

# TIME FOR CHANGE FOUNDATION

(A Nonprofit Organization)



## **Financial Statements and Independent Auditors' Report**

**For the Years Ended June 30, 2019 and 2018**

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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, 2019 and June 30, 2018, and the related statements of activities, functional expenses and cash flows 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, 2019 and June 30, 2018, 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.



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

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2019 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 Major &amp; Co." is positioned below the text. The signature is written in a cursive, flowing style.

September 30, 2019

**Time For Change Foundation**

## Statements of Financial Position

June 30, 2019 And 2018

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash	\$ 985,418	\$ 1,358,060
Accounts receivable	77,527	45,634
Prepaid expenses	22,353	6,085
<b>Total Current Assets</b>	<b>1,085,298</b>	<b>1,409,779</b>
 Certificate of deposit	 50,735	 50,709
Property and equipment (net)	2,613,650	1,907,965
Deposits	55,000	-
<b>Total Long-Term Assets</b>	<b>2,719,385</b>	<b>1,958,674</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,804,683</b>	<b>\$ 3,368,453</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 29,245	\$ 3,373
Accrued expenses	40,820	41,133
Credit card payable	6,016	3,184
Client deposits and savings	29,068	44,173
Deferred revenue	576,783	761,159
Loan payable - current portion	11,328	5,386
<b>Total Current Liabilities</b>	<b>693,260</b>	<b>858,408</b>
 <b>Long-Term Liabilities</b>		
Accrued interest	332,165	289,147
Loan payable - long-term portion	1,438,235	1,499,620
<b>Total Long-Term Liabilities</b>	<b>1,770,400</b>	<b>1,788,767</b>
<b>Total Liabilities</b>	<b>2,463,660</b>	<b>2,647,175</b>
 <b>Net Assets</b>		
Without donor restriction		
Undesignated	1,341,023	721,278
With donor restriction		
Purpose restrictions	-	-
<b>Total Net Assets</b>	<b>1,341,023</b>	<b>721,278</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,804,683</b>	<b>\$ 3,368,453</b>

**Time For Change Foundation**

Statement of Activities  
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants	\$ 2,046,059	\$ -	\$ 2,046,059
Contributions	153,507	-	153,507
Special events	133,693	-	133,693
Phoenix Square	38,809	-	38,809
Inkind revenue	500	-	500
Other income	129,635	-	129,635
<b>TOTAL SUPPORT AND REVENUES</b>	<b>2,502,203</b>	<b>-</b>	<b>2,502,203</b>
<b>EXPENSES</b>			
Program services:	1,468,671	-	1,468,671
Total Program Services	1,468,671	-	1,468,671
Supporting services:			
Management and general	370,693	-	370,693
Fund raising	43,094	-	43,094
Total Supporting Services	413,787	-	413,787
<b>TOTAL EXPENSES</b>	<b>1,882,458</b>	<b>-</b>	<b>1,882,458</b>
<b>Change in Net assets</b>	<b>619,745</b>	<b>-</b>	<b>619,745</b>
Beginning Net Assets	721,278	-	721,278
<b>Ending Net Assets</b>	<b>\$ 1,341,023</b>	<b>\$ -</b>	<b>\$ 1,341,023</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	174,999	-	174,999
Fund raising	54,135	-	54,135
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
<b>Ending Net Assets</b>	<b>\$ 721,278</b>	<b>\$ -</b>	<b>\$ 721,278</b>

**Time For Change Foundation**

Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program Services	Supportive Services			Grand Total
		Management & General	Fund Raising	Total	
<b>EXPENSES</b>					
Salaries and wages	\$ 540,980	\$ 198,507	\$ -	\$ 198,507	\$ 739,487
Payroll taxes	39,448	18,009	750	18,759	58,207
Employee benefits	13,964	10,409	-	10,409	24,373
Total payroll and related expense	594,392	226,925	750	227,675	822,067
Auto	9,964	-	-	-	9,964
Client support	237,952	-	-	-	237,952
Dues and subscriptions	3,295	-	-	-	3,295
Rent	39,533	17,926	16,268	34,194	73,727
Repairs and maintenance	35,415	35	-	35	35,450
Consultants/directors	97,727	62,206	5,000	67,206	164,933
Utilities and telephone	71,376	2,769	-	2,769	74,145
Insurance	49,560	13,479	-	13,479	63,039
Interest	44,342	-	-	-	44,342
Advertising	29,720	24,509	11	24,520	54,240
Travel	65,012	-	1,141	1,141	66,153
Training	4,357	-	-	-	4,357
Office	56,371	17,280	7,860	25,140	81,511
Inkind expenses	500	-	-	-	500
Other operating expenses	12,010	4,825	12,064	16,889	28,899
Total expenses before depreciation	757,134	143,029	42,344	185,373	942,507
Depreciation expense	117,145	739	-	739	117,884
<b>TOTAL EXPENSES</b>	<b>\$ 1,468,671</b>	<b>\$ 370,693</b>	<b>\$ 43,094</b>	<b>\$ 413,787</b>	<b>\$ 1,882,458</b>



**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	5,988	-	5,988	44,419
Employee benefits	14,714	8,916	-	8,916	23,630
Total payroll and related expense	495,952	103,942	38	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
Training	-	-	-	-	-
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>\$ 174,999</b>	<b>\$ 54,135</b>	<b>\$ 229,134</b>	<b>\$ 1,561,585</b>

**Time For Change Foundation**

Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2019</b>	<b>2018</b>
Change in Net Assets	\$ 619,745	\$ 341,076
<i>Adjustments to reconcile change in net assets to net cash provided by operations:</i>		
<i>Noncash items:</i>		
Depreciation	117,884	77,849
Accrued interest	43,018	43,017
Residual payable	-	(27,960)
Donated property	-	(250,000)
<i>(Increase) decrease in cash due to:</i>		
Accounts receivable	(31,893)	37,439
Prepaid expenses	(16,268)	(1,501)
Certificate of deposit	(26)	(25)
Deposits	(55,000)	-
<i>Increase (decrease) in cash due to:</i>		
Accounts payable	25,872	(7,511)
Accrued expenses	(313)	10,260
Credit card payable	2,832	(11,869)
Client deposits and savings	(15,105)	9,736
Deferred revenue	(184,376)	523,799
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>506,370</b>	<b>744,310</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property and equipment purchased	(823,569)	(265,921)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(823,569)</b>	<b>(265,921)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan payments	(55,443)	(80,904)
Cash provided from line of credit	100,000	150,000
Payments on line of credit	(100,000)	(150,000)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(55,443)</b>	<b>(80,904)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(372,642)</b>	<b>397,485</b>
Beginning Cash and Cash Equivalents	1,358,060	960,575
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 985,418</b>	<b>\$ 1,358,060</b>
<b>Supplemental Data:</b>		
Interest paid	\$ 1,160	\$ 5,318

## **Note 1 – Summary of Significant Accounting Policies**

### **Nature of Activities**

Time for Change Foundation (the Organization) 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.

### **Accounting Basis**

The financial statements of the Organization are presented on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized in the period in which the liability is incurred (goods have been received or services rendered).

### **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.

### **Donated Services and In-Kind Contributions**

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. If any contributed services were recognized, 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. Contributed goods are recorded at fair value at the date of donation.

### **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**

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

- Net Assets Without Donor Restriction – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restriction – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has no net assets with donor restriction as of June 30, 2019.

### **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.

### **Estimates**

The preparation of financial statements in accordance with 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.

### **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 with useful lives greater than one year. 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. Useful lives of property and equipment are as follows:

Vehicles	5 years
Equipment	5-10 years
Improvements	10 years
Buildings	30 years

### **Fair Value Measurement**

Certain assets and liabilities are recorded at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

### **Certificates of Deposit**

Certificates of deposit is held with local financial institution with original maturities of more than 90 days and are not considered cash and cash equivalents. Certificates of Deposit are valued at the carrying value.

### **Advertising**

The costs of indirect-response advertising are charged to expenses as incurred. Advertising costs were \$54,240 and \$5,327 for the years ended June 30, 2019 and 2018, respectively.

## **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	\$ 985,418
Accounts receivable	<u>77,527</u>
	<u>\$ 1,062,945</u>

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

As of June 30, 2019 and 2018, the Organization had grants receivable in the amount of \$77,527 and \$45,634 respectively. As of June 30, 2019, 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, 2019 and 2018, there were no amounts that exceeded FDIC limits.

### Note 5 – Deposits

Deposits are recorded for amounts expended for the purchase of goods and services to be received at an unspecified time greater than one year and that may not be refundable. As of June 30, 2019 deposits consisted of the following:

Payment towards purchase of Wall St. Shelter	\$ 50,000
Legal retainer	5,000
	<u>\$ 55,000</u>

### Note 6 – Deferred Revenue

Deferred revenue account represents the portion of grants that are advance payments for subsequent fiscal years. As of years ended June 30, 2019 and 2018, the Organization had deferred revenue of \$576,783 and \$756,159, respectively. The cash earmarked for the deferred revenue is presented as restricted on the Statements of Financial Position.

### Note 7 – 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 are defined as the amount Gross Rents exceeds Operating Expenses each calendar year. Total loan payments for years ended June 30, 2019 and 2018 were \$0 for both years. Due to the terms of the loan, a five-year maturity schedule has not been prepared.

	2019	2018
Loan Payable	\$ 1,005,150	\$ 1,005,150
Loan Payable	428,780	428,780
Interest Payable	332,165	289,147
Total	<u>\$ 1,766,095</u>	<u>\$ 1,723,077</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:

	2019	2018
Current Portion	\$ 11,328	\$ 5,386
Long Term Portion	4,305	65,690
Total	<u>\$ 15,633</u>	<u>\$ 71,076</u>

  

Future Maturities of Loan:	June 30,	
	2020	\$ 11,328
	2021	4,305
		<u>\$ 15,633</u>

**Note 8 – Property and Equipment**

At June 30, 2019, the balance of the property and equipment was:

	Balance at 6/30/18	Additions	Deletions	Balance at 6/30/19
Assets				
Phoenix Square	\$ 1,431,650	\$ -	\$ -	\$ 1,431,650
Mt. View Shelter	254,265	-	-	254,265
Office Building	503,610	-	-	503,610
Equipment	30,745	5,242	-	35,987
Vehicles	67,187	45,000	-	112,187
Improvements	25,000	-	-	25,000
Hayward property	-	773,326	-	773,326
Total Property and Equipment	2,312,457	823,568	-	3,136,025
Accumulated Depreciation	(404,492)	(117,883)	-	(522,375)
Net Property and Equipment	<u>\$ 1,907,965</u>	<u>\$ 705,685</u>	<u>\$ -</u>	<u>\$ 2,613,650</u>

Total Depreciation for the year amounted to: \$ 117,884

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At June 30, 2018, the balance of property and equipment was:

	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

#### **Note 9 – Leasehold Obligation**

The Organization leases residential and office space from third-party landlords. The Organization entered into two operating leases that are renewable as of February 2020. 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, 2019 and 2018, is \$33,300 and \$39,000. Future minimum lease payments are as follows:

June 30,	
2020	\$ 25,300
Total	<u>\$ 25,300</u>

#### **Note 10 – In Kind**

For the years ended June 30, 2019 and 2018, the Organization received \$500 and \$282,286, 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, 2019 and 2018, the Organization received \$0 and \$250,000, 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 11 – 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, 2019 and 2018 was \$22,800 and \$22,800, respectively. At year end, no rent amounts were unpaid. 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.

During the year the Organization made a \$50,000 payment to Mr. Mark Carter as payment in full on his interest in the Wall Ave. house. The payment represents 15% ownership of the Wall Ave. house and will be used as a deposit towards the purchase in the future.

### **Note 12 – 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 13 – Line of Credit**

The Organization has an unsecured line of credit with Bank of America in the amount of \$150,000. At June 30, 2019, 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 14 – 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	<u>\$ 3,184</u>
Total	<u><u>\$ 3,184</u></u>

### **Note 15 – Evaluation of Subsequent Events**

Management evaluated the activity of the Organization through September 30, 2019, 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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