

East County Transitional Living Center, Inc.

Financial Statements

Years Ended December 31, 2017 and 2016



EAST COUNTY TRANSITIONAL LIVING CENTER, INC.

Financial Statements

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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
August 10, 2018

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

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash	\$ 617,703	\$ 210,314
Accounts receivable	134,184	36,864
Prepaid expenses and other current assets	<u>18,487</u>	<u>9,226</u>
Total Current Assets	770,374	256,404
Property and Equipment, net of accumulated depreciation	<u>170,120</u>	<u>180,754</u>
Total Assets	<u>\$ 940,494</u>	<u>\$ 437,158</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 28,125	\$ 39,749
Accrued expenses	12,711	12,969
Assets held for others	<u>34,518</u>	<u>30,284</u>
Total Liabilities	75,354	83,002
Net Assets:		
Unrestricted	571,168	354,156
Temporarily restricted	<u>293,972</u>	<u>-</u>
Total Net Assets	<u>865,140</u>	<u>354,156</u>
Total Liabilities and Net Assets	<u>\$ 940,494</u>	<u>\$ 437,158</u>

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

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Program income	\$ 1,360,285	\$ -	\$ 1,360,285
Gifts-in-kind	967,832	-	967,832
Grants	156,370	-	156,370
Other	100,211	-	100,211
Contributions	272,222	295,215	567,437
Net assets released from restrictions, satisfaction of program and time restrictions	1,243	(1,243)	-
Total Revenue and Support	2,858,163	293,972	3,152,135
Expenses:			
Program services	2,211,137	-	2,211,137
Supporting services:			
Management and general	384,466	-	384,466
Fundraising	45,548	-	45,548
Total Expenses	2,641,151	-	2,641,151
Increase in Net Assets	217,012	293,972	510,984
Net Assets, beginning	354,156	-	354,156
Net Assets, ending	\$ 571,168	\$ 293,972	\$ 865,140

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

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Program income	\$ 1,156,881	\$ -	\$ 1,156,881
Gifts-in-kind	606,124	-	606,124
Grants	164,573	-	164,573
Other	123,275	-	123,275
Contributions	111,215	-	111,215
	<u>2,162,068</u>	<u>-</u>	<u>2,162,068</u>
Total Revenue and Support	2,162,068	-	2,162,068
Expenses:			
Program services	1,824,412	-	1,824,412
Supporting services:			
Management and general	387,556	-	387,556
Fundraising	2,867	-	2,867
	<u>2,214,835</u>	<u>-</u>	<u>2,214,835</u>
Total Expenses	2,214,835	-	2,214,835
Decrease in Net Assets	(52,767)	-	(52,767)
Net Assets, beginning	<u>406,923</u>	<u>-</u>	<u>406,923</u>
Net Assets, ending	<u>\$ 354,156</u>	<u>\$ -</u>	<u>\$ 354,156</u>

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

Year Ended December 31, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Gifts-in-kind	\$ 958,832	\$ -	\$ -	\$ 958,832
Salaries and benefits	344,777	165,458	1,228	511,463
Utilities	183,536	88,079	653	272,268
Transportation	135,617	-	-	135,617
Rent	86,806	41,658	309	128,773
Repairs and maintenance	69,222	33,219	246	102,687
Insurance	68,842	33,038	245	102,125
Program	98,095	-	-	98,095
Contributions	97,587	-	-	97,587
Food	55,214	-	55	55,269
Loss on disposal	48,299	-	-	48,299
Fundraising	-	-	42,655	42,655
Other	30,394	8,781	63	39,238
Depreciation	26,297	12,620	94	39,011
Property tax	6,376	-	-	6,376
Legal	-	1,613	-	1,613
Building	1,243	-	-	1,243
Total Expenses	\$ <u>2,211,137</u>	\$ <u>384,466</u>	\$ <u>45,548</u>	\$ <u>2,641,151</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:				
Gifts-in-kind	\$ 606,124	\$ -	\$ -	\$ 606,124
Salaries and benefits	365,621	175,461	1,302	542,384
Utilities	164,481	78,935	586	244,002
Transportation	150,746	-	-	150,746
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
Food	63,684	-	-	63,684
Depreciation	33,081	15,876	118	49,075
Property tax	22,932	-	-	22,932
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 1,824,412	\$ 387,556	\$ 2,867	\$ 2,214,835

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

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in unrestricted net assets	\$ 510,984	\$ (52,767)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	39,011	49,075
Donated property and equipment	(9,000)	(1,000)
Loss on disposal of property and equipment	48,299	-
Changes in operating assets and liabilities:		
Accounts receivable	(97,320)	(36,864)
Prepaid expenses and other current assets	(9,261)	17,694
Accounts payable	(11,624)	(35,451)
Accrued expenses	(258)	10,635
Assets held for others	4,234	(16,109)
Net Cash Used by Operating Activities	<u>475,065</u>	<u>(64,787)</u>
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	<u>(67,676)</u>	<u>(4,636)</u>
Net Increase (Decrease) in Cash	407,389	(69,423)
Cash, beginning	<u>210,314</u>	<u>279,737</u>
Cash, ending	<u>\$ 617,703</u>	<u>\$ 210,314</u>

EAST COUNTY TRANSITIONAL LIVING CENTER, INC.

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

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 permanently restricted net assets at December 31, 2017 and 2016.

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, 2017 and 2016, management had 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, 2017 and 2016

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.

In-Kind Contributions

ECTLC records various types of in-kind 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 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 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. ECTLC, however may be subject to tax on income which is not related to its exempt purpose. For the years ended December 31, 2017 and 2016, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made.

Accounting for Uncertain Tax Positions

ECTLC follows the provisions of uncertain tax positions as addressed in Financial Accounting Standards Board Accounting Standards Codification. ECTLC recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the years ended December 31, 2017 and 2016. ECTLC files informational and income tax returns in the United States and various state and local jurisdictions.

Subsequent Events

ECTLC has evaluated subsequent events through August 10, 2018, which is the date the financial statements were available to be issued.

Note 2 - Concentration of Credit Risk

ECTLC maintains accounts at a financial institution with funds insured by the Federal Deposit Insurance Corporation (FDIC). ECTLC's accounts at this institution may, at times, exceed FDIC-insured limits of up to \$250,000. ECTLC has not experienced any such losses in these accounts and believes it is not exposed to any significant credit risk on cash.

EAST COUNTY TRANSITIONAL LIVING CENTER, INC.**Notes to Financial Statements**Years Ended December 31, 2017 and 2016

Note 3 – Property and Equipment

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 70,665	\$ 177,665
Leasehold improvements	134,499	113,013
Vehicles	<u>115,074</u>	<u>104,512</u>
	320,238	395,190
Less accumulated depreciation	<u>(150,118)</u>	<u>(214,436)</u>
	<u>\$ 170,120</u>	<u>\$ 180,754</u>

Note 4 – In-Kind Contributions

In-kind contributions consist of the following:

	<u>2017</u>	<u>2016</u>
Food	\$ 814,258	\$ 577,968
General	91,486	2,758
Services	50,100	25,398
Rent	<u>11,988</u>	<u>-</u>
	<u>\$ 967,832</u>	<u>\$ 606,124</u>

Note 5 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes as of December 30:

	<u>2017</u>	<u>2016</u>
Building Construction	<u>\$ 293,972</u>	<u>\$ -</u>

EAST COUNTY TRANSITIONAL LIVING CENTER, INC.

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 6 – 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 \$150,004 and \$137,779 for the years ended December 31, 2017 and 2016.

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

Year ending December 31,	
2018	\$ 115,301
2019	115,295
2020	115,295
2021	115,295
2022	115,295
Thereafter	<u>2,901,099</u>
	<u>\$ 3,477,580</u>

Note 7 – 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 8 – 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 \$94,500 and \$26,500 during the years ended December 31, 2017 and 2016, respectively.

Note 9 – Reclassifications

Certain items in the 2016 financial statements have been reclassified to conform to current year classifications. Gifts-in-kind expenses were previously on the statement of functional expenses as food. Net reclassifications had no effect on previously reported changes in net assets.