Upward Bound House

Financial Statements and Independent Auditor's Report

December 31, 2018

CohnReznick
Accounting • Tax • Advisory

Upward Bound House

Index

Independent Auditor's Report

To the Board of Directors
Upward Bound House

Report on the Financial Statements

We have audited the accompanying financial statements of Upward Bound House (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditor's 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 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 Upward Bound House as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Los Angeles, California
August 27, 2019

Upward Bound House

Statement of Financial Position
December 31, 2018
With Summarized Totals at December 31, 2017

Assets

		2018		2017
Current assets				
Cash and cash equivalents	$	2,299,381	$	2,087,324
Certificates of deposit		153,116		152,119
Grants receivable, net		940,111		788,142
Due from affiliate		47,341		47,708
Investments		60,686		65,154
Prepaid expenses		45,436		112,499
Total current assets		3,546,071		3,252,946
Other assets				
Lease acquisition costs, net		148,998		150,858
Operating and replacement reserves		269,975		289,137
Client savings accounts		12,759		6,771
Deposits and other		4,856		15,256
Total other assets		436,588		462,022
Property and equipment, net		5,150,436		5,329,212
Total assets	$	9,133,095	$	9,044,180

Liabilities and Net Assets

		2018		2017
Current liabilities				
Accounts payable	$	122,940	$	77,549
Accrued liabilities		102,071		72,836
Client savings accounts		11,831		6,457
Tenant security deposits		4,970		4,260
Deferred revenue		195,464		238,182
Total current liabilities		437,276		399,284
Notes payable		2,990,000		2,990,000
Accrued interest payable		394,638		394,638
Total liabilities		3,821,914		3,783,922
Contingencies				
Net assets				
Without donor restrictions		4,658,932		4,647,665
With donor restrictions		652,249		612,593
Total net assets		5,311,181		5,260,258
Total liabilities and net assets	$	9,133,095	$	9,044,180

See Notes to Financial Statements.

Upward Bound House

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018
With Summarized Totals for the Year Ended December 31, 2017

	2018			2017
	Without donor restrictions	With donor restrictions	Total	Total
Revenue, support and gains				
Government contracts and grants	$ 3,525,142	$ -	$ 3,525,142	$ 2,255,045
Contributions	619,218	171,065	790,283	1,180,250
Special events	67,070	-	67,070	58,143
Management fee revenue	57,617	-	57,617	57,520
Other income	12,594	-	12,594	13,817
Investment income	10,378	4,468	14,846	23,724
In-kind revenue	6,000	-	6,000	6,000
Net assets released from restrictions				
Satisfaction of program restrictions	135,877	(135,877)	-	-
Total revenue, support and gains	4,433,896	39,656	4,473,552	3,594,499
Functional expenses				
Program services	4,041,988	-	4,041,988	2,603,513
General and administrative	84,320	-	84,320	214,950
Fundraising	296,321	-	296,321	335,432
Total functional expenses	4,422,629	-	4,422,629	3,153,895
Change in net assets	11,267	39,656	50,923	440,604
Net assets, beginning	4,647,665	612,593	5,260,258	4,819,654
Net assets, end	$ 4,658,932	$ 652,249	$ 5,311,181	$ 5,260,258

See Notes to Financial Statements.

Upward Bound House

Statement of Functional Expenses
Year Ended December 31, 2018
With Summarized Totals for the Year Ended December 31, 2017

	2018											2017
	Program services								Supporting services			
	Family Place	Family Shelter	Rapid Rehousing	CES	Farm Program	TAY	Other programs	Total	General and administrative	Fundraising	Total	Total expenses
Salaries	$ 242,513	$ 263,935	$ 398,479	$ 198,113	$ 46,909	$ 91,569	$ 11,842	$ 1,253,360	$ 32,662	$ 137,498	$ 1,423,520	$ 1,080,639
Payroll taxes and benefits	46,193	50,273	75,901	37,736	8,935	17,442	2,256	238,736	6,221	26,671	271,628	224,376
Total salary related expense	288,706	314,208	474,380	235,849	55,844	109,011	14,098	1,492,096	38,883	164,169	1,695,148	1,305,015
Temporary help	14,249	16,340	90,123	80,721	2,580	27,054	175	231,242	2,971	10,777	244,990	91,309
Client and program	4,002	6,392	1,041,811	338,201	332	81,179	-	1,471,917	-	513	1,472,430	969,324
Occupancy	49,088	35,422	14,835	33,184	3,068	10,160	142	145,899	1,874	3,117	150,890	109,735
Repairs and maintenance	44,400	49,713	3,092	63,967	22,650	30,829	-	214,651	4,258	40	218,949	109,037
Information technology	2,746	5,935	4,907	35,235	155	12,350	7	61,335	-	1,757	63,092	22,199
Professional services	20,215	22,111	34,567	19,311	36,009	7,316	580	140,109	4,726	39,579	184,414	134,467
Marketing	-	-	-	-	1,788	-	-	1,788	-	13,692	15,480	31,822
Special events	-	-	-	-	2,113	-	-	2,113	-	40,256	42,369	67,758
Travel, meals and transportation	3,027	7,204	7,655	14,456	220	3,568	1,250	37,380	5,825	980	44,185	33,075
Training and human resources	292	633	1,026	711	60	284	1,277	4,283	263	1,080	5,626	4,627
Supplies and office	1,824	2,043	3,262	5,887	133	2,171	159	15,479	1,867	1,944	19,290	25,598
Insurance	8,478	10,224	2,638	3,070	-	986	26	25,422	1,364	1,128	27,914	20,676
Taxes and licenses	2,472	5,797	47	31	8	17	-	8,372	154	7,904	16,430	13,471
Miscellaneous	1,892	2,093	3,110	1,716	363	673	65	9,912	7,389	9,385	26,686	34,177
Bad debt	-	-	-	-	-	-	-	-	8,100	-	8,100	-
In-kind expense	-	-	6,000	-	-	-	-	6,000	-	-	6,000	6,000
Expenses before depreciation and amortization	441,391	478,115	1,687,453	832,339	125,323	285,598	17,779	3,867,998	77,674	296,321	4,241,993	2,978,290
Depreciation and amortization	83,616	86,321	4,053	-	-	-	-	173,990	6,646	-	180,636	175,605
Total expenses	$ 525,007	$ 564,436	$ 1,691,506	$ 832,339	$ 125,323	$ 285,598	$ 17,779	$ 4,041,988	$ 84,320	$ 296,321	$ 4,422,629	$ 3,153,895

See Notes to Financial Statements.

Upward Bound House

Statement of Cash Flows
Year Ended December 31, 2018
With Summarized Totals for the Year Ended December 31, 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 50,923	$ 440,604
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	180,636	175,605
Unrealized (gain) loss on investments	4,468	(11,073)
Bad debts	8,100	-
Changes in operating assets and liabilities		
Grants receivable	(151,969)	(379,507)
Due from affiliate	367	103,397
Prepaid expenses	58,963	(81,652)
Client savings accounts	(5,988)	(583)
Deposits and other	10,400	(8,724)
Accounts payable	45,391	47,274
Accrued liabilities	29,235	14,084
Client savings accounts	5,374	808
Tenant security deposits	710	(1,872)
Deferred revenue	(42,718)	190,717
Net cash provided by operating activities	193,892	489,078
Cash flows from investing activities		
Purchases of property and equipment	-	(46,745)
(Deposits to) withdrawals from reserves, net	19,162	(10,453)
Purchases of certificates of deposit	(997)	(473)
Net cash provided by (used in) investing activities	18,165	(57,671)
Net increase in cash and cash equivalents	212,057	431,407
Cash and cash equivalents, beginning	2,087,324	1,655,917
Cash and cash equivalents, end	$ 2,299,381	$ 2,087,324

See Notes to Financial Statements.

Note 1 - Organization

Business activity

Incorporated in 1990, Upward Bound House's (the "Organization") mission is to eliminate homelessness among families with children in Los Angeles by providing housing, supportive services, and advocacy. The Organization offers homeless families short-term and medium-term crisis housing as well as rapid re-housing services that help them move into permanent housing as quickly as possible.

Westside Housing Stability Program - The program consists of Family Place (Santa Monica), a transitional housing facility (21 one-bedroom apartments) offering psychosocial and mental health services to homeless families for up to 9 months, and Family Shelter (Culver City), an emergency shelter (18 studio units) offering comprehensive services to families for up to 4 - 5 months. Through its strategic partnership with St. Joseph's Center and the SPA 5 Family Solutions Center, the Organization accepts referrals of homeless families for shelter and provides these housing stability services to them free of charge.

South Los Angeles Housing Stability Program - The program consists of emergency shelter (four facilities in South LA) and rapid re-housing ("RRH") services for homeless families. The Organization operates its RRH services from offices located within the Compton Unified School District and the First United Methodist Church of Compton. The four emergency shelters offer 24-hour crisis housing, and wraparound services, for up to 4 - 5 months per family. RRH moves homeless families from shelters into permanent housing as quickly as possible by providing proactive landlord outreach and housing search assistance, coupled with individualized financial assistance (e.g., security deposits, short-term rent subsidies). Once in housing, families participate in time-limited, intensive, in-home services designed to address parent, child and family barriers to school stability, economic security and overall well-being. The Organization closely collaborates with the SPA 6 Family Solutions Center operated by SSG/HOPICS to accept referrals and coordinate services.

Wellness and Farm Program – The farm program, located in Santa Monica, provides an environment for parents and children to learn how to grow and prepare their own food through fun, interactive workshops and hands-on instruction, with the goal of increasing food security and promoting healthy eating habits.

Healthy Living Program - The program uses an urban farm (owned by the Organization) as a therapeutic outlet to teach life skills, provide job training, and build client confidence and self-esteem. Parents and their child(ren), depending on age, participate in the selection, planting, care and cultivation of crops as well as classes in nutrition, cooking and healthy living.

Transitional Age Youth ("TAY") Program - The program is a comprehensive residential program that serves pregnant and/or parenting TAY between the ages of 18 and 24 and their children for up to 36 months. The program, operated out of two program sites in South L.A., supports and facilitates parenting skills, child development, education, employment and permanent housing goals among all participants.

In 2018, the Organization served 411 families (551 adults and 785 children), a 25% increase compared to the number of families served in 2017. Of the 342 families who exited the Organization's programs, 75% moved to permanent housing and 34% increased their income through employment.

In addition, the Organization manages and operates Upward Bound Senior Villa, Inc. ("Senior Villa"), a 70-unit facility for low-income seniors. Senior Villa is a separate nonprofit California corporation and is not included in the Organization's financial statements.

Note 2 - Summary of significant accounting policies

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial statement 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. They are described as follows:

Net assets without donor restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

Cash and cash equivalents

Cash and cash equivalents include demand deposits and all highly-liquid investments with initial maturities of three months or less that are available for current use.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

Donated goods and services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated goods and services are reflected as contributions at their estimated fair value at date of receipt. The fair market value of the donated goods and services contributed during the year ended December 31, 2018 was $6,000.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation if purchased or fair value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from 5 to 30 years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Minor repairs and maintenance costs are charged to expense as incurred. The Organization maintains a capitalization policy for expenditures in excess of $2,500.

Lease acquisition costs
Lease acquisition costs are being amortized over 99 years at $1,860 per year.

Grants receivable
The Organization receives substantial funding from government agencies. The Organization recognizes income from these grants as revenue and support to the extent that expenditures have been made for the purposes specified by the grant agreement. Amounts received in excess of expenditures incurred are recorded as deferred revenue.

Reimbursements recorded under these grants are subject to government audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible grants receivable when management determines the receivable will not be collected. At December 31, 2018, the allowance for disallowed costs is approximately $19,000.

Investments
Investments are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities as investment income.

Fair value measurements
The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Functional allocation of expenses
The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the percentage of time spent by the Organization. Direct costs on specific programs have been allocated in its entirety.

Advertising cost
Advertising costs are expensed as incurred.

Income taxes
The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code.

The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2018. Due to its tax-exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions that must be considered for disclosure. The Organization does not believe their financial statements include any uncertain tax positions. The Organization's federal and state income tax returns prior to fiscal years 2015 and 2014, respectively, are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Organization recognizes interest and penalties associated with tax matters as part of general and administrative expense and included accrued interest and penalties with the related accrued liability in the statement of financial position.

Use of estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Adoption of New Accounting Pronouncement
During 2018, the Organization adopted the provisions of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

Reclassifications
Certain prior year balances have been reclassified to conform to the current presentation.

Subsequent events

The Organization has evaluated the impact of subsequent events through August 27, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 2,299,381
Grants receivable, net	940,111
Senior Villa receivable	47,341
Certificates of deposit	153,116
Investments not encumbered by donor or board restrictions	60,686
	3,500,635
Less assets with donor restrictions	652,249
	$ 2,848,386

Financial assets of the Organization are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due.

Note 4 - Operating and replacement reserves

The Organization has entered into a Regulatory Agreement with the City of Santa Monica ("the City") that requires the Organization to establish separate operating reserve and replacement reserve accounts related to Family Place. The City requires the Organization to fund, as necessary, the operating reserve and replacement reserve per the terms of the regulatory agreement. Activity in the reserve accounts for the year ended December 31, 2018 is as follows:

	Operating Reserve	Replacement Reserve	Total
Balance - January 1, 2018	$ 83,622	$ 205,515	$ 289,137
Deposits	-	-	-
Interest	300	538	838
Withdrawals and transfers	(5,000)	(15,000)	(20,000)
Balance - December 31, 2018	$ 78,922	$ 191,053	$ 269,975

Note 5 - Property and equipment

At December 31, 2018, property and equipment consist of the following:

	2018
Land	$ 2,504,109
Buildings and improvements	5,115,207
Furniture and equipment	195,407
	7,814,723
Accumulated depreciation	(2,664,287)
	$ 5,150,436

Depreciation expense for the year ended December 31, 2018 was $178,776.

Note 6 - Investments and fair value measurements

Investments carried at fair value as of December 31, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 153,116	$ -	$ 153,116
Common stocks	5,533	-	-	5,533
Mutual funds	55,153	-	-	55,153
	$ 60,686	$ 153,116	$ -	$ 213,802

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets and are valued on a recurring basis. Mutual funds and common stocks are valued at the daily closing price as reported by the fund or stock. Mutual funds held by the Organization are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and stocks held by the Organization are deemed to be actively traded. Investments valued using Level 2 inputs consist of short-term investments and certificates of deposit valued based on amortized cost, which approximates fair value, and money market funds valued based on investment yield. During the year ended December 31, 2018, there were no changes in the valuation techniques.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 7 - Notes payable

As of December 31, 2018, long-term debt consists of the following:

Note payable to State of California Department of Housing and Community Development, secured by land and building, bearing simple interest at 3% per annum with all principal and interest to be forgiven at maturity on the ten-year anniversary date of commencement of operations, which was April 19, 2010, provided the Organization complies with applicable use and regulatory agreements through the maturity of the loan.	$ 1,000,000
Note payable to City of Santa Monica, secured by building, land leasehold trust deed, and assignment of rents, bearing interest at 8.27% per annum through maturity, with annual principal and interest payments from Residual Receipts, as defined, to begin in August 2026 through maturity; initial maturity occurs in August 2046 with a one-time extension available to the borrower for an additional 25 years or other mutually agreed upon extended maturity date; at the end of the extension period, any remaining principal and interest is to be forgiven provided the Organization complies with applicable use and regulatory agreements through the maturity of the loan.	990,000
Note payable to City of Santa Monica, secured by land and building, bearing interest at 5.75% per annum with principal payments due from Residual Receipts, as defined, through maturity; initial maturity occurs 55 years from commencement of operations, which was April 19, 2010, with a one-time extension available to the borrower for an additional 25 years; at the end of the extension period, any remaining principal and interest is to be forgiven provided the Organization complies with applicable use and regulatory agreements through the maturity of the loan.	400,000
Note payable to City of Los Angeles Community Development Department, secured by land and building, bearing no interest with principal forgiven on the ten-year anniversary date of commencement of operations, which was April 19, 2010.	400,000
Note payable to City of Beverly Hills, secured by land and building, bearing no interest with principal to be forgiven at maturity on the ten-year anniversary date of commencement of operations, which was April 19, 2010, provided the Organization complies with applicable use and regulatory agreements through the maturity of the loan.	200,000
Total	$ 2,990,000

As of December 31, 2018, the Organization has a contingent interest liability of $2,460,621 relating to its outstanding notes payable, of which $394,638 has been accrued. Management believes that this accrual is sufficient to cover any interest liability. In accordance with the loan agreements, all interest related to this loan will be forgiven provided the Organization remains in compliance with its regulatory agreement. It is the intent of the Organization to fully comply with all agreements.

The following is a maturity schedule of the Organization's notes payable:

Year ending December 31,		
2019	$	-
2020		1,600,000
2021		-
2022		-
2023		-
Thereafter		1,390,000
Total	$	2,990,000

Note 8 - Net assets with donor restrictions

At December 31, 2018, net assets with donor restrictions consist of the following:

South LA Property	$	300,000
Clinical Social Worker		37,880
Rapid Rehousing		36,775
Farm Program		51,000
Family Shelter		52,983
TAY		14,250
Adopt a Unit		8,000
GOS		6,478
Family Place		15,852
Family Shelter and Family Place		2,332
South LA		5,000
Senior Villa		5,000
Davis Garden Endowment Fund		76,326
General		40,373
	$	652,249

Note 9 - Leasehold interest in land

On July 1, 1996, the Board of Trustees of the First United Methodist Church of Santa Monica transferred a 99-year leasehold interest in the land and air rights for property located at 1020 12th Street, Santa Monica, California (known as Family Place) to the Organization. This leasehold interest has been independently valued at $700,000. The deed restrictions recognize that the property must be used as transitional family housing for not less than 10 years and must remain as affordable housing for up to 55 years. Additionally, $184,558 of lease acquisition costs were acquired at that time. These costs are amortized over a period of 99 years. As of December 31, 2018, $35,560 has been amortized, and the net value of the lease acquisition costs is $148,998.

Note 10 - Concentration of credit risk

The Organization maintains cash with various financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each financial institution. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2018.

As of December 31, 2018, 73% of the Organization's grants receivable was due from three grantors.

For the year ended December 31, 2018, 43% of the Organization's contributions was received from two donors.

For the year ended December 31, 2018, 66% of the Organization's grant revenues was received from three grantors.

Note 11 - Contingencies

The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The potential exists for disallowance of previously funded program costs or approval of income due to funding shifts. Liabilities, if any, which may result from governmental audits cannot be reasonably estimated. The Organization reserves approximately 2% for disallowed program costs.

Note 12 - Related party transactions

The Organization provides management services for Senior Villa at a rate of 12.2% of rental revenue collected. In connection with this agreement, the Organization earned property management fees of $57,617 for the year ended December 31, 2018, of which $14,289 is receivable.

The Organization gets reimbursed for various expenses that it pays on behalf of Senior Villa. During the year ended December 31, 2018, the Organization paid $113,785 of reimbursable expenses, of which $33,052 is receivable.

Note 13 - Endowment fund

The Organization's endowment consists of one donor-restricted endowment gift known as the Davis Garden Endowment Fund ("Fund"). The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. In accordance with UPMIFA, the

Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the Fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The Fund is invested approximately 50% in an equity market index fund and 50% in cash equivalents; earnings from the Fund are restricted to fund projects at Upward Bound House selected by the Davis Endowment Committee. Earnings are defined as dividends and interest earned on the Fund. Activity in the endowment related accounts during the year ended December 31, 2018 is as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2018	$ -	$ 76,326	$ 76,326
Contributions	-	-	-
Investment income	-	4,468	4,468
Net appreciation	-	-	-
Amounts appropriated for expenditure	-	(4,468)	(4,468)
Endowment net assets, December 31, 2018	$ -	$ 76,326	$ 76,326

Note 14 - 401(k) profit sharing plan

The Organization maintains a 401(k) profit sharing plan (the "Plan") which is available to substantially all full-time employees who have attained the age of twenty-one and have completed three months of service. Employees can elect to make contributions up to the maximum allowed by law based on certain tests required by the Plan. The Organization has an option to make a matching and non-elective contribution to the Plan. For the year ended December 31, 2018, the Organization did not contribute any amounts to the Plan.

CohnReznick

Accounting • Tax • Advisory