

National Council on Aging, Inc.

Financial Report
June 30, 2025

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Independent Auditor's Report

Board of Directors
National Council on Aging, Inc.

Opinion

We have audited the financial statements of National Council on Aging, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2025 and 2024, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under these 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 the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be 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 the Organization'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 the Organization'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.

RSM US LLP

McLean, Virginia
December 17, 2025

National Council on Aging, Inc.

Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 1,676,726	\$ 3,235,723
Cash restricted for grants and contracts	97,762	44,451
Investments	5,828,211	6,708,903
Accounts receivable, net of allowance for expected credit losses 2025—\$15,000; 2024—\$30,000	327,420	973,111
Grants and contributions receivable, net	888,750	653,575
Amounts due from subgrantees and federal agencies	6,251,633	6,059,297
Prepaid expenses and other assets	442,391	377,361
Operating lease right-of-use assets, net	3,819,818	4,358,492
Property and equipment, net	547,658	830,885
Total assets	\$ 19,880,369	\$ 23,241,798
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,681,751	\$ 5,428,591
Amounts due to subgrantees	2,459,748	1,810,765
Deferred revenue	967,055	446,156
Operating lease liabilities, net	4,647,718	5,247,515
Accrued pension cost	-	369,340
Total liabilities	12,756,272	13,302,367
Commitments and contingencies (Notes 7 and 10)		
Net assets:		
Without donor restrictions	4,619,426	6,026,596
With donor restrictions	2,504,671	3,912,835
Total net assets	7,124,097	9,939,431
Total liabilities and net assets	\$ 19,880,369	\$ 23,241,798

See notes to financial statements.

National Council on Aging, Inc.

**Statement of Activities
Year Ended June 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants	\$ 69,761,497	\$ -	\$ 69,761,497
Contributions	1,438,372	1,385,128	2,823,500
Corporate contracts	4,497,090	-	4,497,090
Investment income, net	662,331	-	662,331
Conferences and other	550,313	-	550,313
Contributed nonfinancial assets	328,609	-	328,609
Net assets released from restrictions	2,793,292	(2,793,292)	-
Total revenue and support	80,031,504	(1,408,164)	78,623,340
Expenses:			
Program services:			
Healthy aging programs	13,909,669	-	13,909,669
Workforce development	35,639,486	-	35,639,486
Economic well-being	19,883,443	-	19,883,443
Awareness and outreach	4,691,975	-	4,691,975
Public policy and advocacy	1,459,720	-	1,459,720
Aging mastery program	142,434	-	142,434
Total program services	75,726,727	-	75,726,727
Supporting services:			
Management and general	4,384,229	-	4,384,229
Fundraising	1,640,637	-	1,640,637
Total supporting services	6,024,866	-	6,024,866
Total expenses	81,751,593	-	81,751,593
Change in net assets before pension-related changes other than net periodic cost	(1,720,089)	(1,408,164)	(3,128,253)
Pension-related changes:			
Other than net periodic cost	312,919	-	312,919
Change in net assets	(1,407,170)	(1,408,164)	(2,815,334)
Net assets:			
Beginning	\$ 6,026,596	\$ 3,912,835	\$ 9,939,431
Ending	<u>\$ 4,619,426</u>	<u>\$ 2,504,671</u>	<u>\$ 7,124,097</u>

See notes to financial statements.

National Council on Aging, Inc.

**Statement of Activities
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Government grants	\$ 88,187,318	\$ -	\$ 88,187,318
Contributions	748,332	4,177,452	4,925,784
Corporate contracts	3,277,036	-	3,277,036
Investment income, net	633,287	-	633,287
Conferences and other	781,011	-	781,011
Contributed nonfinancial assets	497,932	-	497,932
Net assets released from restrictions	2,659,941	(2,659,941)	-
Total revenue and support	96,784,857	1,517,511	98,302,368
Expenses:			
Program services:			
Healthy aging programs	36,901,227	-	36,901,227
Workforce development	35,335,837	-	35,335,837
Economic well-being	15,881,029	-	15,881,029
Awareness and outreach	2,467,386	-	2,467,386
Public policy and advocacy	1,101,575	-	1,101,575
Research	140,557	-	140,557
Aging mastery program	104,130	-	104,130
Total program services	91,931,741	-	91,931,741
Supporting services:			
Management and general	4,930,265	-	4,930,265
Fundraising	1,719,231	-	1,719,231
Total supporting services	6,649,496	-	6,649,496
Total expenses	98,581,237	-	98,581,237
Change in net assets before pension-related changes other than net periodic cost	(1,796,380)	1,517,511	(278,869)
Pension-related changes:			
Other than net periodic cost	548,675	-	548,675
Change in net assets	(1,247,705)	1,517,511	269,806
Net assets:			
Beginning	7,274,301	2,395,324	9,669,625
Ending	<u>\$ 6,026,596</u>	<u>\$ 3,912,835</u>	<u>\$ 9,939,431</u>

See notes to financial statements.

National Council on Aging, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2025**

	Healthy Aging Programs	Workforce Development	Economic Well-Being	Awareness and Outreach	Public Policy and Advocacy	Aging Mastery Program	Management and General	Fundraising	Total
Subgrants	\$ 6,882,334	\$ 29,467,193	\$ 10,131,081	\$ 19,000	\$ -	\$ -	\$ -	\$ -	\$ 46,499,608
Salaries, wages and fringe	2,735,517	4,812,025	3,804,337	1,431,257	1,072,969	12,810	2,545,973	1,023,313	17,438,201
Contracted services	3,101,484	479,833	4,284,963	2,384,541	144,555	803	853,968	144,268	11,394,415
Outreach advertising and other costs	295,371	44,064	400,562	881,850	30,746	2,412	39,348	43,158	1,737,511
Equipment/computers	354,815	400,060	558,806	154,020	86,722	2,102	565,725	87,840	2,210,090
Lease cost	216,713	187,839	295,116	82,171	62,132	131	139,458	48,557	1,032,117
Office operations	17,940	130,045	36,496	36,274	9,830	118,453	28,603	281,510	659,151
Conferences/meetings	223,896	52,455	214,396	(320,616)	41,469	3,367	83,890	4,036	302,893
Travel	81,166	64,413	156,033	17,401	11,297	2,356	60,106	7,955	400,727
Nonrecoverable miscellaneous expenses	433	1,559	1,653	6,077	-	-	67,158	-	76,880
Total expenses	\$ 13,909,669	\$ 35,639,486	\$ 19,883,443	\$ 4,691,975	\$ 1,459,720	\$ 142,434	\$ 4,384,229	\$ 1,640,637	\$ 81,751,593

See notes to financial statements.

National Council on Aging, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2024**

	Healthy Aging Programs	Workforce Development	Economic Well-Being	Awareness and Outreach	Public Policy and Advocacy	Research	Aging Mastery Program	Management and General	Fundraising	Total
Subgrants	\$ 28,154,963	\$ 29,713,770	\$ 6,712,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,581,167
Salaries, wages and fringe	3,289,445	4,243,360	3,316,687	987,266	632,412	40,649	16,848	2,667,686	901,856	16,096,209
Contracted services	4,395,811	633,671	3,833,986	1,112,592	345,502	93,566	3,491	1,026,150	176,903	11,621,672
Outreach advertising and other costs	98,101	34,036	755,410	545,140	1,656	328	2,822	26,105	63,240	1,526,838
Equipment/computers	330,055	255,211	489,440	101,276	54,400	2,628	2,369	126,793	87,884	1,450,056
Lease cost	210,059	110,982	234,519	77,244	62,603	3,114	464	247,453	58,607	1,005,045
Office operations	55,074	164,599	79,664	31,439	1,231	135	74,785	141,228	391,785	939,940
Other contract costs	-	-	-	-	-	-	-	476,747	-	476,747
Conferences/meetings	283,907	47,960	343,735	(424,758)	2,665	85	240	110,837	22,040	386,711
Travel	83,057	109,940	62,610	37,187	1,106	52	3,111	68,555	16,916	382,534
Nonrecoverable miscellaneous expenses	755	22,308	52,544	-	-	-	-	38,711	-	114,318
Total expenses	\$ 36,901,227	\$ 35,335,837	\$ 15,881,029	\$ 2,467,386	\$ 1,101,575	\$ 140,557	\$ 104,130	\$ 4,930,265	\$ 1,719,231	\$ 98,581,237

See notes to financial statements.

National Council on Aging, Inc.

Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (2,815,334)	\$ 269,806
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	283,227	155,284
Realized and unrealized gains on investments	(468,634)	(330,803)
Amortization of right-of-use assets	538,674	563,416
(Increase) decrease in:		
Accounts receivable	645,691	(480,964)
Grants and contributions receivable	(235,175)	(307,712)
Amounts due from subgrantees and federal agencies	(192,336)	(859,277)
Prepaid expenses and other assets	(65,030)	(1,533)
Increase (decrease) in:		
Accounts payable and accrued expenses	(746,840)	885,164
Amounts due to subgrantees	648,983	68,667
Deferred revenue	520,899	(315,536)
Operating lease liabilities	(599,797)	(607,346)
Accrued pension cost	(369,340)	(882,741)
Net cash used in operating activities	(2,855,012)	(1,843,575)
Cash flows from investing activities:		
Purchases of investments	(284,897)	(8,313,780)
Proceeds from sale of investments	1,634,223	12,687,580
Purchases of property and equipment	-	(486,000)
Net cash provided by investing activities	1,349,326	3,887,800
Net (decrease) increase in cash, cash equivalents and cash restricted for grants and contracts	(1,505,686)	2,044,225
Cash, cash equivalents and cash restricted for grants and contracts:		
Beginning	3,280,174	1,235,949
Ending	\$ 1,774,488	\$ 3,280,174
Cash and cash equivalents—unrestricted	\$ 1,676,726	\$ 3,235,723
Cash and cash equivalents—restricted	97,762	44,451
	\$ 1,774,488	\$ 3,280,174
Supplemental disclosures of cash flows information:		
Cash paid for interest	\$ 24,788	\$ 21,485

See notes to financial statements.

National Council on Aging, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: National Council on Aging, Inc. (the Organization) was established in 1950 as a service and advocacy organization. The Organization is a national voice for older adults, especially those who are vulnerable and disadvantaged, and the community organizations that serve them. The Organization brings together nonprofit organizations, businesses and government to develop creative solutions that improve the lives of all older adults. The Organization works with thousands of organizations across the country to help seniors live independently, find jobs and benefits, improve their health and remain active in their communities.

The Organization serves as a national contractor to assist lower-income, older persons secure employment through the Senior Community Service Employment Program (SCSEP) authorized under Title V of the Older Americans Act. Under the SCSEP, the Organization and its subcontractors match eligible older adults with host community service agencies, effectively subsidizing their part-time jobs at these sites. Participants build skills and self-confidence, while earning a modest income. For most, their SCSEP experience leads to opportunities for full-time employment as they exit the program. The Organization operates the SCSEP through agencies in approximately 35 communities, with the Organization self-run operations for the years ended June 30, 2025 and 2024, in North Carolina, and West Virginia. The other communities are handled through subcontractor organizations, still under the guidance and oversight of the Organization. For the U.S. Administration on Community Living (under the Department of Health and Human Services), the Organization also serves as both the National Resource Center on Chronic Disease Self-Management Education programs as well as the National Resource Center for Benefits Outreach and Enrollment.

The Organization's largest source of funding is provided through various contracts with the Department of Labor (DOL) under Title V of the Older Americans Act. For the years ended June 30, 2025 and 2024, funding from the DOL contracts approximated 44% and 37% of the Organization's unrestricted support and revenue, respectively. The annual contract's funding expires each June 30. The annual SCSEP award (approximately \$34.8M and \$35.5M for fiscal years 2025 and 2024, respectively) is renewable and expected to continue.

The Organization also receives revenue from other government agencies including, but not limited to, the Department of Health and Human Services. Funding from this government agency supports other aging-related programs and initiatives. Other sources of revenue include private and corporate grants, contracts and contributions, nonfederal government grants and contracts, publication sales and earnings on investments.

The Organization's major programs:

Healthy aging programs: Healthy aging programs support the expansion and sustainability of health promotion and disease prevention programs for older adults.

Workforce development: Workforce development provides training, support and job placement to enable older adults to re-enter the workforce.

Economic well-being: Economic well-being provides services and support to increase older adults' access to benefits programs that increase their financial security.

Awareness and outreach: Awareness and outreach raises awareness and performs outreach on key issues affecting constituents.

National Council on Aging, Inc.

Notes to Financial Statements

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

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

Basis of presentation: The financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this ASC topic, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

The net assets, revenues, expenses, gains and losses of the Organization are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions: Net assets are not subject to any donor-imposed stipulations or other legal limitations and are, therefore, available for use in the Organization's general operations.

With donor restrictions: Net assets are subject to donor-imposed stipulations on the use of the assets that may be met either by actions of the Organization or by the passage of time.

Cash and cash equivalents: For financial statement purposes, the Organization considers all highly liquid, temporary investments purchased with an original maturity of three months or less to be cash and cash equivalents. However, amounts held in the investment portfolio, regardless of maturity, are reported with investments.

Cash restricted for grants and contracts: Cash and cash equivalents required to be held in a separate account are included in cash restricted for grants and contracts on the statements of financial position and presented with total cash on statements of cash flows.

Financial risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

Investments: Investments with readily determinable fair values are reported at fair value with gains and losses included in the statements of activities. Other investments in trusts (alternative investments) are reported at fair value based on a practical expedient, the net asset value per share or equivalent, determined by the fund or the investment manager at the measurement date. The estimated values, provided by the fund or the investment manager, are subject to an annual independent audit and are reviewed by management for reasonableness. The Organization believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Fair value is discussed in Note 3.

Accounts receivable and allowance for credit losses: Accounts receivable consist primarily of projects arising in the normal course of the Organization's operations. Accounts receivables are presented at the gross amount due, less an allowance for credit losses.

National Council on Aging, Inc.

Notes to Financial Statements

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

The Organization's receivables consist of accounts and other receivables, arising in the normal course of operations. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include trade receivables, contract assets and noncurrent receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off. Management has recorded an allowance of \$15,000 and \$30,000 at June 30, 2025 and 2024, respectively.

Income taxes: The Organization is exempt from federal income tax under section 501(a) of the Internal Revenue Code (the Code), as an organization described in section 501(c)(3) of the Code. As such, the Organization is taxed only on its unrelated business income. No provision for income taxes was required for fiscal years 2025 and 2024. The Organization is classified as other than a private foundation by the Internal Revenue Service. Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements.

Below is a summary of the changes in the Organization's allowance for credit losses for the years ended June 30, 2025 and 2024.

Balance, July 1, 2023	\$ 190,000
Provision for expected credit losses	30,000
Charge-offs	-
Recoveries	(190,000)
Balance, June 30, 2024	30,000
Provision for expected credit losses	15,000
Charge-offs	-
Recoveries	(30,000)
Balance, June 30, 2025	<u>\$ 15,000</u>

Upcoming accounting pronouncement: In July 2025, the FASB issued Accounting Standards Update (ASU) 2025-05, which amends the guidance under ASC 326 to simplify the measurement of credit losses for current accounts receivable and current contract assets arising from transactions under ASC 606, Revenue from Contracts with Customers. The ASU introduces a practical expedient allowing entities to assume that conditions at the statement of financial position date remain unchanged for the remaining life of current receivables and contract assets and provides an accounting policy election for non-public entities (including not-for-profits) to consider cash collections received after the statement of financial position date when estimating expected credit losses. The ASU is applicable for the Organization's year ending June 30, 2027. Management is currently evaluating the impact of adopting ASU 2025-05. Adoption is not expected to have a material impact on the Organization's financial statements.

Contract balances: The timing of revenue recognition may not align with the right to invoice the customer. The Organization records an account receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, deferred revenue also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset is recorded. Opening balances as of July 1, 2023, for accounts receivable is \$492,147 and deferred revenue is \$761,692.

Notes to Financial Statements

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

Grants and contributions receivable: Grants and contributions receivable include unconditional promises to give that are recorded in the financial statements at the time the promises are made. Grants and contributions receivable are recorded net of an appropriate allowance. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. The provision for an allowance for doubtful accounts as of June 30, 2025 and 2024, was \$0 and \$13,578, respectively. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at rates applicable to the years in which the promises were received. Amortization of the discount is included in contributions revenue.

Amounts due from subgrantees and federal agencies: These receivables consist of billed and unbilled receivables. Certain subgrantees receive cash advances on their contracted services. Under conditional agreements, a receivable is recorded if the total amount of expenses incurred to date is less than the amount paid to the subgrantee. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. All receivables are deemed by management to be fully collectible as of June 30, 2025 and 2024.

Property and equipment: The Organization capitalizes all acquisitions of property and equipment greater than \$5,000. Property and equipment is carried at cost. Depreciation and amortization are computed using the straight-line method over estimated service lives of three to 10 years for office furniture, computers, equipment and software. Amortization of leasehold improvements is computed over the shorter of the life of the lease or the useful life of the asset.

Valuation of long-lived assets: The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Amounts due to subgrantees: These are amounts payable to subgrantees for expenses incurred under federal grants.

Deferred revenue: The Organization records deferred revenue in situations when amounts are paid in advance of the Organization satisfying applicable revenue recognition criteria. Such revenue is recognized when all criteria are subsequently satisfied.

Leases: The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Notes to Financial Statements

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

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to nonpublic companies to utilize the risk-free rate based on the remaining term for leases which is aligned with the lease term of the remaining term at the commencement date.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

A lessee that is not a public business entity is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rates under ASC 842, the Organization has made this accounting policy election for all leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website.

Revenue and support recognition: The Organization receives grants and enters into agreements with the U.S. government, state and local governments and corporations that primarily provide for cost reimbursement to the Organization.

Unconditional contributions received by the Organization, which include unconditional promises to give, are recognized as support in the period received at their estimated fair value. Contributions are considered to be without donor restrictions unless specifically restricted by the donor or they are due in future periods. Net assets with donor restrictions are reclassified to net assets without donor restrictions when a time restriction ends, or a purpose restriction is accomplished and reported in the statements of activities as net assets released from restrictions. Conditional contributions are those contributions that contain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions based on any remaining restrictions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

Contributions receivable are reported net of any estimated uncollectible amounts. Contributions expected to be collected beyond one year are discounted to present value. Conditional contributions include a right of refund or release and a barrier and are not recorded until material conditions have been met.

The Organization received conditional federal awards that have not been recognized as revenue at the respective statement of financial position date, as remaining related expenditures have not yet occurred. As of June 30, 2025 and 2024, the amount of unrecognized conditional federal awards amounted to \$14,435,731 and \$18,790,061, respectively.

The Organization's revenue streams from contracts with customers are comprised primarily from conferences and corporate contracts. Revenue is recognized as performance obligations are satisfied when the conference occurs.

Notes to Financial Statements

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

The Organization's revenue from contracts with customers do not include significant financing components and do not have variable considerations. The Organization did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are limited factors affecting future revenue and cash inflows from conferences.

Contributed nonfinancial assets: The Organization recognized contributed nonfinancial assets within contributed nonfinancial assets on the statement of activities. Contributed non-financial assets are recorded at their estimated fair value on the date the assets were received (or promised). The contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed nonfinancial assets are recorded at estimated fair value in the statement of activities. Contributed nonfinancial assets did not have donor-imposed restrictions. Donated services were used in the program and supporting services listed below. No donated goods were monetized through sales to third parties. A summary of the fair value estimates related to contributed nonfinancial assets follows:

Services: Donated services primarily consist of online advertising, which are recognized in the statement of activities as contributions and expenses in equal amounts in accordance with U.S. GAAP when the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Current year reclassifications: During the year ended June 30, 2025, the Organization reclassified certain amounts in the statement of activities and functional expenses to conform with the current year presentation. These reclassifications had no impact on previously reported changes in net assets or total net assets.

Functional allocation of expenses: The costs of providing the various services and other activities have been summarized on a program basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, wages and fringe expenses are allocated based on level of efforts. Rent expense is allocated based on level of efforts.

Subsequent events: The Organization has evaluated subsequent events through December 17, 2025, the date on which the financial statements were available to be issued.

National Council on Aging, Inc.

Notes to Financial Statements

Note 2. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise of the following at June 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 1,676,726	\$ 3,235,723
Cash restricted for grants and contracts	97,762	44,451
Investments	5,828,211	6,708,903
Accounts receivable	327,420	973,111
Grants and contributions receivable	888,750	653,575
Amounts due from subgrantees and federal agencies	6,251,633	6,059,297
	<u>15,070,502</u>	<u>17,675,060</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,504,671	3,912,835
Deferred compensation investments	50,584	22,928
Cash restricted for grants and contracts	97,762	44,451
	<u>2,653,017</u>	<u>3,980,214</u>
Financial assets available to meet general expenditures within one year	<u>\$ 12,417,485</u>	<u>\$ 13,694,846</u>

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, unrestricted contributions and investments that can be redeemed with a 30-day notice. The Organization also has a line of credit for \$4,000,000 which is available to meet general expenditures.

Note 3. Investments and Fair Value Measurements

Investments are recorded at fair value. Investments consist of the following at June 30, 2025 and 2024:

	2025	2024
Fidelity Investments Money Market Funds	\$ 201,332	\$ 71,762
Mutual Funds	2,202,540	3,124,286
Exchange-Traded Funds	2,971,897	3,052,949
Deferred Compensation Investments	50,584	22,928
Alternative Investments	401,858	436,978
	<u>\$ 5,828,211</u>	<u>\$ 6,708,903</u>

Investment income was as follows for the years ended June 30, 2025 and 2024:

	2025	2024
Interest and dividends	\$ 259,053	\$ 377,373
Realized gains and unrealized gains	468,634	330,803
Less investment management fees	(65,356)	(74,889)
	<u>\$ 662,331</u>	<u>\$ 633,287</u>

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

The Fair Value Measurement Topic of the FASB ASC establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Investments using Level 1 inputs consist of investments in mutual funds listed on a national market or exchange which are valued at the last sales price or, if there is no sale and the market is still considered active, at the last transaction price before year-end.

Investments recorded at net asset value (NAV) consist of an investment in common trust funds, which is considered an alternative investment. This alternative investment is not publicly traded. The Organization values these investments at the NAV as reported by the fund manager, multiplied by the number of units held. The NAV of these funds is based on the fair value of the underlying securities held by the fund. Because of the inherent uncertainty in the valuations of the investment, the estimated values may differ significantly from the value that would have been used had a ready market for the investments existed and the difference could be material. As permitted by U.S. GAAP, the Organization uses the NAV as a practical expedient to determine the fair value of the alternative investment. In accordance with the Fair Value Measurement topic, such investments are not classified within the fair value hierarchy.

The investment held at NAV includes an investment in a real estate investment trust (REIT) that invests primarily in stabilized, income-oriented commercial real estate and debt secured by commercial real estate. The real estate portfolio may include multifamily, industrial, office, hotel and retail assets, as well as other property types, including, without limitation, medical office, student housing, single-family rental, senior living, data centers, manufactured housing and storage properties. The REIT's portfolio is principally comprised of properties located in the United States. Shares can be redeemed continuously without penalty with 10 business days' prior written notice. There are no lockups nor any unfunded commitments.

National Council on Aging, Inc.

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2025 and 2024:

	2025			
	Total	Level 1	Level 2	Level 3
Exchange-Traded Funds	\$ 2,971,897	\$ 2,971,897	\$ -	\$ -
Mutual Funds	2,202,540	2,202,540	-	-
Fidelity Investments Money Market Funds	201,332	201,332	-	-
Deferred Compensation Mutual Fund	50,584	50,584	-	-
	<u>5,426,353</u>	<u>\$ 5,426,353</u>	<u>\$ -</u>	<u>\$ -</u>
Investment held at NAV (1)	401,858			
	<u>\$ 5,828,211</u>			

	2024			
	Total	Level 1	Level 2	Level 3
Exchange-Traded Funds	\$ 3,052,949	\$ 3,052,949	\$ -	\$ -
Mutual Funds	3,124,286	3,124,286	-	-
Fidelity Investments Money Market Funds	71,762	71,762	-	-
Deferred Compensation Mutual Fund	22,928	22,928	-	-
	<u>6,271,925</u>	<u>\$ 6,271,925</u>	<u>\$ -</u>	<u>\$ -</u>
Investment held at NAV (1)	436,978			
	<u>\$ 6,708,903</u>			

(1) In accordance with the guidance provided by FASB ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*, Subtopic 820-10, certain investments that are measured at fair value using NAV (or its equivalent) practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Note 4. Grants and Contributions Receivable

Grants and contributions receivables were as follows at June 30, 2025 and 2024:

	2025	2024
Receivable in less than one year	\$ 888,750	\$ 572,000
Receivable in one to five years	-	100,000
	<u>888,750</u>	<u>672,000</u>
Less discount to net present value	-	(4,847)
Less allowance for uncollectible receivables	-	(13,578)
	<u>\$ 888,750</u>	<u>\$ 653,575</u>

National Council on Aging, Inc.

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2025 and 2024:

	2025	2024
Leasehold improvements	\$ 1,272,168	\$ 1,272,168
Capitalized software	692,072	692,072
Furniture and fixtures	120,961	120,961
Office computers and equipment	94,257	94,257
	<u>2,179,458</u>	<u>2,179,458</u>
Accumulated depreciation and amortization	(1,631,800)	(1,348,573)
	<u>\$ 547,658</u>	<u>\$ 830,885</u>

Depreciation and amortization expense for the years ended June 30, 2025 and 2024, was \$283,227 and \$155,284, respectively.

Note 6. Employee Benefits

Pension plan: The Organization maintained a noncontributory, defined benefit retirement plan covering full-time salaried employees of the Organization hired before June 30, 2006, who were at least 21 years of age, had completed at least one year of employment and met certain minimum hour requirements. Benefits are based on years of service and final average earnings (highest average earnings during any 36 consecutive months out of the last 120 months of employment with the Organization). Plan participants fully vested at age 55 or after five years of service, whichever occurred first. Effective June 30, 2006, the Organization froze the accrual of additional benefits and no new participants were allowed to enter the plan. A measurement date of June 30 had been used.

The Organization's Board of Trustees voted to terminate the defined benefit retirement plan effective July 31, 2024. In conjunction with the termination of the defined benefit retirement plan, lump sums were paid out in December 2024, an annuity purchase took place January 2025, and all benefit obligations were settled during the year ended June 30, 2025.

The following table sets forth the plan's funded status, the amounts recognized in the statements of financial position and the components of net periodic pension cost at June 30, 2025 and 2024:

	2025	2024
Accumulated benefit obligation	\$ -	\$ 6,697,367
Projected benefit obligation	\$ -	\$ 6,697,367
Fair value of plan assets	-	6,328,027
Funded status	-	(369,340)
Accrued pension cost	\$ -	\$ (369,340)

National Council on Aging, Inc.**Notes to Financial Statements****Note 6. Employee Benefits (Continued)**

Assumptions used in the actuarial valuations were as follows for the years ended June 30, 2025 and 2024:

	2025	2024
Discount rate	0.00%	5.22%
Rate of increase in compensation	N/A	N/A
Long-term rate of return on plan assets	0.00%	7.00%

The following table details the net periodic pension cost, employer contributions and benefits paid for the years ended June 30, 2025 and 2024:

	2025	2024
Net periodic pension cost	\$ -	\$ 265,934
Employer contribution	-	600,000
Benefits paid	-	587,530

The Organization's funding policy was to contribute annually based upon the actuarial cost method. Under the aggregate actuarial cost method, the scheduled contribution consisted of the normal cost plus any additional amounts necessary to meet minimum funding requirements.

The changes in benefit obligations as of and for the years ended June 30, 2025 and 2024, are as follows:

	2025	2024
Benefit obligation, beginning	\$ 6,697,367	\$ 7,408,737
Interest cost	-	346,971
Actuarial gain	-	(108,871)
Benefit payments and settlements	(6,697,367)	(949,470)
Benefit obligation, ending	\$ -	\$ 6,697,367

The changes in plan assets as of and for the years ended June 30, 2025 and 2024, are as follows:

	2025	2024
Fair value of assets, beginning	\$ 6,328,027	\$ 6,156,656
Actual return on assets	-	520,841
Actual contributions	-	600,000
Benefits paid and settlements	(6,328,027)	(949,470)
Fair value of assets, ending	\$ -	\$ 6,328,027

National Council on Aging, Inc.

Notes to Financial Statements

Note 6. Employee Benefits (Continued)

The components of net periodic cost for the years ended June 30, 2025 and 2024, are as follows:

	2025	2024
Interest cost	\$ -	\$ 346,971
Expected return on plan assets	-	(402,174)
Amortization of net loss	-	152,934
Gain due to settlements	-	168,203
	<u>\$ -</u>	<u>\$ 265,934</u>

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2025 and 2024, are as follows:

	2025	2024
Discount rate	N/A	5.22%
Expected long-term return on plan assets	N/A	7.00%
Rate of compensation increase	N/A	N/A

Plan assets by category as of June 30, 2025 and 2024, are as follows:

	2025	2024
Cash/short-term account	\$ -	\$ 6,328,027
Mutual funds—equities	-	-
Mutual funds—bonds	-	-
	<u>\$ -</u>	<u>\$ 6,328,027</u>

Plan assets by fair value levels at June 30, 2024, were as follows:

Cash—reported at cost	<u>\$ 6,328,027</u>
	<u>\$ 6,328,027</u>

403(b) retirement savings plan: The Organization maintains a 403(b) retirement savings plan (the Plan) covering all employees. Assets of the Plan are held in trust by a third-party retirement account custodian. Under the Plan, employees may make elective salary deferral contributions on a pretax basis. Additionally, the Organization makes discretionary employer contributions to eligible employees' 403(b) accounts. Employer contributions have a required vesting period of two years from date of hire.

The Organization made a discretionary employer contribution of 6% of salary to all eligible participants' 403(b) accounts for the fiscal years ended June 30, 2025 and 2024. The associated retirement plan expense for this plan was \$721,201 and \$655,948 for the years ended June 30, 2025 and 2024, respectively.

Deferred compensation plan: During 2024, the Organization established, under Section 457(b) of the Internal Revenue Code, a deferred compensation plan on behalf of a senior leadership employee (see disclosures in Note 2). The Organization made contributions of \$23,000 to the deferred compensation plan for each of the years ended June 30, 2025 and 2024.

National Council on Aging, Inc.

Notes to Financial Statements

Note 7. Line of Credit

In July 2023, the Organization entered into a line of credit with a bank for \$5,000,000 secured by the investments of the Organization. Interest on drawdowns is calculated in accordance with the line of credit agreement. Interest on the line of credit is calculated using a variable secured overnight finance rate plus 0.95%. In June 2025, the Organization amended its existing line of credit agreement. Following the modification, the total available borrowing capacity under the line of credit is \$4,000,000. The line matures on July 12, 2026.

Note 8. Net Assets With Donor Restrictions

As of June 30, 2025 and 2024, net assets with donor restrictions are available for the following purposes:

	2025	2024
Economic Well Being	\$ 1,508,724	\$ 2,655,974
Awareness and Outreach	860,204	884,828
Policy	135,743	295,157
Center for Healthy Aging	-	76,876
	<u>\$ 2,504,671</u>	<u>\$ 3,912,835</u>

For the years ended June 30, 2025 and 2024, net assets with donor restrictions released by program were as follows:

	2025	2024
Economic Well Being	\$ 1,663,785	\$ 1,948,794
Awareness and Outreach	888,374	215,172
Center for Healthy Aging	76,875	201,995
Research	-	157,623
Policy	164,258	136,357
	<u>\$ 2,793,292</u>	<u>\$ 2,659,941</u>

Note 9. Leases

The Organization leases office space for its headquarters in Arlington, Virginia, under a noncancellable operating lease that was to expire in April 2026. The Organization received rent abatements under the agreement as well as a tenant improvement allowance. A deferred rent amount was recognized to allocate the benefit of this free rent and tenant improvement allowance along with escalating rent payments throughout the term of the lease through June 30, 2021, prior to adoption of ASU 2016-02 *Leases*. In conjunction with this office lease, the Organization has an irrevocable letter of credit, totaling \$95,727, with a financial institution, which automatically renews annually every January 1. The letter of credit was accepted as a security deposit by the landlord.

In December 2021, the Organization executed an amendment to the current office lease in Arlington, Virginia. The amendment reduced the space by 2,916 square feet to 11,443 square feet and extends the term to April 30, 2033. The amendment also provides for four months of rental abatement and an improvement allowance of up to \$175,000.

National Council on Aging, Inc.

Notes to Financial Statements

Note 9. Leases (Continued)

In addition to the above lease, the Organization maintains office locations in various states. These offices support the Organization's SCSEP contract under the DOL grant. The Organization's lease payments under these leases are fully reimbursed by the DOL. The Organization's leases for these offices are generally cancellable in the event that the SCSEP contract is not renewed.

The Organization elected to utilize the risk-free rate commensurate with the individual lease terms. The weighted-average discount rate of all the operating leases is 1.51% for the years 2025 and 2024, respectively. The weighted-average remaining lease term is 7.75 years and 8.75 years as of June 30, 2025 and 2024, respectively.

The Organization also rents equipment under noncancelable operating leases expiring at different times.

Future minimum rental payments under the operating leases are as follows:

Years ending June 30:	
2026	\$ 548,718
2027	554,135
2028	676,445
2029	695,940
2030	715,909
Thereafter	2,060,340
	<hr/> 5,251,487
Discount to net present value	(603,769)
	<hr/> <hr/> \$ 4,647,718

Lease expense for all office leases was \$1,030,405 and \$1,004,484 for the years ended June 30, 2025 and 2024, respectively. Cash payments for the years ended June 30, 2025 and 2024, totaled \$678,375 and \$658,412, respectively.

Note 10. Contingencies

The Organization participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. Management does not anticipate any significant adverse adjustments as a result of such audits.