

Retired Employees Of San Diego County

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

AND

COMPARATIVE FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2022 AND 2021

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JOSE M. MEJARES, CPA, MSSM
(858) 622-9262, voice • (858) 242-4897, fax
PO Box 12022, La Jolla, CA 92039

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors

Retired Employees Of San Diego County

8825 Aero Drive, Suite 205
San Diego, CA 92123

I have reviewed the accompanying Comparative Statements of Financial Position of the **Retired Employees Of San Diego County**, as of **December 31, 2022**, and the related Statements of Activities and Cash Flows for the year then ended, and the related Notes to the Financial Statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility 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; this includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of **Retired Employees Of San Diego County** and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2021 Financial Statements

The financial statements of Retired Employees of San Diego County as of December 31, 2021, were reviewed by another accountants whose report dated June 27, 2022, stated that based on their procedures, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Jose M. Mejares, CPA
San Diego, California
August 14, 2023

Retired Employees Of San Diego County

Comparative Statements of Financial Position

December 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets		
Cash in Accounts and Short-Term CD's	\$ 493,611	\$ 356,731
Long-Term CDs	104,120	251,282
Investments in Trading Securities	467,850	461,362
Prepaid Expenses	4,332	4,103
Total Currents Assets	<u>1,069,913</u>	<u>1,073,478</u>
Fixed Assets		
Equipment	21,336	21,336
Furniture	17,240	17,240
Accumulated depreciation-equip. and furn.	(33,311)	(32,311)
Total Fixed Assets	<u>5,265</u>	<u>6,265</u>
TOTAL ASSETS	<u><u>\$ 1,075,178</u></u>	<u><u>\$ 1,079,743</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Current Liabilities	852	1,557
Total Liabilities	<u>852</u>	<u>1,557</u>
Net Assets		
Unrestricted	341,501	368,163
Board Designated	732,825	710,023
Total Net Assets	<u>1,074,326</u>	<u>1,078,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,075,178</u></u>	<u><u>\$ 1,079,743</u></u>

Retired Employees Of San Diego County

Comparative Statements of Activities

Year Ended December 31, 2022 and 2021

	2022	2021
REVENUES		
Candy Sales	\$ 4,807	\$ 7,960
Net Investment Income	(23,459)	10,150
Dues	379,055	378,383
General Membership Meetings	756	0
Scholarship Donations	1,750	750
TOTAL REVENUES	362,909	397,243
EXPENSES		
Programs	310,172	274,611
Management	56,597	51,178
Total Expenses	366,769	325,789
Other Income-Net	0	0
Changes in Net Assets	(3,860)	71,454
Net Assets, Beginning of Year	1,078,186	1,006,732
Net Assets, End of Year	<u>\$ 1,074,326</u>	<u>\$ 1,078,186</u>

Retired Employees Of San Diego County

Comparative Statements Of Cash Flows

Year Ended December 31, 2022 and 2021

OPERATING ACTIVITIES	<u>2022</u>	<u>2021</u>
Change in Net Assets	\$ <u>(3,860)</u>	\$ <u>71,478</u>
Adjustments:		
Depreciation	1,000	1,291
Prior period adjustment	1	0
(Increase) decrease in operating assets:		
Prepaid expenses	(229)	41
Increase (decrease) in operating liabilities:		
Accounts payable-Charles Schwab	(705)	40
Total Adjustments	<u>67</u>	<u>1,372</u>
Net cash provided by operating activities	<u>(3,793)</u>	<u>72,850</u>
INVESTING ACTIVITIES		
Fixed assets purchased	0	0
Net cash provided by investing activities	<u>0</u>	<u>0</u>
FINANCING ACTIVITIES		
Board Designated Net Assets	0	39,277
Unrestricted Net Assets	0	(39,301)
Net cash provided by financing activities	<u>0</u>	<u>(24)</u>
Net cash increase for period	<u>(3,793)</u>	<u>72,826</u>
Cash & Cash Equivalents Beg. of Yr.	\$ 1,069,374	\$ 996,548
Cash & Cash Equivalents End of Yr.	<u><u>\$ 1,065,581</u></u>	<u><u>\$ 1,069,374</u></u>
SUPPLEMENTAL DISCLOSURE		
Income Taxes Paid	\$ 0	\$ 0

Retired Employees Of San Diego County

Comparative Statements Of Functional Expenses

Year Ended December 31, 2022 and 2021

Expenses	2022			2021
	Program(s)	Management	Total	Total
Salaries & Compensation	\$ 141,634	\$ 35,409	\$ 177,043	\$ 163,282
Simple IRA Accruals	3,663	916	4,579	4,237
Payroll Taxes	11,983	2,996	14,979	14,096
Payroll Preparation Fees	2,038	509	2,547	2,389
Benefits	449	112	561	577
Accounting	3,920	980	4,900	4,540
Office Expenses	2,197	550	2,747	1,942
Information Tech. Expenses	5,228	1,307	6,535	7,083
Recruitment		745	745	0
Conference/Meeting Expenses	5,079	1,270	6,349	2,247
Depreciation Expense		1,000	1,000	1,291
Dues-Associations	3,835	250	4,085	3,966
Copier Lease	716	179	895	750
Insurance	3,953	988	4,941	4,763
Network Newsletter Costs	63,082		63,082	52,540
Postage	962	241	1,203	1,117
Business Expenses		380	380	481
Travel Expenses	165		165	94
Program Expenses	26,207		26,207	19,160
Rent	30,586	7,646	38,232	36,442
Telephone/Internet	3,525	881	4,406	4,028
Utilities	950	238	1,188	764
Total Expenses	\$ 310,172	\$ 56,597	\$ 366,769	\$ 325,789

Retired Employees Of San Diego County

Notes to Financial Statements

NOTE 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business:

The Retired Employees Of San Diego County (RESDC) was incorporated under the General Corporation Law of the State of California and was reclassified as a tax exempt non-profit local association of employees in May 7, 1971 under IRS Code Section 501(c) 4. RESDC presently has over 6,400 members and represents all San Diego County retirees, ensuring their current retirement benefits are protected and obtaining new benefits when justified.

Summary of the Corporation's Significant Accounting Policies are as follows:

Basis of Accounting:

The accompanying financial statements have been prepared in accordance with the accrual basis of accounting. The accounts of the corporation are maintained in accordance with generally accepted accounting principles. Under the accrual method basis of accounting, determining net income means recognizing revenues when earned rather than when cash is received, and expenses are recognized when incurred rather than when paid.

Net Assets:

The financial statements report net assets and changes in net assets into two classes - Board Designated Net Assets **(\$732,825)** and Unrestricted Net Assets **(\$341,501)**. Presently there are no other restrictions on the use of these net assets of the organization other than to support ongoing programs and operations.

Cash and Cash Equivalents:

For purposes of reporting cash and cash equivalents, the corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments:

Investments are predominantly made in certificates of deposit (47%) and marketable trading securities (35%), which are recorded either at the cost of purchase or at fair market value on the date of investment. Subsequent increases or decreases in the market value of the trading securities are recorded as unrealized gains/losses in the statement of activities and the carrying amount of the investment is also either increased or decreased as applicable.

Retired Employees Of San Diego County

Notes to Financial Statements

Marketable Securities:

RESDC has adopted the provisions of the Statement of Financial Accounting Standards No.124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" (Statement No.124). Under the provisions of Statement No.124, investments in equity securities with readily determinable fair values, and all debt securities should be reported at fair value with gains and losses included in the statement of activities. The fair market values of RESDC's investments are determined based on third-party sources.

Fair Value Measurements:

RESDC reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value: This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1. Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the assets or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3. Unobservable inputs for assets or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, RESDC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that RESDC is required to measure at fair value (e.g., unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in RESDC's financial statements are:

- Initial measurement of noncash gifts, including gifts of investments assets and unconditional promises to give and
- Recurring measurement of endowment investments.

Retired Employees Of San Diego County

Notes to Financial Statements

Property and Equipment:

Property and equipment are recorded at cost for purchased assets and fair market value at the date of acquisition for donated assets. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Depreciation expense for the period was \$1,000.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement:

On August, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities -Presentation of Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information and liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. RESDC has adjusted the presentation of these statements accordingly. The presentation requirement has been applied retrospectively to all periods to all periods presented.

Economic Concentrations:

For the year ended December 31, 2022, approximately 100% of RESDC's revenues were generated through non-tax deductible membership dues paid by San Diego County retirees. Management is not aware of the existence of any severe or substantial membership reductions pending due to the described concentrations of economic risk.

NOTE 2: Availability and Liquidity

The following represents RESDC's financial assets at December 31, 2022:

<u>Financial assets at year end:</u>	<u>2022</u>
Cash in Accounts and Short-Term CD's	\$ 592,145
Long-Term CDs	104,120
Investments in Trading Securities	369,316
Total	<u>\$ 1,065,581</u>
Less amounts not available to be used within one year	(104,120)
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 961,461</u></u>

Retired Employees Of San Diego County

Notes to Financial Statements - continued

NOTE 3: Commitments and Contingencies

RESDC currently receives approximately 100% of its funding from San Diego County retirees. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on RESDC's ongoing programs and activities.

NOTE 4: Lease Commitments

The total rent expense incurred totaled \$38,232 and \$36,442 for years ended December 31, 2022 and 2021 respectively.

For years subsequent to 2022, the minimum annual future rental commitments under the lease agreement are as follows:

<u>Year end December 31,</u>	<u>Rental Expense</u>
2023	\$ 37,131
2024	\$ 38,245

NOTE 5: Income Tax Status

As previously stated, RESDC is classified as a Social Welfare Organization by the Internal Revenue Service under code section 501(c) 4. Additionally, on April 20, 1970 the Franchise Tax Board classified it as a Social Welfare Organization under code section 23701 (f).

NOTE 6: Date of Management Review:

In preparing the reviewed financial statements, RESDC's management has evaluated events and transactions for possible recognition or disclosure through August 14, 2023, the date the financial statements were available to be issued.