

# East County Transitional Living Center, Inc.

Financial Statements

Years Ended December 31, 2016 and 2015



# EAST COUNTY TRANSITIONAL LIVING CENTER, INC.

## Financial Statements

Years Ended December 31, 2016 and 2015

---

### Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
East County Transitional Living Center, Inc.  
El Cajon, California

We have audited the accompanying financial statements of East County Transitional Living Center, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, 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 audits. We conducted our audits 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East County Transitional Living Center, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
September 18, 2017

**EAST COUNTY TRANSITIONAL LIVING CENTER, INC.****Statements of Financial Position**

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 210,314	\$ 279,737
Accounts receivable	36,864	-
Prepaid expenses and other current assets	<u>9,226</u>	<u>26,920</u>
Total Current Assets	256,404	306,657
Property and Equipment, net of accumulated depreciation	<u>180,754</u>	<u>224,193</u>
Total Assets	<u>\$ 437,158</u>	<u>\$ 530,850</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 39,749	\$ 75,200
Accrued expenses	12,969	2,334
Assets held for others	<u>30,284</u>	<u>46,393</u>
Total Liabilities	83,002	123,927
Unrestricted Net Assets	<u>354,156</u>	<u>406,923</u>
Total Liabilities and Net Assets	<u>\$ 437,158</u>	<u>\$ 530,850</u>

**EAST COUNTY TRANSITIONAL LIVING CENTER, INC.****Statements of Activities**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Revenue and Support:		
Program income	\$ 1,156,881	\$ 934,200
Gifts-in-kind	606,124	638,230
Grants	164,573	79,131
Other	123,275	187,155
Contributions	<u>111,215</u>	<u>200,528</u>
Total Revenue and Support	2,162,068	2,039,244
Expenses:		
Program services	1,824,412	1,850,768
Supporting services:		
Management and general	387,556	405,261
Fundraising	<u>2,867</u>	<u>3,001</u>
Total Expenses	<u>2,214,835</u>	<u>2,259,030</u>
Decrease in Unrestricted Net Assets	(52,767)	(219,786)
Unrestricted Net Assets, beginning	<u>406,923</u>	<u>626,709</u>
Unrestricted Net Assets, ending	<u>\$ 354,156</u>	<u>\$ 406,923</u>

**EAST COUNTY TRANSITIONAL LIVING CENTER, INC.****Statement of Functional Expenses**

Year Ended December 31, 2016

---

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Food	\$ 641,652	\$ -	\$ -	\$ 641,652
Salaries and benefits	365,621	175,461	1,302	542,384
Utilities	164,481	78,935	586	244,002
Transportation	150,746	-	-	150,746
Office rent	79,934	38,360	285	118,579
Insurance	78,704	37,770	280	116,754
Contributions	86,094	-	-	86,094
Other	59,603	18,031	124	77,758
Repairs and maintenance	48,184	23,123	172	71,479
Program	65,224	-	-	65,224
Depreciation	33,081	15,876	118	49,075
Gifts-in-kind	28,156	-	-	28,156
Property tax	22,932	-	-	22,932
Total Expenses	\$ <u>1,824,412</u>	\$ <u>387,556</u>	\$ <u>2,867</u>	\$ <u>2,214,835</u>

**EAST COUNTY TRANSITIONAL LIVING CENTER, INC.****Statement of Functional Expenses**Year Ended December 31, 2015

---

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Salaries and benefits	\$ 355,343	\$ 170,528	\$ 1,265	\$ 527,136
Food	440,145	-	-	440,145
Utilities	194,490	93,336	692	288,518
Gifts-in-kind	258,552	-	-	258,552
Transportation	189,363	-	-	189,363
Insurance	84,500	40,552	301	125,353
Office rent	79,530	38,166	283	117,979
Repairs and maintenance	61,011	29,279	217	90,507
Other	54,616	15,885	113	70,614
Contributions	54,692	-	-	54,692
Depreciation	36,498	17,515	130	54,143
Program	41,926	-	-	41,926
Property tax	102	-	-	102
Total Expenses	\$ <u>1,850,768</u>	\$ <u>405,261</u>	\$ <u>3,001</u>	\$ <u>2,259,030</u>

**EAST COUNTY TRANSITIONAL LIVING CENTER, INC.****Statements of Cash Flows**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Decrease in unrestricted net assets	\$ (52,767)	\$ (219,786)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	49,075	54,143
Donated property and equipment	(1,000)	(3,500)
Gain on disposal of property and equipment	-	417
Forgiveness of note payable	-	(7,250)
Changes in operating assets and liabilities:		
Accounts receivable	(36,864)	2,691
Prepaid expenses and other current assets	17,694	254
Accounts payable	(35,451)	39,010
Accrued expenses	10,635	(2,236)
Assets held for others	(16,109)	(65,172)
Net Cash Used by Operating Activities	(64,787)	(201,429)
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(4,636)	(9,416)
Cash Flows Used by Financing Activities		
Payments on note payable	-	(7,250)
Net Decrease in Cash	(69,423)	(218,095)
Cash, beginning	<u>279,737</u>	<u>497,832</u>
Cash, ending	<u>\$ 210,314</u>	<u>\$ 279,737</u>
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Forgiveness of note payable	<u>\$ -</u>	<u>\$ 7,250</u>

See accompanying notes to financial statements.



## **EAST COUNTY TRANSITIONAL LIVING CENTER, INC.**

### **Notes to Financial Statements**

Years Ended December 31, 2016 and 2015

---

#### **Note 1 - Organization and Summary of Significant Accounting Policies**

##### Nature of Activities

East County Transitional Living Center, Inc. (ECTLC) is a California 501(c)(3) non-profit public benefit corporation organized in 2009 to provide hope and a hand-up to homeless and other individuals and families in need, by assisting them into independent, self-sustained living through case-managed transitional programs provided by ECTLC. ECTLC provides emergency housing, transitional housing, job skills development, biblical training, the opportunity to earn a General Education Diploma, case management, and linkage to important resources which enable participants to become self-sustaining members of the community.

##### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### Basis of Presentation

ECTLC reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor-imposed restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a passage of time before ECTLC may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor-imposed restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

There were no temporarily or permanently restricted net assets at December 31, 2016 and 2015.

##### 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 and disclosures. Accordingly, actual results could differ from those estimates.

##### Fair Value of Financial Instruments

ECTLC's financial instruments consist of cash, accounts receivable, and accounts payable for which their current carrying amounts approximate fair market value.

##### Accounts Receivable

Accounts receivable arise in the normal course of business and are reported net of any anticipated losses due to uncollectible accounts. ECTLC's policy for determining when receivables are past due is if an account balance remains unpaid 30 days after the invoice date. At December 31, 2016 and 2015, management determined all receivables were fully collectible; therefore, no allowance for doubtful accounts was considered necessary.

##### Property and Equipment

Acquisitions of property and equipment of \$1,500 or more are capitalized and recorded at cost. Donated property and equipment of \$1,500 or more are capitalized at their estimated fair market value. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to 39 years.

## **EAST COUNTY TRANSITIONAL LIVING CENTER, INC.**

### **Notes to Financial Statements**

Years Ended December 31, 2016 and 2015

---

#### **Note 1 - Organization and Summary of Significant Accounting Policies, continued**

##### Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

##### Contributions

Many individuals volunteer their time and perform a variety of tasks that assist ECTLC with various programs. The services do not meet the criteria for recognition as a contribution, and are not reflected in the financial statements. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. Contributions of noncash assets are recorded at their fair values in the period received.

##### In-Kind Contributions

ECTLC records various types of in-kind contributions. Contributed services are recognized at fair market value for services that require specialized skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value as support and expense when received. In-kind contributions are recognized as unrestricted net assets, unless donor stipulation requires them to be recognized as temporarily restricted net assets.

##### Income Taxes

ECTLC is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, ECTLC remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

ECTLC follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. ECTLC recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that ECTLC has no uncertain tax positions at December 31, 2016 and 2015 and therefore no amounts have been accrued.

##### Subsequent Events

ECTLC has evaluated subsequent events through September 18, 2017, which is the date the financial statements were available to be issued.

#### **Note 2 - Concentration of Credit Risk**

ECTLC maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation up to a limit of \$250,000 per depositor, per financial institution. At December 31, 2016, all of ECTLC cash balances were insured. No losses have occurred in the bank deposit accounts and management does not believe that ECTLC is exposed to any significant credit risk on cash.

## EAST COUNTY TRANSITIONAL LIVING CENTER, INC.

### Notes to Financial Statements

Years Ended December 31, 2016 and 2015

---

#### Note 3 – Property and Equipment

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 177,665	\$ 175,524
Leasehold improvements	113,013	113,013
Vehicles	<u>104,512</u>	<u>101,017</u>
	395,190	389,554
Less accumulated depreciation	<u>(214,436)</u>	<u>(165,361)</u>
	<u>\$ 180,754</u>	<u>\$ 224,193</u>

#### Note 4 – In-Kind Contributions

In-kind contributions consist of the following:

	<u>2016</u>	<u>2015</u>
Food	\$ 577,968	\$ 379,678
Services	25,398	191,564
Supplies	<u>2,758</u>	<u>66,988</u>
	<u>\$ 606,124</u>	<u>\$ 638,230</u>

#### Note 5 – Operating Leases

ECTLC leases program, office space, and vehicles under agreements that expire at various dates through March 31, 2050. Total rent expense under these lease agreements was \$137,779 and \$135,115 for the years ended December 31, 2016 and 2015.

Future minimum payments required under the above operating leases are as follows:

<u>Year ending December 31,</u>	
2017	\$ 118,301
2018	115,301
2019	115,295
2020	115,295
2021	115,295
Thereafter	<u>3,016,394</u>
	<u>\$ 3,595,881</u>

## **EAST COUNTY TRANSITIONAL LIVING CENTER, INC.**

### **Notes to Financial Statements**

Years Ended December 31, 2016 and 2015

---

#### **Note 6 – Retirement Plan**

ECTLC maintains a voluntary, contributory tax-deferred retirement plan under section 403(b)(9) of the Internal Revenue Code. All employees are eligible regardless of service duration and are fully vested after 1 year of service in their contributions and earnings. There is no match provided by ECTLC. ECTLC made no contributions to the plan.

#### **Note 7 – Related Party Transactions**

The Board of Directors of ECTLC voted to provide housing allowances on an as-needed basis to the pastoral staff of Christian Fellowship of El Cajon (Fellowship) who are also employees of ECTLC as well as Board members. Allowances are recorded as charitable contributions on the Statement of Activities. Housing allowances and support paid to Fellowship totaled \$26,500 and \$34,000 during the years ended December 31, 2016 and 2015, respectively.

#### **Note 8 – Reclassifications**

Certain items in the 2015 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.