# SHELTER PARTNERSHIP, INC.

**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**June 30, 2019**

**(With Comparative Totals for the Year Ended June 30, 2018)**

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# C O N T E N T S

# Independent Auditor's Report

To the Board of Directors
Shelter Partnership, Inc.
Los Angeles, California

We have audited the accompanying financial statements of Shelter Partnership, Inc. (a California nonprofit public benefit corporation) (the "Partnership"), which comprises the statement of financial position as of June 30, 2019, 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 on the previous page present fairly, in all material respects, the financial position of the Partnership as of June 30, 2019, 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.

**Other Matter**

As disclosed in Note 2 to the financial statements, 90% of total revenues are from donated goods and 76% of total assets are from donated inventory on hand. The valuation of these donated goods is subject to estimation. The Partnership estimates the value of donated goods by obtaining estimates of wholesale selling prices provided by the donors, or other indicators of value when donor estimated wholesale values are not provided. The Partnership also undertakes its own research as needed in order to better ascertain fair values. As a result, there is significant judgment in arriving at fair values of contributed goods, and such values materially enter into the determination of net assets and results of activities.

**Report on Summarized Comparative Information**

We have previously audited the Shelter Partnership, Inc.'s June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gursey | Schneider LLP

January 9, 2020
Los Angeles, California

**SHELTER PARTNERSHIP, INC.**
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2019 and 2018

## ASSETS

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 464,918 | $ 468,319 |
| Certificates of deposit | 250,000 | 250,000 |
| Grants and pledges receivable | 147,164 | 305,511 |
| Donated inventory | 20,138,312 | 14,727,071 |
| Prepaid expenses and other assets | 32,200 | 13,929 |
| Property and equipment, net | 5,503,900 | 5,891,181 |
| **TOTAL ASSETS** | $ 26,536,494 | $ 21,656,011 |

## LIABILITIES AND NET ASSETS

| | 2019 | 2018 |
|---|---|---|
| **LIABILITIES** | | |
| Accounts payable | $ 16,201 | $ 75,310 |
| Accrued expenses and other liabilities | 104,466 | 88,267 |
| **TOTAL LIABILITIES** | 120,667 | 163,577 |
| **NET ASSETS** | | |
| Without donor restrictions | 2,716,843 | 2,959,213 |
| With donor restrictions | 23,698,984 | 18,533,221 |
| **TOTAL NET ASSETS** | 26,415,827 | 21,492,434 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 26,536,494 | $ 21,656,011 |

**SHELTER PARTNERSHIP, INC.**

(A California Nonprofit Public Benefit Corporation)

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Summarized Total |
| **REVENUE AND SUPPORT** | | | | |
| Donated goods for distribution | $ - | $ 13,323,729 | $ 13,323,729 | $ 8,945,704 |
| Foundation contributions | 174,950 | 295,000 | 469,950 | 465,525 |
| Individual and corporate contributions | 131,107 | 33,850 | 164,957 | 281,144 |
| Government grants | - | 270,000 | 270,000 | 260,000 |
| Special events, net of expense of $106,768 in 2019 and $85,329 in 2018, respectively | 376,260 | 23,360 | 399,620 | 338,372 |
| Consulting services | 240,597 | - | 240,597 | 324,410 |
| Other | 4,871 | - | 4,871 | 2,707 |
| Subtotal | 927,785 | 13,945,939 | 14,873,724 | 10,617,862 |
| Net assets released from restrictions | 8,780,176 | (8,780,176) | - | - |
| **TOTAL REVENUES AND SUPPORT** | 9,707,961 | 5,165,763 | 14,873,724 | 10,617,862 |
| **FUNCTIONAL EXPENSES** | | | | |
| Program services | | | | |
| Materials assistance | 9,099,835 | - | 9,099,835 | 10,537,955 |
| Public education and policy / technical assistance | 457,690 | - | 457,690 | 430,734 |
| Total Program Services | 9,557,525 | - | 9,557,525 | 10,968,689 |
| Supporting services | | | | |
| General and administrative | 92,271 | - | 92,271 | 139,031 |
| Fundraising | 300,536 | - | 300,536 | 271,872 |
| Total Supporting Services | 392,806 | - | 392,806 | 410,903 |
| **TOTAL FUNCTIONAL EXPENSES** | 9,950,331 | - | 9,950,331 | 11,379,592 |
| **CHANGES IN NET ASSETS** | (242,370) | 5,165,763 | 4,923,393 | (761,730) |
| **NET ASSETS, Beginning of Year** | 2,959,213 | 18,533,221 | 21,492,434 | 22,254,164 |
| **NET ASSETS, End of Year** | $ 2,716,843 | $ 23,698,984 | $ 26,415,827 | $ 21,492,434 |

See Accompanying Notes to Financial Statements.

**SHELTER PARTNERSHIP, INC.**
(A California Nonprofit Public Benefit Corporation)
Statements of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

| | Program Services | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|
| | Materials Assistance | Public Education and Policy / Technical Assistance | Total Program | General and Administrative | Fundraising | 2019 Total | 2018 Summarized Total |
| Personnel: | | | | | | | |
| Salaries | $ 372,863 | $ 305,958 | $ 678,821 | $ 20,174 | $ 181,496 | $ 880,491 | $ 861,967 |
| Employee benefits | 87,707 | 45,700 | 133,407 | 12,922 | 13,822 | 160,152 | 111,348 |
| Payroll taxes and workers' compensation insurance | 39,742 | 25,303 | 65,045 | 1,638 | 14,732 | 81,415 | 88,809 |
| Total Personnel | 500,312 | 376,962 | 877,274 | 34,734 | 210,050 | 1,122,058 | 1,062,124 |
| Other Operating Expenses: | | | | | | | |
| Depreciation | 379,118 | 8,805 | 387,923 | 581 | 5,223 | 393,726 | 307,267 |
| Donated goods distributed | 7,544,088 | - | 7,544,088 | - | - | 7,544,088 | 9,410,464 |
| Inventory obsolescence | 368,399 | - | 368,399 | - | - | 368,399 | 60,990 |
| Insurance | 17,582 | 3,171 | 20,753 | 209 | 1,881 | 22,843 | 36,751 |
| K.I.D.S | 20,000 | - | 20,000 | - | - | 20,000 | 15,000 |
| Newsletter | - | - | - | - | 8,674 | 8,674 | 8,301 |
| Occupancy | 13,970 | 32,352 | 46,322 | 4,412 | 31,617 | 82,350 | 125,823 |
| Office expense | 30,135 | 6,792 | 36,927 | 448 | 4,029 | 41,404 | 39,284 |
| Other | - | - | - | - | - | - | 9,335 |
| Postage | - | - | - | 1,536 | - | 1,536 | 2,098 |
| Printing | 3,473 | 2,465 | 5,938 | 163 | 1,462 | 7,563 | 7,875 |
| Professional fees | 44,476 | 23,976 | 68,452 | 39,849 | 31,001 | 139,301 | 121,392 |
| Repairs and maintenance | 78,115 | - | 78,115 | - | - | 78,115 | 74,983 |
| Taxes and assessments | 10,874 | - | 10,874 | 4,028 | - | 14,902 | 14,116 |
| Telephone | 20,277 | 2,702 | 22,979 | 171 | 1,541 | 24,692 | 21,158 |
| Training and education | 1,513 | 465 | 1,978 | 1,276 | 3,764 | 7,018 | 5,999 |
| Travel | - | - | - | 4,865 | 1,294 | 6,159 | 17,377 |
| Trucking | 10,120 | - | 10,120 | - | - | 10,120 | 14,689 |
| Warehousing | 57,383 | - | 57,383 | - | - | 57,383 | 24,566 |
| Total Other Operating Expenses | 8,599,523 | 80,728 | 8,680,251 | 57,537 | 90,485 | 8,828,273 | 10,317,468 |
| **TOTAL FUNCTIONAL EXPENSES** | $ 9,099,835 | $ 457,690 | $ 9,557,525 | $ 92,271 | $ 300,536 | $ 9,950,331 | $ 11,379,592 |
| | | *Percent of Total Expenses* | *96.1%* | *0.9%* | *3.0%* | *100.0%* | |

See Accompanying Notes to Financial Statements.

**SHELTER PARTNERSHIP, INC.**
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Changes in net assets | $ 4,923,393 | $ (761,730) |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 393,726 | 307,267 |
| Receipt of donated inventories | (13,323,729) | (8,945,704) |
| Distribution of donated inventories | 7,544,088 | 9,410,464 |
| Inventory obsolescence | 368,399 | 60,990 |
| (Increase) decrease in assets: | | |
| Grants and pledges receivable | 158,347 | (134,109) |
| Prepaid expenses and other assets | (18,271) | (6,629) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (59,109) | 70,563 |
| Accrued expenses and other liabilities | 16,200 | (7,515) |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | 3,044 | (6,403) |
| **CASH FLOWS FROM INVESTING ACTIVITY** | | |
| Purchases of property and equipment | (6,445) | (27,113) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (3,401) | (33,516) |
| **CASH AND CASH EQUIVALENTS, Beginning of Year** | 468,319 | 501,835 |
| **CASH AND CASH EQUIVALENTS, End of Year** | $ 464,918 | $ 468,319 |

## NOTE 1 – ORGANIZATION

Shelter Partnership, Inc. (the “Partnership”), formed February 8, 1985, and is organized as a California nonprofit public benefit corporation. The Partnership works collaboratively to solve homelessness in the County of Los Angeles through policy analysis, program design, resource development, and advocacy in support of agencies and local governments that serve the homeless. The Partnership also distributes new goods, at no cost, to community agencies directly serving the homeless and households in poverty.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** – The accompanying financial statements have been presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

The most significant estimates related to the valuation of contributed goods and the valuation of inventory on hand. Contributed goods account for 90% of total revenues during the year ended June 30, 2019 and 84% during the year ended June 30, 2018. Contributed goods in inventory on hand accounted for 76% of total assets at June 30, 2019 and 68% at June 30, 2018.

Management relies on the use of judgment in the estimation in determining fair values of contributed goods, and such values materially enter into determination of net assets and results of activities. Management has implemented several safeguards that are designed to significantly reduce the risk of donated goods being recorded as overstated (or misstated) amounts. These safeguards are utilized on an ongoing basis and management feels they effectively reduce risk of misstating the financial position.

**Classes of Net Assets** – To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Partnership are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

*Without donor restrictions* – Net assets without donor restriction represent the portion of expendable funds that are available to support the operations and are not subject to donor-imposed restrictions. Contributions that are purpose or time restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. At June 30, 2019 and 2018, the Organization had unrestricted net assets of $2,716,843 and $2,959,213, respectively.

*With donor restrictions* – Net assets that are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in temporarily restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in permanently restricted net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization’s actions. At June 30, 2019 and 2018, the Organization had temporarily restricted net assets of $23,698,984 and $18,533,221, respectively.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

**Cash and Cash Equivalents** – Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash and were purchased with maturities of less than three months.

**Certificates of Deposit** – Certificates of deposit are carried at cost plus accrued interest. This amount approximates fair value. As of June 30, 2019 and 2018, the certificates of deposit include the following:

| Issuer | Face value | Interest Rate | Maturity Date |
|---|---|---|---|
| CIT | $ 155,000 | 1.70% | 4/2/2020 |
| CIT | $ 95,000 | 1.70% | 7/10/2020 |

**Accounts and Pledges Receivable** – The Partnership records accounts and pledges receivable, net of allowances for uncollectible amounts, whenever there is enough evidence in the form of verifiable documentation that an unconditional promise was made and received. No provision has been provided for uncollectible amounts at June 30, 2019 and 2018, as all amounts are considered to be fully collectible. In addition, accounts and pledges receivable are expected to be collected within one year.

Four donors comprised 88% of total pledges receivable at June 30, 2019; no other single donor comprised more than 10%. During the year ended June 30, 2018, there were three donors that comprised 41% of total pledges receivable; no other single donor comprised more than 10%.

**Inventory and Donated Goods Revenues and Expenses** – Inventory and donated goods revenue consist of new goods donated by manufacturers, retailers, and others. Donations include items such as clothing, shoes, personal care products, household goods, cleaning supplies, paper products, office products, etc. These goods are recorded as temporarily restricted contributions at estimated fair market value. Fair values are determined based on numerous factors which may include (a) amounts specified by the donor as being the wholesale selling price, (b) current retail or selling price of similar items, if known, or (c) management's own subjective appraisals based on research. The goods are held at the value recorded at the date of contribution on an item-by-item basis and placed into inventory for distribution. Goods are distributed to other independent nonprofit organizations that directly service households in poverty, and the values of the distributed items are removed from inventory based on the specific identification method. Upon distribution of the inventory, the amount is released from temporarily restricted net assets and donated goods expense is recorded. The Partnership reviews its inventory on an ongoing basis for possible damaged goods to be written off and to determine if a reserve is required. At June 30, 2019 and 2018, management has determined that no reserve was needed as the Partnership records annual impairment charges for goods that are no longer able to be distributed.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

**Property and Equipment** – Property and equipment are stated at cost, or for those assets acquired by gift or bequest, the estimated fair value at the date of contribution. Property and equipment are capitalized if the cost of an asset is greater than or equal to $1,000 and the useful life is greater than two years. Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the related assets which are as follows:

| | |
|---|---|
| Office equipment | 5 years |
| Vehicles / warehouse equipment | 5 years |
| Warehouse | 30 years |
| Warehouse improvements | 5 – 30 years |

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require that a long-lived asset be tested for possible impairment, the Partnership first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. During the year ended June 30, 2019, the Partnership wrote-off $82,743 of inventory software that was obsolete. This amount is included as part of depreciation expense in the statement of functional expenses. No impairment losses were recorded during the year ended June 30, 2018.

**Income Taxes** – The Partnership is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California. The Partnership is subject to unrelated business income tax for income from operating activities not related to their exempt purpose. Unrelated business income is taxed based on the applicable statutory federal and state income tax rates for for-profit organizations. The Partnership does not have any revenue which it believes would subject it to unrelated business income taxes.

The Partnership recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Partnership has not recorded any uncertain tax positions. The Partnership recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended June 30, 2019 and 2018, the Partnership did not recognize any potential interest and penalties associated with uncertain tax positions.

**Contributions and Revenue** – Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. All gifts and other public support are included in net assets without donor restrictions unless they are specifically restricted by the terms of the gift or grant instrument or require the passage of time.

**Contributed Services** – Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2019 and 2018, the Partnership did not receive any contributed services.

**Functional Allocation of Expenses** – Expenses that can be identified with a specific program or supporting service are charged directly to that related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

**Fair Value Measurements** – The Partnership records its assets and liabilities at fair value. Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition, assets and liabilities are classified in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

The Partnership's cash and cash equivalents and investments are classified within the Level 1 category. At June 30, 2019, the Partnership's other financial instruments such as accounts receivable, pledges receivable, accounts payable, accrued expenses and other liabilities and benefit plans payable, and are all stated at carrying value, which approximate fair value due to the short maturity of these instruments.

**Revenue Recognition** – The Partnership receives revenues from various local governmental agencies for technical consulting services rendered. These consulting services pertain to various services provided including, but not limited to: funding and monitoring of social services for affordable housing tenants, supportive service plan performance evaluations, identification or refinement of Special Needs target populations, assisting with supportive services for Veterans, and other related assistance in determining how the County of Los Angeles can provide affordable housing for those most in need. The Partnership recognizes revenues from these consulting services as they are performed.

The Partnership also receives contributions from various governmental, corporate, and individual donors, which are classified as either support with or without donor restrictions in the Statement of Activities and Changes in Net Assets. Most contributions received by the Partnership are in the form of non-cash goods. These non-cash contributions are shown on the Statement of Activities and Changes in Net Assets as "Donated Goods for Distribution". All contributions are recognized at their fair market values in the period in which it is received or unconditionally given. Donor-imposed restrictions do not affect the timing or value of the recognition.

**Effect of Recently Issued Accounting Standards** – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2018. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on Organization's financial statements and related disclosures and has not yet selected a transition method.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *"Leases"* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2021 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the Partnership's financial statements and related disclosures and has not yet selected a transition method.

On June 21, 2018, the FASB completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing ASU 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments provide

(1) Clarification of how an NFP determines whether a resource provider is participating in an exchange transaction or a contribution,

(2) Guidance for evaluating whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome, and (2) a right of return or release of obligation, and

(3) Modification of the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Management is currently evaluating the impact these changes in accounting standards will have on the Organization's financial statements and related disclosures.

**Concentrations of Credit Risk** – *Cash in Excess of FDIC Insured Limits -* Cash and cash equivalents generally consist of cash and highly liquid investments with an initial maturity of three months or less. The Federal Deposit Insurance Corporation ("FDIC") insures cash deposits up to $250,000 per depositor. At times, cash may exceed the federally insured amounts.

**Subsequent Events –** Subsequent events have been evaluated through January 9, 2020, the date that the financial statements were available to be issued.

## NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets consist of the Organization's cash and cash equivalents, investments, and contributions receivable. The following table summarizes the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of June 30, 2019 because of donor-imposed restrictions:

Financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements and planned increases for program expenditures in fiscal year 2020.

| | |
|---|---|
| Financial assets as of June 30, 2019 | $ 862,082 |
| Less assets unavailable for general expenditures within one year: | |
| Restricted by donors with purpose restrictions | (68,360) |
| Restricted by donors for capital purchases | (53,042) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 740,680 |

## NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Building and improvements | $ 8,760,273 | $ 8,760,273 |
| Construction in process | - | 81,993 |
| Office equipment | 161,165 | 155,469 |
| Vehicles / warehouse equipment | 238,170 | 256,793 |
| | 9,159,608 | 9,254,528 |
| Accumulated depreciation | (3,655,708) | (3,363,347) |
| | $ 5,503,900 | $ 5,891,181 |

Depreciation expense for the years ended June 30, 2019 and 2018 was $393,726 and $307,267, respectively.

## NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions (temporarily restricted) were as follows:

| | Available at June 30, 2018 | Contributions | Released from Restrictions | Available at June 30, 2019 |
|---|---|---|---|---|
| Donated goods | $ 14,727,071 | $ 13,323,729 | $ (7,912,487) | $ 20,138,313 |
| Donated building | 3,630,340 | - | (191,071) | 3,439,269 |
| Program activities | 97,049 | 588,360 | (617,049) | 68,360 |
| Capital campaign | 78,761 | 33,850 | (59,569) | 53,042 |
| | $ 18,533,221 | $ 13,945,939 | $ (8,780,176) | $ 23,698,984 |

On July 6, 2007, the United States of America, acting through the Secretary of Health and Human Services ("Grantor"), granted the Partnership the building currently occupied as the S. Mark Taper Foundation Shelter Resource Bank. The grant of this property from the United States government contained certain continuing covenants and restrictions including (1) the use of property for health purposes, (2) limitation on ability to sell or encumber property without the consent of the Grantor, (3) annual reporting requirements as to the Partnership's program use and accomplishments, (4) maintenance of tax-exempt status, and (5) other customary requirements for receiving assistance and doing business with the United States of America.

The Partnership currently uses the donated property to distribute, free of charge, donations of surplus inventory from manufacturers, wholesalers, retailers, and others to homeless service agencies throughout Los Angeles County. The Partnership believes it is in compliance with all covenants and restrictions under the grant agreement. The covenants and restrictions will lapse in year 2037.

Donated goods are reflected as net assets with donor restrictions due to limitations on the ability to sell or transfer the goods.

## NOTE 6 – LEASE COMMITMENTS

The Partnership leases its office space under a non-cancelable operating lease agreement that expires on July 31, 2020. The future minimum lease payments are as follows:

| Years Ending June 30: | |
|---|---|
| 2020 | $ 84,683 |
| 2021 | 7,698 |
| | $ 92,382 |

Rent expense for the years ended June 30, 2019 and 2018, was $82,350 and $79,178, respectively. These amounts are included as part of occupancy on the statements of functional expenses.

## NOTE 7 – PROFIT SHARING PLANS

The Partnership offers a 401(k) profit sharing plan (the “401(k) Plan”). All employees are eligible to participate in the 401(k) Plan. The 401(k) Plan allows employees to defer up to $18,500 of their salary plus a catch-up contribution of $6,000 (for individuals over age 50). The Partnership may make discretionary contributions to the plan. The Partnership contributed $53,286 and $28,748 for the years ended June 30, 2019 and 2018, respectively.

The Partnership also offers a tax-exempt deferred compensation plan (the “457 Plan”) for the executive director. The 457 plan allows for discretionary contributions. For each of the years ended June 30, 2019 and 2018, the Partnership contributed $6,500 to the 457 Plan.