

5CITIES HOMELESS COALITION, INC.

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

For the Year Ended
December 31, 2018

5CITIES HOMELESS COALITION, INC.
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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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, 2018, 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 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, 2018

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, 2018, 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
September 10, 2019

5CITIES HOMELESS COALITION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Current assets			
Cash and cash equivalents (Note 2)	\$ 12,948	\$ 7,500	\$ 20,448
Accounts receivable (Note 2)	162,138	-	162,138
Prepaid expenses	1,588	-	1,588
Total current assets	176,674	7,500	184,174
Property and Equipment			
Property and equipment (Notes 2 & 3)	8,135	-	8,135
Less: accumulated depreciation	(3,154)	-	(3,154)
Total property and equipment	4,981	-	4,981
Other assets			
Deposits	8,334	-	8,334
Total other assets	8,334	-	8,334
Total assets	\$ 189,989	\$ 7,500	\$ 197,489

LIABILITIES AND NET ASSETS

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Current liabilities			
Accounts payable	\$ 8,406	\$ -	\$ 8,406
Payroll taxes payable	5,109	-	5,109
Deferred revenue (Note 4)	77,341	-	77,341
Total current liabilities	90,856	-	90,856
Net assets			
Without donor restrictions	99,133	-	99,133
With donor restrictions	-	7,500	7,500
Total net assets	99,133	7,500	106,633
Total liabilities and net assets	\$ 189,989	\$ 7,500	\$ 197,489

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, 2018

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and Support			
Donations	\$ 107,403	\$ -	\$ 107,403
Donations - In-kind:			
Program (Note 8)	58,613	-	58,613
Fundraising	65,775	-	65,775
Other	3,489	-	3,489
Grants:			
Albertsons-Vons Foundation	1,500	-	1,500
Bank of America Foundation	5,000	-	5,000
City of Arroyo Grande	10,000	-	10,000
City of Grover Beach	5,000	-	5,000
City of Pismo Beach	25,000	-	25,000
Community Action Partnership	30,912	-	30,912
Dignity Health	28,685	-	28,685
Dunin Opportunity Grant	8,776	-	8,776
FEMA/Emergency shelter	4,603	-	4,603
Hoag Family Foundation	15,000	-	15,000
Klaproad Grant	20,221	-	20,221
Pacific Premier Bank	2,500	-	2,500
Rabobank	5,000	-	5,000
San Luis Obispo County	344,156	-	344,156
Supportive Services - Vets	29,001	-	29,001
TJX Foundation	7,500	-	7,500
Trilogy	27,542	-	27,542
Union Pacific	5,000	-	5,000
United Way	8,502	-	8,502
Wells Fargo Bank	5,000	-	5,000
Youth Grants	2,357	-	2,357
Other	16,947	-	16,947
Fundraising and special event income	97,955	-	97,955
Interest and dividends	228	-	228
Total revenue and support	941,665	-	941,665
Expenses			
Program services	741,916	-	741,916
Management and general	77,988	-	77,988
Fundraising	109,848	-	109,848
Total expenses	929,752	-	929,752
Change in net assets	11,913	-	11,913
Net assets at beginning of year	87,220	7,500	94,720
Net assets at end of year	\$ 99,133	\$ 7,500	\$ 106,633

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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	2018			
	Program Services	Management & general	Fundraising	Total
Functional expenses				
Salaries and wages	\$ 320,537	\$ 27,033	\$ 38,619	\$ 386,189
Payroll taxes	20,049	9,145	5,979	35,173
Accounting	7,980	2,280	1,140	11,400
Bad debts	-	(910)	-	(910)
Bank fees	-	1,665	-	1,665
Board expense	-	663	-	663
Computer/software	3,157	-	2,018	5,175
Communications	2,570	1,285	1,285	5,139
Community outreach	1,424	-	475	1,898
Depreciation (Note 2 & 3)	-	1,992	-	1,992
Dues and subscriptions	-	640	-	640
Fundraising	-	22,375	52,207	74,582
Insurance	6,086	4,407	-	10,493
Internet	885	436	-	1,321
Meals and entertainment	-	20	-	20
Mileage	1,948	-	-	1,948
Office	7,245	906	906	9,056
Occupancy	43,718	3,687	5,267	52,672
Payroll service	-	501	-	501
Postage	329	165	165	658
Printing and design	20	-	990	1,010
Professional fees	5,580	1,594	797	7,972
Program expenses	317,021	-	-	317,021
Repairs	1,249	-	-	1,249
Staff Development	1,474	-	-	1,474
Taxes/fees	-	105	-	105
Volunteer appreciation	646	-	-	646
Total functional expenses	\$ 741,916	\$ 77,988	\$ 109,848	\$ 929,752

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, 2018

	2018
CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 11,913
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,992
Changes in assets and liabilities	
(Increase) decrease in prepaids	1,325
(Increase) decrease in accounts receivable	(91,979)
(Increase) decrease in deposits	812
Increase (decrease) in accounts payable	3,281
Increase (decrease) in payroll taxes payable	(8,555)
Increase (decrease) in deferred income	15,569
Net cash provided by operating activities	(65,642)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in cash with donor restrictions	(7,500)
Net cash used by investing activities	(7,500)
Net change in cash and cash equivalents	(73,142)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	86,090
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	\$ 12,948

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, 2018

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, 2018

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, 2018. 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, 2018

NOTE 3: PROPERTY AND EQUIPMENT

At December 31, 2018 property and equipment consist of the following:

Computer Equipment	\$	8,135
Total property and equipment		8,135
Less: accumulated depreciation		(3,154)
Net property and equipment	\$	4,981

Depreciation expense for the year ended December 31, 2018 was \$ 1,992.

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, 2018 was \$ 77,341.

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, 2018 was \$ 32,160.

Future minimum lease payments are as follows:

	<u>Year</u>	<u>Amount</u>
For the year ending December 31,	2019	\$ 10,720
Total		\$ 10,720

5CITIES HOMELESS COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6: NET ASSETS

As of December 31, 2018, net assets were comprised of the following:

Without donor restrictions:	
Undesignated	\$ 99,133
Total net assets without donor restrictions	99,133
With donor restrictions:	
Purpose restricted:	
Other purpose	7,500
Total net assets with donor restrictions	7,500
Total net assets	\$ 106,633

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	\$ 20,448
Accounts receivable	162,138
Total	\$ 182,586

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: DONATED MATERIALS

5Cities Homeless Coalition, Inc. receives donations of food, clothing and hygienic products. The value of these items, totaling \$ 58,613, 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.

5CITIES HOMELESS COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 9: 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, 2018 there were no uninsured cash balances.

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2019, the date on which the financial statements were available to be issued. There were no subsequent events to report.