

# **TIME FOR CHANGE FOUNDATION**

**(A Nonprofit Organization)**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**SM&Co**  
**Smith Marion**  
**& Company, LLP**  
Certified Public Accountants

**TIME FOR CHANGE FOUNDATION**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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**To the Board of Directors**  
**Time for Change Foundation**  
San Bernardino, CA

## **INDEPENDENT AUDITORS' REPORT**

### ***Report on the Financial Statements***

We have audited the accompanying statements of financial position of Time for Change Foundation as of June 30, 2018 and June 30, 2017, and the related statements of activities, cash flows, and functional expenses for the years 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.

### ***Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Time for Change Foundation as of June 30, 2018 and June 30, 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2018 on our consideration of Time for Change Foundation's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

A handwritten signature in blue ink that reads "Smith Marion & Co." in a cursive script.

September 26, 2018

## **FINANCIAL INFORMATION**

**TIME FOR CHANGE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash	\$ 596,901	\$ 723,215
Cash - restricted	761,159	237,360
Total Cash	1,358,060	960,575
Accounts receivable	45,634	83,073
Prepaid expenses	6,085	4,584
<b>Total Current Assets</b>	<b>1,409,779</b>	<b>1,048,232</b>
Other investments	50,709	50,684
Property and equipment (net)	1,907,965	1,469,893
<b>Total Long-Term Assets</b>	<b>1,958,674</b>	<b>1,520,577</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,368,453</b>	<b>\$ 2,568,809</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,373	\$ 10,884
Accrued expenses	85,306	65,310
Credit card payable	3,184	15,053
Deferred revenue	761,159	237,360
Loan payable - Mt. View - current portion	8,949	5,386
<b>Total Current Liabilities</b>	<b>861,971</b>	<b>333,993</b>
<b>Long-Term Liabilities</b>		
Residual payable	-	27,960
Loan payable - AHS	1,723,077	1,680,060
Loan payable - Mt. View - long-term portion	62,127	146,594
<b>Total Long-Term Liabilities</b>	<b>1,785,204</b>	<b>1,854,614</b>
<b>Total Liabilities</b>	<b>2,647,175</b>	<b>2,188,607</b>
<b>Net Assets</b>		
Without donor restriction		
Undesignated	721,278	380,202
With donor restriction		
Purpose restrictions	-	-
<b>Total Net Assets</b>	<b>721,278</b>	<b>380,202</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,368,453</b>	<b>\$ 2,568,809</b>

**TIME FOR CHANGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants	\$ 1,188,025	\$ -	\$ 1,188,025
Contributions	132,677	-	132,677
Special events	114,426	-	114,426
Phoenix Square	43,688	-	43,688
Inkind revenue	282,286	-	282,286
Other income	141,559	-	141,559
<b>TOTAL SUPPORT AND REVENUES</b>	<b>1,902,661</b>	<b>-</b>	<b>1,902,661</b>
<b>EXPENSES</b>			
Program services:	1,332,451	-	1,332,451
Total Program Services	1,332,451	-	1,332,451
Supporting services:			
Management and general	174,249	-	174,249
Fund raising	54,885	-	54,885
Total Supporting Services	229,134	-	229,134
<b>TOTAL EXPENSES</b>	<b>1,561,585</b>	<b>-</b>	<b>1,561,585</b>
<b>Change in Net assets</b>	<b>341,076</b>	<b>-</b>	<b>341,076</b>
Beginning Net Assets	380,202	-	380,202
Adjustment to Beginning Net Assets	-	-	-
<b>Ending Net Assets</b>	<b>\$ 721,278</b>	<b>\$ -</b>	<b>\$ 721,278</b>

**TIME FOR CHANGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants	\$ 1,118,305	\$ -	\$ 1,118,305
Contributions	104,788	-	104,788
Special events	150,373	-	150,373
Phoenix Square	40,524	-	40,524
Inkind revenue	171,179	-	171,179
Other income	83,002	-	83,002
<b>TOTAL SUPPORT AND REVENUES</b>	<b>1,668,171</b>	<b>-</b>	<b>1,668,171</b>
<b>EXPENSES</b>			
Program services:	1,361,810	-	1,361,810
Total Program Services	1,361,810	-	1,361,810
Supporting services:			
Management and general	205,540		205,540
Fund raising	55,463		55,463
Total Supporting Services	261,003	-	261,003
<b>TOTAL EXPENSES</b>	<b>1,622,813</b>		<b>1,622,813</b>
<b>Change in Net assets</b>	<b>45,358</b>	<b>-</b>	<b>45,358</b>
Beginning Net Assets	334,844	-	334,844
Adjustment to Beginning Net Assets	-	-	-
<b>Ending Net Assets</b>	<b>\$ 380,202</b>	<b>\$ -</b>	<b>\$ 380,202</b>



**TIME FOR CHANGE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 341,076	\$ 45,358
<i>Adjustments to reconcile change in net assets to net cash provided by operations:</i>		
<i>Noncash items:</i>		
Depreciation	77,849	69,007
Accrued interest	43,017	43,018
Residual payable	(27,960)	-
Donated property	(250,000)	-
<i>(Increase) decrease in cash due to:</i>		
Accounts receivable	37,439	(11,346)
Prepaid expenses	(1,501)	1,986
Other investments	(25)	(25)
<i>Increase (decrease) in cash due to:</i>		
Accounts payable	(7,511)	(7,325)
Accrued expenses	19,996	17,401
Credit card payable	(11,869)	6,979
Deferred revenue	523,799	2,229
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>744,310</b>	<b>167,282</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property and equipment purchased	(265,921)	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(265,921)</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan payments	(80,904)	(5,097)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(80,904)</b>	<b>(5,097)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>397,485</b>	<b>162,185</b>
Beginning Cash and Cash Equivalents	960,575	798,390
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 1,358,060</b>	<b>\$ 960,575</b>
<b>Supplemental Data:</b>		
Interest paid	\$ 5,318	\$ 6,606

**TIME FOR CHANGE FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services	Supportive Services			Grand Total
		Management & General	Fund Raising	Total	
<b>EXPENSES</b>					
Salaries and wages	\$ 442,807	\$ 89,038	\$ 38	\$ 89,076	\$ 531,883
Payroll taxes	38,431	5,238	750	5,988	44,419
Employee benefits	14,714	8,916	-	8,916	23,630
Total payroll and related expense	495,952	103,192	788	103,980	599,932
Auto	13,891	-	-	-	13,891
Client support	321,794	-	-	-	321,794
Dues and subscriptions	4,168	-	-	-	4,168
Rent	35,097	12,480	19,790	32,270	67,367
Repairs and maintenance	27,914	-	-	-	27,914
Consultants/directors	58,137	9,897	13,121	23,018	81,155
Utilities and telephone	61,483	2,913	-	2,913	64,396
Insurance	41,056	11,944	-	11,944	53,000
Interest	36,635	11,701	-	11,701	48,336
Advertising	895	2,456	1,976	4,432	5,327
Travel	31,309	1,782	-	1,782	33,091
Office	83,642	12,110	6,614	18,724	102,366
Inkind expenses	32,284	-	-	-	32,284
Other operating expenses	11,412	4,707	12,596	17,303	28,715
Total expenses before depreciation	759,717	69,990	54,097	124,087	883,804
Depreciation expense	76,782	1,067	-	1,067	77,849
<b>TOTAL EXPENSES</b>	<b>\$ 1,332,451</b>	<b>\$ 174,249</b>	<b>\$ 54,885</b>	<b>\$ 229,134</b>	<b>\$ 1,561,585</b>

**TIME FOR CHANGE FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	Supportive Services			Grand Total
		Management & General	Fund Raising	Total	
<b>EXPENSES</b>					
Salaries and wages	\$ 463,749	\$ 81,850	\$ 961	\$ 82,811	\$ 546,560
Payroll taxes	36,456	5,399	750	6,149	42,605
Employee benefits	(350)	23,303	-	23,303	22,953
Total payroll and related expense	499,855	110,552	1,711	112,263	612,118
Auto	12,998	-	-	-	12,998
Client support	192,435	-	-	-	192,435
Dues and subscriptions	7,934	-	-	-	7,934
Rent	56,301	11,880	24,735	36,615	92,916
Repairs and maintenance	14,030	-	-	-	14,030
Consultants/directors	66,870	2,790	5,000	7,790	74,660
Utilities and telephone	53,160	4,151	-	4,151	57,311
Insurance	37,222	9,045	-	9,045	46,267
Interest	22,017	27,670	-	27,670	49,687
Advertising	88	3,714	-	3,714	3,802
Travel	30,874	6,327	-	6,327	37,201
Training	1,107	-	-	-	1,107
Office	117,616	26,075	15,410	41,485	159,101
Inkind expenses	171,179	-	-	-	171,179
Other operating expenses	9,569	2,884	8,607	11,491	21,060
Total expenses before depreciation	793,400	94,536	53,752	148,288	941,688
Depreciation expense	68,555	452	-	452	69,007
<b>TOTAL EXPENSES</b>	<b>\$ 1,361,810</b>	<b>\$ 205,540</b>	<b>\$ 55,463</b>	<b>\$ 261,003</b>	<b>\$ 1,622,813</b>

**TIME FOR CHANGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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**Note 1 - Nature of Activities and Summary of Significant Accounting Policies**

Nature of Activities

Time for Change Foundation is a non-profit organization that provides housing and support services to low income families in the State of California. Activities include: emergency shelter, permanent supportive housing, developing affordable housing, counseling, educational services, and basic needs such food, clothing, and transportation assistance.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The records of the Organization are maintained on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted long-term purposes are excluded from this definition. to be cash equivalents.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Contributions

Contributions received are recorded as *with donor restriction* or *without donor restriction* net assets depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), with donor restriction net assets are reclassified to without donor restriction net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributed Services

The Organization does recognize any support, revenue or expense from services contributed by volunteers. If any support, revenue or expense were recorded it would be determined based on the difference of any amount paid to an individual and the comparable compensation, which would be paid to an individual if they were to occupy these paid positions.

Promises to Give

Unconditional promises to are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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### Functional Expenses

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

### Reclassifications

Certain reclassification of amounts previously reported have been made to the accompanying comparative financial statement to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

### Net Assets

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### Income Taxes

The Organization is an exempt organization for Federal Income tax purposes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for Federal income taxes in the accompanying financial statements.

In accordance with accounting standards, which provides accounting and disclosure guidance about uncertain tax positions taken by an Organization, Management believes that all of the positions taken by the Organization in its federal and state income tax returns are more likely than not to be sustained upon examination. The Organization files returns in the U.S. Federal jurisdiction and the State of California. The Organization's federal income tax returns for the prior (3) tax years remain subject to examination by the Internal Revenue Service. The Organization's California income tax returns for the prior (4) tax years remain subject to examination by the Franchise Tax Board.

### Estimates

The preparation of financial statements in accordance with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Advertising

The costs of indirect-response advertising are charged to expenses as incurred. Advertising costs were \$5,327 and \$3,802 for the years ended June 30, 2018 and 2017, respectively.

### Property, equipment and depreciation

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restriction.

The Organization capitalized all property and equipment acquisitions in excess of \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Depreciation of physical properties is calculated using the straight-line method over the estimated useful lives of the assets.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

### Other Investments

Other investments are composed of certificates of deposit held with local financial institution with original maturities of more than 90 days and are not considered cash and cash equivalents. Other investments are valued at their carrying value.

### Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

## **Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 596,901
Accounts receivable	45,634
	<u>\$ 642,535</u>

## **Note 3 - Accounts Receivable – Grants and Contracts**

As of June 30, 2018 and 2017, the Organization had grants receivable in the amount of \$45,634 and \$83,073 respectively. As of June 30, 2018, the Organization determined the entire amount of the receivables to be fully collectible; therefore, no allowance for doubtful accounts was established.

## **Note 4 - Concentration of Credit Risk for Cash Held in Bank**

The Organization maintains its primary operating and money market accounts with financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of years ended June 30, 2018 and 2017, there were no amounts that exceeded FDIC limits.

## **Note 5 - Deferred Revenue**

Deferred Revenue account represents the portion of grants that are advance payments for subsequent fiscal years. As of years ended June 30, 2018 and 2017, the Organization had deferred revenue of \$761,159 and \$237,360, respectively. The cash earmarked for the deferred revenue is presented as restricted on the Statements of Financial Position.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 6 - Long-Term Debt

#### Phoenix Square

The Organization entered into two agreements with Affordable Housing Solutions of San Bernardino, Inc. (Lender) to provide rehabilitation and/or permanent financing for the housing development known as Phoenix Square.

Terms of the loans require 3% basic interest with annual installments due June 15th each year for the previous calendar year, commencing June 15, 2012. Absent prepayment acceleration, each of the annual payments due June 15, 2012 through and including June 15, 2067 (Maturity Date) shall be in an amount to equal fifty-two and one-half percent (52.5%) and twenty-two and one-half percent (22.5%) of "Residual Receipts" for the prior calendar year. Residual receipts is defined as the amount Gross Rents exceeds Operating Expenses each calendar year. Total loan payments for years ended June 30, 2018 and 2017 were \$0 for both years. Due to the terms of the loan, a five-year maturity schedule has not been prepared.

	2018	2017
Loan Payable AHS	\$ 1,433,930	\$ 1,433,930
Interest Payable	289,147	246,130
Total	<u>\$ 1,723,077</u>	<u>\$ 1,680,060</u>

#### Mountain View Property

The Organization entered into a loan agreement with Bank of America on May 10, 2016 to purchase property for use as housing for its clients. The loan requires monthly payments of \$981 at an interest rate of 4.25%. The loan matures on May 10, 2026. The original loan terms called for a balloon payment at the maturity of the loan of approximately \$95,408. During the year the Organization made additional principal payments of \$75,000. Future minimum payments on the loan are as follows:

	2018	2017
Current Portion	\$ 8,949	\$ 5,386
Long Term Portion	62,127	146,594
Total	<u>\$ 71,076</u>	<u>\$ 151,980</u>

#### Future Maturities of Loan:

June 30,	
2019	\$ 8,949
2020	9,337
2021	9,741
2022	10,163
2023	10,604
2024	11,063
Thereafter	11,219
	<u>\$ 71,076</u>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 7 - Property and Equipment

At June 30, 2018 the balance of the property and equipment is as follows:

	Balance at 6/30/17	Additions	Deletions	Balance at 6/30/18
Assets				
Phoenix Square	\$ 1,431,650	\$ -	\$ -	\$ 1,431,650
Mt. View Shelter	254,265	-	-	254,265
Office Building	-	503,610	-	503,610
Equipment	25,965	12,311	(7,531)	30,745
Vehicles	67,187	-	-	67,187
Improvements	25,000	-	-	25,000
Total Property and Equipment	1,804,067	515,921	(7,531)	2,312,457
Accumulated Depreciation	(334,174)	(76,342)	6,024	(404,492)
Net Property and Equipment	\$ 1,469,893	\$ 439,579	\$ (1,507)	\$ 1,907,965

Total Depreciation for the year amounted to: \$ 77,849

At June 30, 2017, the balance of property and equipment was:

	Balance at 6/30/16	Additions	Deletions	Balance at 6/30/17
Assets				
Phoenix Square	\$ 1,431,650	\$ -	\$ -	\$ 1,431,650
Mt. View Shelter	254,265	-	-	254,265
Equipment	25,965	-	-	25,965
Vehicles	67,187	-	-	67,187
Improvements	25,000	-	-	25,000
Total Property and Equipment	1,804,067	-	-	1,804,067
Accumulated Depreciation	(265,167)	(69,007)		(334,174)
Net Property and Equipment	\$ 1,538,900	\$ (69,007)	\$ -	\$ 1,469,893

Total Depreciation for the year amounted to: \$ 69,007

### Note 8 - Leasehold Obligation

The Organization leases residential and office space from third-party landlords. During the year, the Organization entered into two one year operating leases that are renewable as of December 31<sup>st</sup>, 2018 and February 1<sup>st</sup>, 2019. Monthly payments are required of \$1,500 per month and \$1,900 per month through the end of the lease terms as described above. Total rent paid for the years ended June 30, 2018 and 2017, is \$33,300 and \$39,000. Future minimum lease payments are as follows:

June 30,	
2019	\$ 22,300
Total	<u>\$ 22,300</u>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Note 9 - In Kind

For the years ended June 30, 2018 and 2017, the Organization received \$32,286 and \$171,179, respectively, in donated goods and services. The goods consisted of furniture and appliance items for the shelters and are valued at the fair value at the date of the donation. The goods become the property of the tenant and, therefore, are not classified as a fixed asset.

For the years ended June 30, 2018 and 2017, the Organization received \$250,000 and \$0, respectively, in donated property. The donated property consisted of property received at a cost below the fair value at the date of the purchase.

### Note 10 - Related Party Transactions

For the purpose of providing shelter to homeless women and their children, the Organization leased one home from Mr. Mark Carter, the Organization's co-founder and former spouse of Mrs. Kim Carter. Although no longer married, Mrs. Kim Carter remains on the grant deed for the property. Total rent paid for the years ended June 30, 2018 and 2017 was \$22,800 and \$22,800, respectively. The lease term is periodic tenancy until such time that the landlord or the tenant terminates the tenancy with notice.

Annually, the Board of Directors revisits the lease for the Wall Ave. house as part of its fiduciary responsibility to ensure transparency for this related party transaction. In 2007, the City of San Bernardino passed a local ordinance which prohibits group homes from providing shelter to more than two unrelated persons on parole or probation. This ordinance grandfathered the current locations but diminished the Organization's opportunity to expand with additional group homes or relocate within the City of San Bernardino. Until such time the Organization is able to change this policy the existing locations will continue to be used to provide shelter to homeless women and children.

### Note 11 - Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

### Note 12 - Line of Credit

The Organization has an unsecured line of credit with Bank of America in the amount of \$150,000. At June 30, 2018, there was no outstanding balance on the line of credit. The line of credit is collateralized by the assets of the Organization held in accounts at Bank of America.

### Note 13 - Credit Card

The entity has one unsecured credit card with Bank of America bearing interest at 22.74% on unpaid balances with a credit limit of 12,000. At year end the balance of the credit card payable is as follows:

Bank of America Card	\$ 3,184
Total	<u>\$ 3,184</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### **Note 14 – Evaluation of Subsequent Events**

Management evaluated the activity of the Organization through, September 26, 2018, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

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