

5CITIES HOMELESS COALITION, INC.

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

For the Year Ended
December 31, 2019

5CITIES HOMELESS COALITION, INC.
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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Independent Auditors' Report

Board of Directors
5Cities Homeless Coalition, Inc.
Grover Beach, CA

We have audited the accompanying financial statements of 5Cities Homeless Coalition, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities and changes in net assets, statement of functional expenses, and statement of cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

5Cities Homeless Coalition, Inc.
Independent Auditors' Report continued
For the year ended December 31, 2019

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 5Cities Homeless Coalition, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


BURKART & STEVENS,
an Accountancy Corporation

San Luis Obispo, CA
May 27, 2020

5CITIES HOMELESS COALITION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Current assets			
Cash and cash equivalents (Note 2)	\$ 57,799	\$ 7,500	\$ 65,299
Accounts receivable (Note 2)	159,868	-	159,868
Prepaid expenses	3,157	-	3,157
Total current assets	220,824	7,500	228,324
Property and Equipment			
Property and equipment, net of accumulated depreciation of \$ 11,163 (Notes 2 & 3)	537,720	-	537,720
Land	350,000	-	350,000
Total property and equipment	887,720	-	887,720
Other assets			
Deposits	8,140	-	8,140
Total other assets	8,140	-	8,140
Total assets	\$ 1,116,684	\$ 7,500	\$ 1,124,184

LIABILITIES AND NET ASSETS

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Current liabilities			
Accounts payable	\$ 1,826	\$ -	\$ 1,826
Deferred revenue (Note 4)	46,104	-	46,104
Notes payable (Note 5)	97,457	-	97,457
Total current liabilities	145,387	-	145,387
Net assets			
Without donor restrictions (Note 6)	971,297	-	971,297
With donor restrictions	-	7,500	7,500
Total net assets	971,297	7,500	978,797
Total liabilities and net assets	\$ 1,116,684	\$ 7,500	\$ 1,124,184

See independent auditors' report

The accompanying notes are an integral part of these financial statements

SCITIES HOMELESS COALITION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Donations	\$ 209,299	\$ 12,000	\$ 221,299
Donations - In-kind:			
Program (Note 10)	47,672	-	47,672
Fundraising	22,650	-	22,650
Other	20,064	-	20,064
Grants:			
Bank of America Foundation	4,600	-	4,600
City of Grover Beach	191,055	-	191,055
City of Pismo Beach	10,000	-	10,000
Community Action Partnership	29,000	-	29,000
Dignity Health	77,127	-	77,127
Dunin Opportunity Grant	10,002	-	10,002
FEMA/Emergency shelter	4,286	-	4,286
Klaproad Grant	25,000	-	25,000
Pacific Premier Bank	5,000	-	5,000
Rabobank	5,000	-	5,000
San Luis Obispo County	1,085,471	-	1,085,471
State of California	187,049	-	187,049
Supportive Services - Vets	36,300	-	36,300
TJX Foundation	3,989	-	3,989
Umpqua Bank	4,000	-	4,000
United Way	5,000	-	5,000
Wells Fargo Bank	10,000	-	10,000
Other	16,768	-	16,768
Fundraising and special event income	79,598	-	79,598
Interest and dividends	435	-	435
Revenue and Support	2,089,365	12,000	2,101,365
Net assets released from restriction (Note 8)	12,000	(12,000)	-
Total Revenue and Support	2,101,365	-	2,101,365
Expenses			
Program services	1,046,732	-	1,046,732
Management and general	94,305	-	94,305
Fundraising	88,165	-	88,165
Total expenses	1,229,201	-	1,229,201
Change in net assets	872,164	-	872,164
Net assets at beginning of year	99,133	7,500	106,633
Net assets at end of year	\$ 971,297	\$ 7,500	\$ 978,797

See independent auditors' report
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5CITIES HOMELESS COALITION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	2019			
	Program Services	Management & general	Fundraising	Total
Functional expenses				
Salaries and wages	\$ 366,830	\$ 30,937	\$ 44,196	\$ 441,964
Payroll taxes	22,667	10,339	6,760	39,767
Employee benefits	15,992	1,349	1,927	19,268
Accounting	7,315	2,090	1,045	10,450
Bank fees	-	1,544	-	1,544
Board expense	-	294	-	294
Computer/software	1,790	-	1,144	2,934
Communications	732	366	366	1,463
Community outreach	2,629	-	876	3,505
Depreciation (Note 2 & 3)	-	8,009	-	8,009
Dues and subscriptions	-	465	-	465
Fundraising	-	9,797	22,859	32,655
Hillside project expense	-	10,382	-	10,382
Insurance	9,727	7,044	-	16,771
Interest (Note 5)	5,332	-	-	5,332
Internet	1,005	495	-	1,500
Mileage	1,114	-	-	1,114
Miscellaneous	-	2,929	-	2,929
Office	9,234	1,154	1,154	11,543
Occupancy	46,135	3,891	5,558	55,584
Payroll service	-	585	-	585
Postage	1,042	521	521	2,084
Printing and design	20	-	990	1,010
Professional fees	5,375	1,536	768	7,678
Program expenses	541,755	-	-	541,755
Repairs	672	-	-	672
Staff Development	3,829	-	-	3,829
Taxes/fees	-	578	-	578
Volunteer appreciation	3,537	-	-	3,537
Total functional expenses	\$ 1,046,732	\$ 94,305	\$ 88,165	\$ 1,229,201

See independent auditors' report

The accompanying notes are an integral part of these financial statements

5CITIES HOMELESS COALITION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

	2019
CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 872,164
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	8,009
Changes in assets and liabilities	
(Increase) decrease in prepaids	(1,569)
(Increase) decrease in accounts receivable	2,270
(Increase) decrease in deposits	194
Increase (decrease) in accounts payable	(6,580)
Increase (decrease) in payroll taxes payable	(5,109)
Increase (decrease) in deferred income	(31,237)
Net cash provided by operating activities	838,142
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in cash with donor restrictions	7,500
Purchase of equipment	(15,248)
Purchase of land and building	(875,500)
Net cash used by investing activities	(883,248)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes payable	97,457
Net cash provided by financing activities	97,457
Net change in cash and cash equivalents	52,351
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	12,948
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	\$ 65,299

Income tax paid: \$10
Interest paid: \$5,332

See independent auditors' report
The accompanying notes are an integral part of these financial statements

5CITIES HOMELESS COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: ORGANIZATION

5Cities Homeless Coalition, Inc. is a non-profit, non-stock corporation, organized under the laws of the State of California on March 3, 2009. The Coalition seeks to find individual solutions to the unique challenges of homelessness in South San Luis Obispo County by providing assistance for housing and immediate needs for the community's most vulnerable neighbors and by providing strategies for long-term solutions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are presented on the accrual basis of accounting. The financial resources are maintained in accordance with the principles of fund accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Financial Statements of Not-for-Profit Entities*. Under ASU No. 2016-14, 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.

- Net assets without donor restrictions represent expendable funds available for operations which are not limited otherwise by donor restrictions and net assets released from those with donor restrictions are due to the terms of the restrictions or contingencies being met.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions or restrictions voluntarily approved and imposed by the Board of Directors. These restrictions are contingent upon specific performance of a future event or a specific passage of time.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily or permanently restricted. The restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Organization.

Estimates

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

5CITIES HOMELESS COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments including money market accounts to be cash and equivalents that are available for current use with a maturity of three months or less.

Accounts Receivable

Accounts receivable consists mainly of grant revenue. Management has determined that there are no uncollectible accounts at December 31, 2019. Therefore, no allowance for doubtful accounts has been recorded.

Fixed Assets

Equipment of \$ 2,500 or more is recorded at cost. In-kind donations of fixed assets used directly by the Organization are valued at their appraised values at the time of the gift. Repairs and maintenance are charged to expense when incurred. Depreciation expense is calculated on the straight-line method over the useful life of the related asset. (Note 3)

Income Tax

The Organization is recognized by the Internal Revenue Service as a qualified Section 501(c)(3), non-profit organization, and as such, is not liable for federal income or state franchise tax.

In-Kind Donations

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills that would typically need to be purchased if not provided by donation, if any, are recorded at their fair values in the period received. The amounts reflected in the accompanying financial statements as in-kind donations are offset by like amounts included in expenses or assets.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

5CITIES HOMELESS COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: PROPERTY AND EQUIPMENT

At December 31, 2019 property and equipment consist of the following:

Building	\$ 525,500
Vehicles	15,248
Computer Equipment	<u>8,135</u>
Property and equipment	548,883
Less: accumulated depreciation	<u>(11,163)</u>
Net property and equipment	537,720
Land	<u>350,000</u>
Total property and equipment	<u>\$ 887,720</u>

Depreciation expense for the year ended December 31, 2019 was \$ 8,009.

NOTE 4: DEFERRED REVENUE

The Organization defers all or a portion of grant revenue until the related expense or purpose has occurred. The Organization then recognizes the applicable revenue in the period when the expense has occurred. Deferred revenue at December 31, 2019 was \$ 46,104.

5CITIES HOMELESS COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 5: NOTES PAYABLE

Note payable with Nonprofits Insurance Alliance of California (NIAC), with interest at 6.0% per annum and interest only monthly payments of \$250 beginning September 1, 2019. The note is due in one lump sum, plus any unpaid interest on August 1, 2020.

Line of credit with Rabobank, N.A., with interest at 8.25% per annum and monthly interest only payments due during the loan term, with a lump sum payment of outstanding principal and unpaid accrued interest due on July 9, 2020.

Total notes payable

	2019
\$ 50,000	50,000
47,457	47,457
\$ 97,457	97,457

Interest expense for the year ended December 31, 2019 was \$ 5,332.

In addition, the Organization arranged for these notes to cover the cost of program services rendered under contract, as often it takes more than 60-90 days to received payment on invoices submitted to government agencies.

NOTE 6: NET ASSETS

As of December 31, 2019, net assets were comprised of the following:

Without donor restrictions:

Undesignated	\$ 978,797
Total net assets without donor restrictions	<u>978,797</u>

With donor restrictions:

Purpose restricted:

Capital campaign	519,732
Arts education	6,950
Music program	5,028
Other purposes	<u>8,550</u>
Total net assets with donor restrictions	<u>540,260</u>

Total net assets	<u>\$ 2,135,048</u>
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5CITIES HOMELESS COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7: LIQUIDITY

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 57,799	
Accounts receivable	159,868	
Total	\$ 217,667	

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

NOTE 8: NET ASSETS RELEASED FROM RESTRICTIONS

The Organization's net assets released from restrictions consisted of the following:

Program specific	\$ 12,000	
Total	\$ 12,000	

NOTE 9: COMMITMENTS

Building Rent

On April 24, 2017 the Organization entered into an agreement with Behrooz Zarrabian for the lease of the Grover Beach office. The lease had an initial term of two years and expired April 30, 2019. The lease was extended for two years and expires on April 30, 2021. The monthly rent is \$ 3,075 per month and will increase 6% annually. Rent expense for the year ended December 31, 2019 was \$ 35,320.

Future minimum lease payments are as follows:

	<u>Year</u>	<u>Amount</u>
For the year ending December 31,	2020	\$ 36,900
	2021	12,300
Total		\$ 49,200

5CITIES HOMELESS COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 10: DONATED MATERIALS

5Cities Homeless Coalition, Inc. receives donations of food, clothing and hygienic products. The value of these items, totaling \$ 47,672, is reflected in the accompanying financial statements as in-kind revenue and is offset by a corresponding in-kind expense. In-kind donations of items used directly by the Organization are valued at their appraised values at the time of the gift and expensed to the appropriate account.

NOTE 11: CONCENTRATIONS

The Organization receives the majority of funding from local government grants and private grants.

The Organization maintains cash in accounts at various banks. Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. As of December 31, 2019 there were no uninsured cash balances.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 27, 2020 the date on which the financial statements were available to be issued. There were no subsequent events to report.