

5CITIES HOMELESS COALITION, INC.

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

For the Year Ended
December 31, 2017

5CITIES HOMELESS COALITION, INC.
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
NOTES TO FINANCIAL STATEMENTS	7-10

694 Santa Rosa Street
Post Office Box 1423
San Luis Obispo, California 93406
Telephone: Facsimile:
805.543.6876 805.781.2526
800.549.6876 www.burkartcpa.com

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, 2017, and the related statement of activities, 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 of material misstatements.

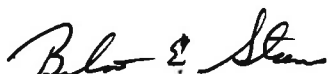
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2017

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, 2017, 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.



BURKART & STEVENS,
an Accountancy Corporation

San Luis Obispo, CA
September 19, 2018

5CITIES HOMELESS COALITION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

	2017		
	Unrestricted	Temporarily Restricted	Total
Current assets			
Cash and cash equivalents (Note 2)	\$ 78,590	7,500	\$ 86,090
Accounts receivable	70,159	-	70,159
Prepaid expenses	2,913	-	2,913
Total current assets	151,662	7,500	159,162
Property and Equipment			
Property and equipment (Notes 2 & 3)	9,339	-	9,339
Less: accumulated depreciation	(2,366)	-	(2,366)
Total property and equipment	6,973	-	6,973
Other assets			
Deposits	9,146	-	9,146
Total other assets	9,146	-	9,146
Total assets	\$ 167,781	\$ 7,500	\$ 175,281

LIABILITIES AND NET ASSETS

	2017		
	Unrestricted	Temporarily Restricted	Total
Current liabilities			
Accounts payable	\$ 5,125	\$ -	\$ 5,125
Payroll taxes payable	13,664	-	13,664
Deferred revenue (Note 4)	61,772	-	61,772
Total current liabilities	80,561	-	80,561
Net assets			
Unrestricted	87,220	-	87,220
Temporarily restricted	-	7,500	7,500
Total net assets	87,220	7,500	94,720
Total liabilities and net assets	\$ 167,781	\$ 7,500	\$ 175,281

See independent auditors' report

The accompanying notes are an integral part of these financial statements

5CITIES HOMELESS COALITION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2017

	2017		
	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Donations	\$ 156,814	\$ 5,000	\$ 161,814
Donations - In-kind:			
Program (Note 6)	55,895	-	55,895
Fundraising	9,060	-	9,060
Other	74	-	74
Grants:			
City of Arroyo Grande	2,500	-	2,500
City of Grover Beach	80,000	-	80,000
Community Action Partnership	15,004	-	15,004
Dignity Health	14,547	-	14,547
Dunin Opportunity Grant	4,517	-	4,517
FEMA/Emergency shelter	19,826	-	19,826
Good Samaritan Shelter	50,838	-	50,838
Hoag Family Foundation	6,677	-	6,677
Klaproad Grant-2017	323,352	-	323,352
Marian Medical Respite	11,602	-	11,602
San Luis Obispo County	57,568	-	57,568
Trilogy	26,440	-	26,440
Union Pacific	5,000	-	5,000
United Way	4,998	-	4,998
Youth Grants	16,343	-	16,343
Fundraising and special event income	84,085	-	84,085
Interest and dividends	100	-	100
Total revenue and support	945,240	5,000	950,240
Expenses			
Program services	740,160	-	740,160
Management and general	106,832	-	106,832
Fundraising	86,389	-	86,389
Total expenses	933,381	-	933,381
Change in net assets	11,859	5,000	16,859
Net assets at beginning of year	75,361	2,500	77,861
Net assets at end of year	\$ 87,220	\$ 7,500	\$ 94,720

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

5CITIES HOMELESS COALITION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

2017				
	Program Services	Management & general	Fundraising	Total
Functional expenses				
Salary and wages	\$ 161,416	\$ 73,628	\$ 48,142	\$ 283,186
Payroll taxes	15,293	6,976	4,561	26,830
Accounting	4,240	1,211	606	6,057
Bad debts	-	910	-	910
Bank fees	-	1,332	-	1,332
Board expense	-	987	-	987
Computer/software	2,740	-	1,752	4,492
Communications	1,815	908	908	3,630
Community outreach	807	404	404	1,614
Depreciation (Note 2 & 3)	-	1,162	-	1,162
Dues and subscriptions	-	860	-	860
Fundraising	-	7,258	16,934	24,192
Human resources	-	320	-	320
Insurance	6,893	4,992	-	11,885
Internet	663	327	-	990
Meals and entertainment	-	86	-	86
Mileage	1,097	-	-	1,097
Moving expense	3,348	-	-	3,348
Office	3,843	480	480	4,804
Occupancy	19,510	2,439	2,439	24,388
Payroll service	-	439	-	439
Postage	1,344	672	672	2,688
Printing and design	184	-	9,026	9,210
Professional fees	3,263	932	466	4,661
Program expenses	511,096	-	-	511,096
Repairs	1,768	-	-	1,768
Staff Development	839	-	-	839
Taxes/fees	-	510	-	510
Total functional expenses	\$ 740,160	\$ 106,832	\$ 86,389	\$ 933,381

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, 2017

	2017
CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 16,859
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,162
Changes in assets and liabilities	
(Increase) decrease in prepaids	(1,407)
(Increase) decrease in accounts receivable	(64,559)
(Increase) decrease in deposits	(9,146)
Increase (decrease) in accounts payable	(15,626)
Increase (decrease) in payroll taxes payable	4,904
Increase (decrease) in deferred income	(1,136)
Net cash provided by operating activities	(68,949)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of equipment	(8,135)
Net cash used by investing activities	(8,135)
Net change in cash and cash equivalents	(77,084)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	163,174
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	\$ 86,090

Income tax paid: \$10
Interest paid: \$0

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, 2017

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.

- The *unrestricted operating fund* is utilized to record contributions, fund-raising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fund-raising efforts of the Organization.
- The *temporarily restricted fund* is utilized to record resources received by the Organization that is temporarily restricted as to use by the donor or grantor. When the restriction expires, the net assets of this fund are reclassified to unrestricted net assets.
- The *permanently restricted fund* represents funds subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income, or some portion thereof, be used for operations.

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, 2017

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, 2017. 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.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3: PROPERTY AND EQUIPMENT

At December 31, 2017 property and equipment consist of the following:

Computer Equipment	\$ 9,339
Total property and equipment	<u>9,339</u>
Less: accumulated depreciation	<u>(2,366)</u>
Net property and equipment	<u>\$ 6,973</u>

Depreciation expense for the year ended December 31, 2017 was \$ 1,162.

5CITIES HOMELESS COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017 was \$ 61,772.

NOTE 5: 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 has an initial term of two years and expires April 30, 2019, with one option to extend the lease for five years. The monthly rent is \$ 2,680 per month. Rent expense for the year ended December 31, 2017 was \$ 18,760.

Future minimum lease payments are as follows:

	<u>Year</u>	<u>Amount</u>
For the year ending December 31,	2018	\$ 32,160
	2019	<u>10,720</u>
Total		<u>\$ 42,880</u>

NOTE 6: DONATED MATERIALS

5Cities Homeless Coalition, Inc. receives donations of food, clothing and hygienic products. The value of these items, totaling \$ 55,895, 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 7: 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, 2017 there were no uninsured cash balances.

5CITIES HOMELESS COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8: RECENT ACCOUNTING PRONOUNCEMENTS AFFECTING THE ORGANIZATION

Presentation of Financial Statements of Not-for-Profit Entities –

In August 2016, the Financial Accounting Standards Board (FASB) issued new guidance for the presentation of financial statements which includes, among other things, a required statement of functional expenses and new terms for donor restricted contributions. The new standard is effective for fiscal years beginning after December 31, 2017 and interim periods with fiscal years beginning after December 31, 2018 with early adoption permitted. Management has decided to not adopt this standard early. Although this standard requires presentation changes, management does not expect that this standard will have a material impact to the presentation of the Statement of Activities and the Statement of Financial Position upon adoption.

Management has not yet made any decision with respect to the timing or method of adoption of these accounting changes.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2018, the date on which the financial statements were available to be issued. There were no subsequent events to report.