

TIME FOR CHANGE FOUNDATION

(A Nonprofit Organization)



**Financial Statements and
Independent Auditors' Report**

For the Years Ended June 30, 2020 and 2019

SM&Co

Time for Change Foundation
Table of Contents
For the Years Ended June 30, 2020 and 2019

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



Smith Marion & Co. · Certified Public Accountants

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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, 2020 and 2019, 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, 2020 and June 30, 2019, 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 October 6, 2020 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 in considering Time for Change Foundation's internal control over financial reporting and compliance.

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

October 6, 2020

Time For Change Foundation

Statements of Financial Position

June 30, 2020 and 2019

ASSETS	2020	2019
Current Assets		
Cash	\$ 1,963,201	\$ 985,418
Accounts receivable	203,534	77,527
Prepaid expenses	6,297	22,353
Total Current Assets	<u>2,173,032</u>	<u>1,085,298</u>
 Certificate of deposit	50,761	50,735
Property and equipment (net)	2,629,363	2,613,650
Deposits	200,000	55,000
Total Long-Term Assets	<u>2,880,124</u>	<u>2,719,385</u>
TOTAL ASSETS	<u><u>\$ 5,053,156</u></u>	<u><u>\$ 3,804,683</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 105,926	\$ 29,245
Accrued expenses	65,148	40,820
Credit card payable	490	6,016
Line of credit	50,000	-
Client deposits and savings	29,771	29,068
Deferred revenue	3,372	127
Loan payable - current portion	-	11,328
Total Current Liabilities	<u>254,707</u>	<u>116,604</u>
 Long-Term Liabilities		
PPP loan	129,435	-
Accrued interest	375,183	332,165
Loan payable - long-term portion	<u>1,433,930</u>	<u>1,438,235</u>
Total Long-Term Liabilities	<u><u>1,938,548</u></u>	<u><u>1,770,400</u></u>
Total Liabilities	<u><u>2,193,255</u></u>	<u><u>1,887,004</u></u>
 Net Assets		
Without donor restriction		
Undesignated	2,326,646	1,535,901
With donor restriction		
Purpose restrictions	533,255	381,778
Total Net Assets	<u><u>2,859,901</u></u>	<u><u>1,917,679</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,053,156</u></u>	<u><u>\$ 3,804,683</u></u>

Time For Change Foundation

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Grants	\$ 1,510,699	\$ 664,500	\$ 2,175,199
Contributions	868,104	-	868,104
Special events, net	21,875	-	21,875
Phoenix Square	51,090	-	51,090
Inkind revenue	2	-	2
Other income	124,383	-	124,383
Net assets released from restriction	513,023	(513,023)	-
TOTAL SUPPORT AND REVENUES	3,089,176	151,477	3,240,653
EXPENSES			
Program services	1,985,460	-	1,985,460
Total Program Services	1,985,460	-	1,985,460
Supporting services			
Management and general	297,452	-	297,452
Fund raising	15,519	-	15,519
Total Supporting Services	312,971	-	312,971
TOTAL EXPENSES	2,298,431	-	2,298,431
Change in Net assets	790,745	151,477	942,222
Beginning net assets	1,535,901	381,778	1,917,679
Ending Net Assets	\$ 2,326,646	\$ 533,255	\$ 2,859,901

Time For Change Foundation

Statement of Activities

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Grants	\$ 2,046,059	\$ -	\$ 2,046,059
Contributions	153,507	-	153,507
Special events, net	133,693	-	133,693
Phoenix Square	38,809	-	38,809
Inkind revenue	500	-	500
Other income	129,635	-	129,635
TOTAL SUPPORT AND REVENUES	2,502,203	-	2,502,203
EXPENSES			
Program services	1,465,527	-	1,465,527
Total Program Services	1,465,527	-	1,465,527
Supporting services:			
Management and general	373,837	-	373,837
Fund raising	43,094	-	43,094
Total Supporting Services	416,931	-	416,931
TOTAL EXPENSES	1,882,458	-	1,882,458
Change in Net assets	619,745	-	619,745
Beginning net assets	721,278	-	721,278
Prior period adjustment	194,878	381,778	576,656
Ending Net Assets	\$ 1,535,901	\$ 381,778	\$ 1,917,679

Time For Change Foundation

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services	Supportive Services			Grand Total
		Management & General	Fund Raising	Total	
EXPENSES					
Salaries and wages	\$ 600,565	\$ 180,477	\$ -	\$ 180,477	\$ 781,042
Payroll taxes	51,055	12,512	-	12,512	63,567
Employee benefits	40,549	13,664	-	13,664	54,213
Total payroll and related expense	<u>692,169</u>	<u>206,653</u>	-	<u>206,653</u>	<u>898,822</u>
Auto	15,188	-	-	-	15,188
Client support	354,539	-	-	-	354,539
Dues and subscriptions	3,458	-	-	-	3,458
Rent	41,076	5,400	-	5,400	46,476
Repairs and maintenance	71,578	16,084	-	16,084	87,662
Consultants/directors	249,449	799	9,730	10,529	259,978
Utilities and telephone	147,654	5,090	-	5,090	152,744
Insurance	51,716	11,727	-	11,727	63,443
Interest	43,253	-	-	-	43,253
Advertising	19,255	4,928	2	4,930	24,185
Travel	64,820	1,319	-	1,319	66,139
Training	4,727	1,092	-	1,092	5,819
Office	88,226	21,384	2,521	23,905	112,131
Other operating expenses	7,778	20,997	3,266	24,263	32,041
Total expenses before depreciation	<u>1,162,717</u>	<u>88,820</u>	<u>15,519</u>	<u>104,339</u>	<u>1,267,056</u>
Depreciation expense	<u>130,574</u>	<u>1,979</u>	-	<u>1,979</u>	<u>132,553</u>
TOTAL EXPENSES	<u>\$ 1,985,460</u>	<u>\$ 297,452</u>	<u>\$ 15,519</u>	<u>\$ 312,971</u>	<u>\$ 2,298,431</u>

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	
EXPENSES					
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	<u>594,392</u>	<u>226,925</u>	<u>750</u>	<u>227,675</u>	<u>822,067</u>
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	68,232	5,913	-	5,913	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	<u>753,990</u>	<u>146,173</u>	<u>42,344</u>	<u>188,517</u>	<u>942,507</u>
Depreciation expense	<u>117,145</u>	<u>739</u>	<u>-</u>	<u>739</u>	<u>117,884</u>
TOTAL EXPENSES	\$ 1,465,527	\$ 373,837	\$ 43,094	\$ 416,931	\$ 1,882,458

Time For Change Foundation
 Statements of Cash Flows
 For the Years Ended June 30, 2020 and 2019

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
Change in net assets	\$ 942,222	\$ 619,745
<i>Adjustments to reconcile change in net assets to net cash provided by operations:</i>		
<i>Noncash items:</i>		
Depreciation	132,553	117,884
Accrued interest	43,018	43,017
Gain/loss on disposal of asset	653	-
<i>(Increase) decrease in cash due to:</i>		
Accounts receivable	(126,007)	(31,892)
Prepaid expenses	16,056	(16,268)
Certificate of deposit	(26)	(26)
Deposits	(145,000)	(55,000)
<i>Increase (decrease) in cash due to:</i>		
Accounts payable	76,681	25,872
Accrued expenses	24,328	(313)
Credit card payable	(5,526)	2,832
Client deposits and savings	703	(15,105)
Deferred revenue	3,245	(184,376)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	962,900	506,370
 CASH FLOW FROM INVESTING ACTIVITIES		
Property and equipment purchased	(148,919)	(823,569)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(148,919)	(823,569)
 CASH FLOW FROM FINANCING ACTIVITIES		
PPP loan	129,435	-
Loan payments	(15,633)	(55,443)
Cash provided from line of credit	50,000	100,000
Payments on line of credit	-	(100,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	163,802	(55,443)
Net Increase (Decrease) in Cash	977,783	(372,642)
Beginning cash and cash equivalents	985,418	1,358,060
Ending Cash and Cash Equivalents	\$ 1,963,201	\$ 985,418
 Supplemental Data:		
Interest paid	\$ 235	\$ 1,324

Note 1 – Summary of Significant Accounting Policies

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.

Basis of Accounting

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).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The following provides an explanation of net assets categories included in the accompanying financial statements:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets with Donor Restriction – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments 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 to for other long-term purposes are excluded from this definition.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization’s cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

The Organization maintains cash at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC fully insures all funds up to \$250,000. At year end the Organization had no amounts that exceeded the FDIC limits.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for Profit Entities: Clarifying the Scope and the Accounting guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting, with the cumulative effect recorded to net assets, in the prior period, without donor restrictions in the amount of \$194,878 and with donor restrictions in the amount of \$381,778.

Accounts Receivable

Accounts receivable represent consideration from state and local government agencies, of which the organization has an unconditional right to receive. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement(s) 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 reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Income Taxes

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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 for the years ended June 30, 2020 and 2019, were \$24,185 and \$54,240.

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:

	2020
Cash	\$ 1,963,201
Accounts receivable	203,534
	<hr/> <u>\$ 2,166,735</u>

The Organization regularly monitors liquidity to meet its ongoing operating needs and other contractual commitments

Note 3 – 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, 2020 deposits consisted of the following:

	2020	2019
Payment towards purchase of Wall St. Shelter	\$ 200,000	\$ 55,000
	<hr/> <u>\$ 200,000</u>	<hr/> <u>\$ 55,000</u>

Note 4 – Deferred Revenue

Deferred revenue represents rental payments and occupancy fees received prior to the period in which the related services are provided. As of years ended June 30, 2020 and 2019, the Organization had deferred revenue of \$3,372 and \$127, respectively.

Note 5 – 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, 2020 and 2019 were \$0 for both years. Due to the terms of the loan, a five-year maturity schedule has not been prepared. The balance as of June 30, 2020 and 2019 is \$1,005,150 and \$1,005,150 respectively. Accrued interest for the loan as of June 30, 2020 and 2019 is \$375,183 and \$332,165, respectively.

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 total payments on the loan totaling \$15,633 to pay off the balance of the loan. At year end the Organization has paid off the loan received for housing their clients.

Time for Change Foundation
 Notes to Financial Statements
 For the Years Ended June 30, 2020 and 2019

Note 6 – Property and Equipment

At June 30, 2020, the balance of the property and equipment was:

	Balance at 6/30/19	Additions	Deletions	Balance at 6/30/20
Assets				
S. Dream & TFC leasehold improvements	\$ 25,000	\$ -	\$ (25,000)	\$ -
Vehicles	112,187	74,857	(24,188)	162,856
Office equipment	12,311	-	-	12,311
Info systems equip	-	21,262	-	21,262
Shelter equipment	13,316	-	-	13,316
Phoenix Square - phase 1	1,431,650	-	-	1,431,650
Mt. View shelter	254,265	-	-	254,265
Outdoor equipment	4,100	-	(2,665)	1,435
Appliance equipment	6,260	-	-	6,260
Office building	503,610	-	-	503,610
Hayward property	773,326	-	-	773,326
Brighter Futures leasehold imp.	-	36,800	-	36,800
Land improvements	-	16,000	-	16,000
 Total property and equipment	 3,136,025	 148,919	 (51,853)	 3,233,091
 Accumulated depreciation	 (522,375)	 (132,553)	 51,200	 (603,728)
 Total accumulated depreciation	 (522,375)	 (132,553)	 51,200	 (603,728)
 Net property and equipment	 \$ 2,613,650	 \$ 16,366	 \$ (653)	 \$ 2,629,363

Total depreciation for the year amounted to: \$ 132,553

At June 30, 2019, the balance of 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	30,744	5,243	-	35,987
Vehicles	67,187	45,000	-	112,187
Improvements	25,000	-	-	25,000
Hayward property	-	773,326	-	773,326
 Total property and equipment	 2,312,456	 823,569	 -	 3,136,025
 Accumulated depreciation	 (404,491)	 (117,884)	 -	 (522,375)
 Net property and equipment	 \$ 1,907,965	 \$ 705,685	 \$ -	 \$ 2,613,650

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

Note 7 – Leasehold Obligation

The Organization entered two operating leases one that is renewable as of February 2021. Monthly payments for this lease are \$1,900 through the end of the lease terms. The second lease requires monthly payments of \$1,050 up until February 2020 which was then renewed till April 2021, and the new monthly payment is now \$2,672. Total rent paid for the years ended June 30, 2020 and 2019 is \$41,888 and \$33,300. Future minimum lease payments are as follows:

June 30, 2021	\$ 41,920
Total	<u>\$ 41,920</u>

Note 8 – 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, 2020 and 2019 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.

The Organization made a \$150,000 payment in 2020 and a \$50,000 payment in 2019 to Mr. Mark Carter as payment in full on his interest in the Wall Ave. house. These payments represent 60% ownership of the Wall Ave. house and will be used as a deposit towards the purchase in the future.

Note 9 – Line of Credit

The Organization has an unsecured line of credit with Bank of America in the amount of \$150,000. At June 30, 2020, there was an outstanding balance of \$50,000 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 10 – PPP Loan

In May 2020, the Organization applied for and was approved a \$129,435 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2020	2019
Housing & support services	\$ 162,116	\$ -
Positive Family Futures & Reunification	111,730	-
Family self sufficiency	152,262	381,778
Rights, equality and law	33,031	-
Leadership development	74,116	-
Total	\$ 533,255	\$ 381,778

Note 12 – Contingencies and Risk

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services.

While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. The Organization has adapted its methods for providing services in order to continue operations and serve its constituents. Management is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the Organization, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

Note 13 – Subsequent Events

Management evaluated the activity of the Organization through October 6, 2020, 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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