




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

**Financial Statements**

*Years Ended December 31, 2015 and 2014*



# EAST COUNTY TRANSITIONAL LIVING CENTER, INC.

## Financial Statements

Year Ended December 31, 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



**AKT**<sup>®</sup>

CPAS AND BUSINESS CONSULTANTS

Personal. Local. Global.

## 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 financial position as of December 31, 2015 and 2014, 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 controls 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 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 controls 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 controls. 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, 2015 and 2014, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**AKT LLP**

San Diego, California  
November 15, 2016

7676 HAZARD CENTER DRIVE, SUITE 1300, SAN DIEGO, CA 92108

PHONE: 619.810.4940 FAX: 619.810.4941

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK  
AKT LLP

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

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 279,737	\$ 497,832
Accounts receivable	-	2,691
Prepaid expenses	22,135	27,174
Other current assets	<u>4,785</u>	<u>-</u>
Total Current Assets	306,657	527,697
Property and Equipment, net of accumulated depreciation	<u>224,193</u>	<u>265,837</u>
Total Assets	<u>\$ 530,850</u>	<u>\$ 793,534</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 75,200	\$ 36,190
Accrued expenses	2,334	4,570
Assets held for others	46,393	111,565
Current portion of note payable	<u>-</u>	<u>6,149</u>
Total Current Liabilities	123,927	158,474
Note Payable, net of current portion	<u>-</u>	<u>8,351</u>
Total Liabilities	123,927	166,825
Unrestricted Net Assets	<u>406,923</u>	<u>626,709</u>
Total Liabilities and Net Assets	<u>\$ 530,850</u>	<u>\$ 793,534</u>

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

Years Ended December 31, 2015 and 2014

---

	<u>2015</u>	<u>2014</u>
Unrestricted Revenue and Support:		
Program income	\$ 934,200	\$ 937,215
Gifts-in-kind	638,230	872,633
Contributions	200,528	205,065
Grants	79,131	137,532
Other	187,155	94,981
	<u>2,039,244</u>	<u>2,247,426</u>
Total Revenue and Support		
Expenses:		
Program services:	1,850,768	2,167,159
Supporting services:		
Management and general	405,261	287,421
Fundraising	3,001	2,118
	<u>2,259,030</u>	<u>2,456,698</u>
Total Expenses		
Decrease in Unrestricted Net Assets	(219,786)	(209,272)
Unrestricted Net Assets, beginning	<u>626,709</u>	<u>835,981</u>
Unrestricted Net Assets, ending	<u>\$ 406,923</u>	<u>\$ 626,709</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
	<hr/>	<hr/>	<hr/>	<hr/>
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.****Statement of Functional Expenses**

Year Ended December 31, 2014

---

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Food	\$ 517,870	\$ -	\$ -	\$ 517,870
Salaries and benefits	378,449	122,438	902	501,789
Gifts-in-kind	417,033	-	-	417,033
Utilities	191,922	62,091	458	254,471
Transportation	173,550	-	-	173,550
Repairs and maintenance	104,668	33,863	250	138,781
Insurance	96,098	31,090	229	127,417
Program	108,567	-	-	108,567
Office rent	73,896	23,907	176	97,979
Depreciation	40,392	13,068	96	53,556
Contributions	34,500	-	-	34,500
Property tax	27,233	-	-	27,233
Other	2,981	964	7	3,952
	<u>2,167,159</u>	<u>287,421</u>	<u>2,118</u>	<u>2,456,698</u>
Total Expenses	\$ <u>2,167,159</u>	\$ <u>287,421</u>	\$ <u>2,118</u>	\$ <u>2,456,698</u>

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

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Decrease in unrestricted net assets	\$ (219,786)	\$ (209,272)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	54,143	53,556
Donated property and equipment	(3,500)	(2,505)
Gain on disposal of property and equipment	417	-
Forgiveness of note payable	(7,250)	-
Changes in operating assets and liabilities:		
Accounts receivable	2,691	12,555
Prepaid expenses	5,039	(21,891)
Other current assets	(4,785)	-
Property tax refunds receivable	-	124,529
Accounts payable	39,010	1,632
Accrued expenses	(2,236)	(9,231)
Assets held for others	(65,172)	78,047
Net Cash Provided (Used) by Operating Activities	(201,429)	27,420
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(9,416)	(12,805)
Cash Flows Used by Financing Activities		
Payments on note payable	(7,250)	(2,710)
Net Increase (Decrease) in Cash	(218,095)	11,905
Cash, beginning	497,832	485,927
Cash, ending	\$ <u>279,737</u>	\$ <u>497,832</u>
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Forgiveness of note payable	\$ <u>7,250</u>	\$ <u>-</u>

See accompanying notes to financial statements.



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

### **Notes to Financial Statements**

Years Ended December 31, 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, 2015 and 2014.

##### 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, 2015 and 2014, 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, 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, 2015 and 2014 and therefore no amounts have been accrued.

##### Subsequent Events

ECTLC has evaluated subsequent events through November 15, 2016, 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, 2015, ECTLC's total uninsured cash balance was \$48,000. 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, 2015

---

#### Note 3 – Property and Equipment

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 175,524	\$ 176,289
Leasehold improvements	113,013	113,013
Vehicles	<u>101,017</u>	<u>89,786</u>
	389,554	379,088
Less accumulated depreciation	<u>(165,361)</u>	<u>(113,251)</u>
	<u>\$ 224,193</u>	<u>\$ 265,837</u>

#### Note 4 – In-Kind Contributions

In-kind contributions consist of the following:

	<u>2015</u>	<u>2014</u>
Food	\$ 379,678	\$ 455,600
Services	191,564	284,297
Supplies	<u>66,988</u>	<u>132,736</u>
	<u>\$ 638,230</u>	<u>\$ 872,633</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 \$135,115 and \$115,042 for the years ended December 31, 2015 and 2014.

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

<u>Year ending December 31,</u>	
2016	\$ 87,979
2017	75,979
2018	73,979
2019	73,979
2020	73,979
Thereafter	<u>2,367,337</u>
	<u>\$ 2,753,232</u>

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

### **Notes to Financial Statements**

Years Ended December 31, 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 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 \$34,000 during the year ended December 31, 2014. No housing allowances and support were paid during the year ended December 31, 2015.

ECTLC also utilizes Fellowship building space to host programs and house a kitchen used for various programs on a daily basis. Amounts provided by Fellowship are reported as in-kind contributions from Fellowship in the accompanying Statement of Activities. Total in-kind rent income and expense totaled \$1,200 during the year ended December 31, 2014. No in-kind rent income and expense were reported during the year ended December 31, 2015.

#### **Note 8 – Reclassifications**

Certain items in the 2014 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.