

**East County Transitional
Living Center, Inc.**

Financial Statements

**Years Ended
December 31, 2020 and 2019**

East County Transitional Living Center, Inc.

Contents

Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to Financial Statements	8-14



ORTEGA ACCOUNTANCY, APC

CERTIFIED PUBLIC ACCOUNTANTS

12526 High Bluff Drive, Suite 300, San Diego, CA 92130 • Direct 858.623.2786 • Fax 858.408.2457

www.ortegacpa.net

INDEPENDENT AUDITORS' REPORT

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. (a non-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, cash flows and functional expenses 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 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 of material misstatements, 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. 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 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, 2020 and 2019 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.

Oster Accountancy, APC

November 10, 2021

East County Transitional Living Center, Inc.

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 619,979	\$ 372,161
Accounts receivable, net of allowance for doubtful accounts of \$15,410 for 2020 and \$20,000 for 2019	71,158	110,184
Prepaid expenses	32,366	54,431
Total current assets	723,503	536,776
Other Assets		
Cash - held in trust for others	6,058	19,106
Cash - restricted for building construction	573,970	499,491
Contributions receivable - restricted for building construction	-	5,000
Property and equipment - net	740,023	658,465
Total other assets	1,320,051	1,182,062
Total Assets	2,043,554	\$ 1,718,838
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 37,782	\$ 34,899
Accrued expenses	22,097	16,752
Cash held in trust for others	6,058	19,106
Current capital lease obligation	11,688	11,231
Total current liabilities	77,625	81,988
Long-Term Capital Lease Obligation	334,827	346,514
Total Liabilities	412,452	428,502
Net Assets		
Without donor restrictions	1,057,132	764,348
With donor restrictions	573,970	525,988
Total Net Assets	1,631,102	1,290,336
Total Liabilities and Net Assets	\$ 2,043,554	\$ 1,718,838

The accompanying notes are an integral part of this statement.

East County Transitional Living Center, Inc.

Statements of Activities Years Ended December 31, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions		
<i>Support and revenues:</i>		
Program services	\$ 1,488,011	\$ 1,495,292
Grants	313,800	-
Contributions	597,324	456,579
Other program revenues	65,412	78,984
Gifts-in-kind	2,318,734	1,238,835
Gain from disposal of assets	3,783	3,535
Interest	511	1,144
	4,787,575	3,274,369
Net assets released from restriction	45,122	109,677
	4,832,697	3,384,046
<i>Expenses:</i>		
Program services	4,112,473	2,958,176
Supportive Services		
Management and general	292,639	272,391
Funding raising	134,801	109,704
Total Expenses	4,539,913	3,340,271
	292,784	43,775
Net Assets With Donor Restrictions		
Contributions	93,104	19,106
Net assets released from restrictions	(45,122)	(109,677)
	47,982	(90,571)
Increase (Decrease) in Net Assets	340,766	(46,796)
Net Assets, Beginning of year	1,290,336	1,337,132
Net Assets, End of year	\$ 1,631,102	\$ 1,290,336

The accompanying notes are an integral part of this statement.

East County Transitional Living Center, Inc.

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ 340,766	\$ (46,796)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	85,530	81,017
Bad debt expense	13,705	20,000
Gain from disposal of asset	(3,783)	(3,535)
(Increase) decrease in operating assets		
Accounts receivable	25,321	(39,473)
Contributions receivable	-	61,000
Prepaid expenses	22,065	(26,975)
Increase (decrease) in operating liabilities		
Accounts payable	2,883	(13,135)
Accrued expenses	5,345	11,992
Cash held in trust for others	(13,048)	(10,143)
Contributions restricted for building construction	(74,479)	(2,608)
Non-cash auto contributions received	(32,061)	(26,170)
Net Cash Provided by Operating Activities	372,244	5,174
Cash flows from investing activities		
Proceeds from disposal of asset	4,650	3,535
Cash restricted for building construction	-	(85,326)
Purchase of property and equipment	(135,894)	(8,177)
Net Cash Used by Investing Activities	(131,244)	(89,968)
Cash flows from financing activities		
Proceeds from contributions restricted building construction	5,000	95,000
Principal payment on capital lease	(11,230)	(10,791)
Net Cash (Used) Provided by Financing Activities	(6,230)	84,209
Net Increase (Decrease) in Cash and Cash Equivalents	234,770	(585)
Cash and Cash Equivalents, Beginning of year	391,267	391,852
Cash and Cash Equivalents, End of Year	\$ 626,037	\$ 391,267
Supplemental Disclosure		
Cash paid during the year for:		
Interest paid	\$ 13,705	\$ 14,545
Noncash Financing Activities:		
Donor contribution of automobiles	\$ 32,061	\$ 26,170

The accompanying notes are an integral part of this statement.

East County Transitional Living Center, Inc.

Statement of Functional Expenses Year Ended December 31, 2020



	<i>Program Services</i>	<i>Supportive Services</i>		<i>Total</i>
		<i>Management and General</i>	<i>Fund- raising</i>	
Gifts-in-kind	\$2,290,854	\$ -	\$ -	\$ 2,290,854
Salaries & benefits	541,875	151,617	39,347	732,839
Utilities	293,318	35,983	-	329,301
Transportation	190,992	1,242	-	192,234
Rent	97,812	4,171	-	101,983
Repairs & maintenance	160,017	8,764	-	168,781
Insurance	102,676	20,854	1,019	124,549
Program	97,500	20,548	-	118,048
Contributions	194,200	-	-	194,200
Food	42,368	-	-	42,368
Fundraising	-	-	94,435	94,435
Other	1,099	35,750	-	36,849
Interest expense	14,105	-	-	14,105
Depreciation	85,530	-	-	85,530
Property tax	127	5	-	132
Bad debt	-	13,705	-	13,705
	\$4,112,473	\$ 292,639	\$134,801	\$ 4,539,913

The accompanying notes are an integral part of this statements

East County Transitional Living Center, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019



	<i>Program Services</i>	<i>Supportive Services</i>		<i>Total</i>
		<i>Management and General</i>	<i>Fund- raising</i>	
Gifts-in-kind	\$ 1,212,665	\$ -	\$ -	\$ 1,212,665
Salaries & benefits	448,396	124,233	33,959	606,588
Utilities	291,875	29,975	-	321,850
Transportation	244,830	3,851	-	248,681
Rent	97,812	4,171	-	101,983
Repairs & maintenance	135,506	6,997	-	142,503
Insurance	112,413	22,794	-	135,207
Program	137,010	22,841	-	159,851
Contributions	135,300	-	-	135,300
Food	51,057	-	-	51,057
Fundraising	-	-	75,493	75,493
Other	5,159	37,979	252	43,390
Interest expense	14,545	-	-	14,545
Depreciation	81,017	-	-	81,017
Property tax	(9,409)	(450)	-	(9,859)
Bad debt	-	20,000	-	20,000
	\$ 2,958,176	\$ 272,391	\$ 109,704	\$ 3,340,271

The accompanying notes are an integral part of this statements

East County Transitional Living Center, Inc.

Notes to Financial Statements
Years Ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of organization

East County Transitional Living Center, Inc. (the Organization) 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. The Organization is located in El Cajon California and 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 and Presentation

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

Net assets without donor restrictions – Represents assets available for operations, which are not limited by donor-imposed restrictions.

Net assets with donor restrictions – Represents contributed assets subject donor-imposed restrictions that will be met either by actions of the Organization and /or passage of time or restrictions requiring the assets to be maintained by the Organization in perpetuity.

Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management plan, cash in excess of daily requirements is set aside into an operating reserve bank account. At December 31, 2020 the operating reserve was \$429,346. This reserve, established by the board of directors, may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

East County Transitional Living Center, Inc.

Notes to Financial Statements
Years Ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Program Services revenues are derived from three major sources; *Transitional Housing*, *Work Therapy* and *Emergency Shelter*.

Transitional Housing – Individuals and families receiving transitional housing and support, pay for these services based on their ability to pay. These services are recognized as revenue when received.

Work Therapy – Income is generated by transitional housing participants working for agencies that have contracted with the Organization for labor. In return for their labor, the contracted agencies provide a voluntary contribution to the Organization. The contributions are accrued to the period the labor services are provided.

Emergency Shelter Program – The Organization has contracted with the City of El Cajon to provide emergency shelter to families during the winter months. The Organization provides these services based on a contracted daily rate and recognizes the revenues as the services are provided.

Grants and Contributions – Grants and contributions received are recorded as without donor restriction or with donor restriction support depending on the existence or nature of any donor-imposed restrictions. All donor restricted support is reported as an increase in net assets with donor restriction.

When a donor-imposed restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Grants and contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restriction in that period.

In-Kind Contributions

The Organization records various types of in-kind contributions. Many individuals volunteer their time and perform a variety of tasks that assist the Organization 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 expenses 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 net assets without donor restrictions, unless donor stipulation requires them to be recognized as net assets with donor restrictions.

East County Transitional Living Center, Inc.

Notes to Financial Statements Years Ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Accounts receivable

Accounts receivable is from program income earned and not collected as of the last business day of the year, of which the Organization has an unconditional right to receive. The Organization provides for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivables. The Organization reviews its past due balances, and accounts deemed uncollectible are written-off. As of December 31, 2020, and 2019, management had established an allowance of \$15,410 and \$20,000 respectively.

Contributions Receivable

Contributions receivable represent operating and building construction unconditional promises to give. As of December 31, 2020, and 2019, all contributions receivable are expected to be collected and management had determined that no allowance for doubtful accounts was considered necessary.

Cash and cash equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Excluded from this definition of cash equivalents is the cash restricted for the building construction. The following provides a summary of cash and cash equivalents that sum to the total of the same such amounts in the statement of cash flows:

	2020	2019
Cash and cash equivalents	\$619,979	\$372,161
Cash – held in trust for others	<u>6,058</u>	<u>19,106</u>
Total Cash & Cash equivalents	<u>\$626,037</u>	<u>\$391,267</u>

Property and equipment

Expenditures for property and equipment of \$1,500 or more are capitalized and stated at cost. Donated assets \$1,500 or more are recorded at their estimated fair market values at the date of donation. Depreciation is provided over the estimated useful lives, ranging from 3 to 39 years, of the respective assets on a straight-line basis. Maintenance and repairs are charged to operations as incurred.

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, the actual results could differ from those estimates.

East County Transitional Living Center, Inc.

Notes to Financial Statements Years Ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Income tax status

The Organization, a California not-for-profit corporation, is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2020, 2019 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events

Management has evaluated subsequent events through November 10, 2021, the date the financial statements were available to be issued.

2. Property & Equipment

The following is a summary of property and equipment at cost less, accumulated depreciation:

	2020	2019
Furniture and equipment	\$ 70,665	\$ 70,665
Vehicles	207,124	141,244
Leasehold improvements	415,464	339,014
Building	212,000	212,000
Land	188,000	188,000
Construction in progress	45,091	21,467
	<u>1,138,344</u>	<u>972,390</u>
Less: accumulated depreciation	<u>398,321</u>	<u>313,925</u>
Net property and equipment	<u>\$740,023</u>	<u>\$658,465</u>

Depreciation expense was \$85,530 and \$81,017 for the years ended December 31, 2020 and 2019 respectively.

East County Transitional Living Center, Inc.

Notes to Financial Statements Years Ended December 31, 2020 and 2019

3. Operating Lease Commitment

The Organization leases program, office space, and vehicles under non-cancellable operating lease agreements with various expirations dates through January 2027.

Future minimum lease payments over the remaining term of the non-cancelable leases as of December 31, 2020, are as follows:

2021	\$ 89,959
2022	89,959
2023	89,959
2024	89,959
2025	89,959
Thereafter	<u>89,959</u>
	<u>\$539,754</u>

Rental lease expense for the years ended December 31, 2020 and 2019 was \$127,319 and \$101,983 respectively.

4. Capital Lease Obligation

The Organization entered into a long-term lease agreement in October 2015 for the acquisition of land and building located in Dulzura, California. The lease is for a term of 300 months (25 years) with interest (4%) and principal payments totaling \$2,111 due each month. The land and building transfers to the Organization at the end of the lease term. As of December 31, the principal balance of the obligation was \$346,515.

Maturities of the obligation for the years succeeding December 31, 2020, are as follows:

2021	\$ 11,688
2022	12,164
2023	12,661
2024	13,176
2025	13,713
Thereafter	<u>283,113</u>
	<u>\$346,515</u>

East County Transitional Living Center, Inc.

Notes to Financial Statements Years Ended December 31, 2020 and 2019

5. In-Kind Contributions

In-kind contributions consist of the following:

	2020	2019
Food	\$1,237,723	\$ 745,112
General	973,857	369,470
Services	51,120	78,103
Rent	23,973	19,980
Total In-kind contributed goods and services	<u>2,286,673</u>	<u>1,212,665</u>
Automobiles	32,061	26,170
	<u>\$2,318,734</u>	<u>\$1,238,835</u>

6. Net Assets with Donor Restrictions

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

	2020	2019
Building Construction	\$ 573,970	\$ 504,491
Other	-	21,497
	<u>\$ 573,970</u>	<u>\$ 525,988</u>

Net assets were released from donor restrictions as follows:

	2020	2019
Purpose of restriction accomplished:		
Expenses incurred and services provided to satisfy donor restrictions	<u>\$ 45,122</u>	<u>\$ 109,677</u>

7. Retirement Plan

The Organization 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 the Organization. The Organization made no contributions to the plan.

East County Transitional Living Center, Inc.

Notes to Financial Statements Years Ended December 31, 2020 and 2019

8. Related Party Transactions

The Organization provides housing allowances, on an as-needed basis, to the pastoral staff of Christian Fellowship of El Cajon (Fellowship). Some of the members of the pastoral staff also serve as employees and board members of the Organization. The allowances are recorded as charitable contributions on the Statement of Actives. Housing allowances and support paid to the Fellowship totaled \$194,200 and \$135,300 for the years ended December 31, 2020 and 2019 respectively.

9. Concentration of Credit Risk

The Organization maintains accounts at a financial institution with funds insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2020, cash on deposit was in excess of the federally-insured limits by approximately \$903,000.