	
Cash	\$ 342,633
Investments	2,427,785
Grants receivable	445,344
Prepaid expenses	<u>7,680</u>
Total current assets	3,223,442
Net property and equipment	<u>2,061,378</u>
Total assets	<u><u>\$ 5,284,820</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accrued liabilities	\$ 178,633
Deferred revenue	<u>25,950</u>
Total current liabilities	204,583
Mortgage to City of Los Angeles	129,740
Note payable	488,816
Commitment and contingencies (Note 6)	
Net assets - without donor restrictions	<u>4,461,681</u>
Total liabilities and net assets	<u><u>\$ 5,284,820</u></u>

The accompanying notes are an integral part of these statements.

**ACTIVITIES, RECREATION, AND CARE
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STATEMENT OF ACTIVITIES

For the year ended June 30, 2025

Changes in net assets - without donor restrictions	
Revenue and support	
Contributions	\$ 361,566
Government grants	955,878
Unrealized gain on investments	271,347
Rental income	238,534
Noncash grant	8,364
Other income	313
Interest income	<u>103,057</u>
Total revenue and support	<u>1,939,059</u>
Expenses:	
Functional expenses	<u>1,883,103</u>
Total expenses	<u>1,883,103</u>
Change in net assets - without donor restrictions	55,956
Beginning net assets - without donor restrictions	<u>4,405,725</u>
Ending net assets - without donor restrictions	<u>\$ 4,461,681</u>

The accompanying notes are an integral part of these statements.

**ACTIVITIES, RECREATION, AND CARE
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STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,219,098	\$ 65,211	\$ 13,445	\$ 1,297,754
Insurance	38,661	2,068	426	41,155
Utilities	59,425	3,179	655	63,259
Supplies, printing and postage	4,840	259	53	5,152
Professional fees	33,231	15,300	-	48,531
Miscellaneous	26,015	1,392	286	27,693
Depreciation	156,895	8,393	1,730	167,018
Fundraising	-	-	72,088	72,088
Interest	14,000	-	-	14,000
Program costs	79,000	-	-	79,000
Materials and repairs	67,453	-	-	67,453
Total expenses	<u>\$ 1,698,618</u>	<u>\$ 95,802</u>	<u>\$ 88,683</u>	<u>\$ 1,883,103</u>

The accompanying notes are an integral part of these statements.

**ACTIVITIES, RECREATION, AND CARE
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STATEMENT OF CASH FLOWS

For the year ended June 30, 2025

Cash flows from operating activities:	
Cash received as revenue and support	\$ 1,432,825
Cash paid to employees and other costs	(1,585,541)
Interest paid during the year	(14,000)
Income taxes paid during the year	-
Net cash used by operating activities	(166,716)
Cash flows from investing activities:	
Cash transferred from securities account	162,781
Net cash provided by investing activities	162,781
Cash flows from financing activities:	
Payments on long term debt	(11,184)
Net cash used by financing activities	(11,184)
Net decrease in cash	(15,119)
Cash at beginning of period	357,752
Cash at end of period	\$ 342,633
Reconciliation of change in unrestricted net assets to net cash used by operating activities:	
Change in net assets - without donor restrictions	\$ 55,956
Adjustments to reconcile change in unrestricted net assets to net cash used by operating activities:	
Noncash grant	(8,364)
Unrealized gain on investments	(271,347)
Depreciation	167,018
Changes in assets and liabilities:	
Increase in grants receivable	(252,933)
Decrease in prepaid expenses	8,619
Increase in liabilities	108,385
Increase in deferred revenue	25,950
Total adjustments	(222,672)
Net cash used by operating activities	\$ (166,716)

The accompanying notes are an integral part of these statements.

**ACTIVITIES, RECREATION, AND CARE
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NOTES TO FINANCIAL STATEMENTS

1 Program description

The Mission of Activities, Recreation, and Care (ARC): We provide the resources, programs, education, and environment to support the independence and inclusion of people with intellectual and developmental disabilities. We partner with them towards fostering social relationships, cultivating their individual talents, allowing them to reach their full potential and a life filled with dignity, compassion, and respect.

2 Summary of significant accounting policies

Basis of Accounting

The financial statements of ARC have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Preparation

The financial statements are presented in accordance with the Financial Accounting Standards Board. ARC reports amounts in the financial statements for each of two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are classified as such based on donor stipulations that they be used for a specified purpose or timing of use.

Cash Equivalents

For purposes of the statement of cash flows, ARC considers all highly liquid investments, with maturity of three months or less to be cash equivalents.

Expendable Restricted Resources

Operating funds restricted by the grantor for particular operating purposes are deemed to be earned and reported as revenues of operating funds when ARC has incurred expenditures in compliance with the specific restrictions. Such funds received but not yet earned are reported as deferred revenue.

**ACTIVITIES, RECREATION, AND CARE
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NOTES TO FINANCIAL STATEMENTS

2 Summary of accounting policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Property and Equipment

Purchased property and equipment is stated at cost. Donated property and equipment is recorded at estimated value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the related assets, as follows:

Buildings	30 years
Automobiles	3 years
Furniture and equipment	5 years

Income Taxes

ARC was organized pursuant to the General Non-Profit Corporation Law of the State of California. ARC has been determined to be exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

Contributions

Contributions received, including unconditional promises to give, are recognized as revenues and assets in the period received at their net realizable values. Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are recorded as restricted support.

Date of Management's Review

ARC has evaluated subsequent events through September 19, 2025, the date the financial statements were available to be issued.

**ACTIVITIES, RECREATION, AND CARE
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NOTES TO FINANCIAL STATEMENTS

3 Cash

At times ARC has deposit in banks in excess of the FDIC maximum insurance amount. ARC places those funds in high quality institutions.

4 Property and equipment

Property and equipment at June 30, 2025 consists of the following:

Land and buildings	\$3,917,473
Automobiles	356,154
Furniture and equipment	<u>296,832</u>
Total property and equipment	4,570,459
Less: accumulated depreciation	<u>2,509,081</u>
Net property and equipment	<u>\$2,061,378</u>

5 Debt

Mortgage payable to City of Los Angeles

During the year ended March 31, 1996, the City of Los Angeles Housing Department provided a \$400,000 loan, to ARC, for the purchase of a building. The building collateralizes the mortgage. The remaining balance, \$129,740 at year end, is being repaid in services over a 20-year period.

Note payable Small Business Administration

ARC borrowed \$500,000 from the Small Business Administration. This 30-year loan is secured by a property and has monthly payments of \$2,189 including interest at 2.75% commencing in 2025, and has a balance at June 30, 2025 of \$488,816. Future debt maturities are \$11,184 in 2026, \$11,495 in 2027, \$11,816 in 2028 and \$454,321 thereafter.

6 Contingencies

Government Contracts

Revenues from government contracts are recorded to the extent of expenses incurred or earned fees under the contracts. Revenues recorded under the contracts are subject to government audit and adjustment. Management believes it has complied with all applicable contract provisions, including the Administrative Cap set in Section 4629.7 for the Regional Center funding.

**ACTIVITIES, RECREATION, AND CARE
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NOTES TO FINANCIAL STATEMENTS

7 Liquidity and Availability of Net Assets

ARC's policy is to structure its financial assets to be available as its general expenditures and liabilities come due. Excess cash is generally held in savings. At June 30, 2025, ARC had \$2,770,418 in financial assets consisting of cash receivables to meet its needs.