

Coastside Hope
(a nonprofit public benefit corporation)

Financial Statements
and
Independent Auditors' Report

For the Years Ended
June 30, 2018 and 2017



Coastside Hope
Neighbors Helping Neighbors In Need...

Coastside Hope

For the Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Coastside Hope
El Granada, CA

We have audited the accompanying financial statements of Coastside Hope (the Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, 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 Coastside Hope as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads 'Wheeler'.

December 3, 2018
San Jose, CA

COASTSIDE HOPE
Statement of Financial Position
As of June 30, 2018

	2018		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current Assets			
Cash	\$ 269,507	\$ 178,238	\$ 447,745
Investments	592,960	-	592,960
Accounts Receivable	1,385	-	1,385
Government Grants Receivables	43,743	-	43,743
Community Grants Receivables	38,827	75,000	113,827
Inventory	30,764	-	30,764
Prepaid Expenses	14,422	-	14,422
	<u>991,608</u>	<u>253,238</u>	<u>1,244,846</u>
Total Current Assets			
Long Term Assets			
Property and Equipment, net	570,851	-	570,851
	<u>570,851</u>	<u>-</u>	<u>570,851</u>
Total Long Term Assets			
Total Assets	<u>\$ 1,562,459</u>	<u>\$ 253,238</u>	<u>\$ 1,815,697</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ 67,663	\$ -	\$ 67,663
Current Portion of Notes Payable	3,832	-	3,832
	<u>71,495</u>	<u>-</u>	<u>71,495</u>
Total Current Liabilities			
Long Term Liabilities			
Notes Payable, net of Current Portion	306,611	-	306,611
Rental Deposits	5,200	-	5,200
	<u>311,811</u>	<u>-</u>	<u>311,811</u>
Total Long Term Liabilities			
Total Liabilities	<u>383,306</u>	<u>-</u>	<u>383,306</u>
Net Assets			
Undesignated Net Assets	918,745	-	918,745
Investment in Fixed Assets	260,408	-	260,408
Total Unrestricted	<u>1,179,153</u>	<u>-</u>	<u>1,179,153</u>
Temporarily Restricted Net Assets	-	253,238	253,238
Total Net Assets	<u>1,179,153</u>	<u>253,238</u>	<u>1,432,391</u>
Total Liabilities and Net Assets	<u>\$ 1,562,459</u>	<u>\$ 253,238</u>	<u>\$ 1,815,697</u>

See Independent Auditors' report and accompanying notes to financial statements.

COASTSIDE HOPE
Statement of Financial Position
As of June 30, 2017

	2017		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current Assets			
Cash	\$ 468,438	\$ 165,134	\$ 633,572
Investments	184,984	-	184,984
Accounts Receivable	100	-	100
Gouvernement Grants Receivable	43,744	-	43,744
Community Grants Receivable	33,200	75,000	108,200
Inventory	48,290	-	48,290
Prepaid Expenses	15,322	-	15,322
Total Current Assets	794,078	240,134	1,034,212
Long Term Assets			
Community Grants Receivables	-	75,000	75,000
Property and Equipment, net	594,691	-	594,691
Total Long Term Assets	594,691	75,000	669,691
Total Assets	\$ 1,388,769	\$ 315,134	\$ 1,703,903
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable and Accrued Expenses	\$ 57,983	\$ -	\$ 57,983
Current Portion of Notes Payable	3,719	-	3,719
Total Current Liabilities	61,702	-	61,702
Long Term Liabilities			
Notes Payable, net of Current Portion	310,443	-	310,443
Rental Deposits	5,200	-	5,200
Total Long Term Liabilities	315,643	-	315,643
Total Liabilities	377,345	-	377,345
Net Assets			
Undesignated Net Assets	730,895	-	730,895
Investment in Fixed Assets	280,529	-	280,529
Total Unrestricted	1,011,424	-	1,011,424
Temporarily Restricted Net Assets	-	315,134	315,134
Total Net Assets	1,011,424	315,134	1,326,558
Total Liabilities and Net Assets	\$ 1,388,769	\$ 315,134	\$ 1,703,903

See notes to financial statements.

COASTSIDE HOPE
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	2018		Total
	Unrestricted	Temporarily Restricted	
Support and Revenue			
Program Revenue	\$ 76,331	\$ -	\$ 76,331
Community Contributions	356,649	156,937	513,586
Immigration Fees	61,370	-	61,370
Fundraising Revenue	13,308	-	13,308
Fundraising Expenses	(5,484)	-	(5,484)
Grants	174,975	-	174,975
In-kind Donations	288,554	-	288,554
Total Support and Revenue	<u>965,703</u>	<u>156,937</u>	<u>1,122,640</u>
Adjustments			
Release of temporarily restricted net assets	<u>218,833</u>	<u>(218,833)</u>	<u>-</u>
Expenses			
Program Services	966,424	-	966,424
Management and General	63,831	-	63,831
Fundraising	27,650	-	27,650
Total Expenses	<u>1,057,905</u>	<u>-</u>	<u>1,057,905</u>
Other Revenue			
Rental Income	36,000	-	36,000
Gain on Investments	1,268	-	1,268
Interest Income	3,830	-	3,830
Total Other Revenue	<u>41,098</u>	<u>-</u>	<u>41,098</u>
Change in Net Assets	<u>167,729</u>	<u>(61,896)</u>	<u>105,833</u>
Net Assets:			
Beginning of Year	<u>1,011,424</u>	<u>315,134</u>	<u>1,326,558</u>
End of Year	<u>\$ 1,179,153</u>	<u>\$ 253,238</u>	<u>\$ 1,432,391</u>

See notes to financial statements.

COASTSIDE HOPE
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	2017		Total
	Unrestricted	Temporarily Restricted	
Support and Revenue			
Program Revenue	70,859	\$ -	\$ 70,859
Community Contributions	372,029	297,037	669,066
Immigration Fees	61,854	-	61,854
Fundraising	16,112	-	16,112
Fundraising expense	(7,386)	-	(7,386)
Grants	182,525	-	182,525
In-kind donations	305,235	-	305,235
Total Support and Revenue	1,001,228	297,037	1,298,265
Adjustments			
Release of temporarily restricted net assets	95,688	(95,688)	-
Expenses			
Program Services	916,122	-	916,122
Management and General	68,584	-	68,584
Fundraising	24,415	-	24,415
Total Expenses	1,009,121	-	1,009,121
Other Revenue			
Rental Income	36,000	-	36,000
Gain on Investments	2,384	-	2,384
Interest Income	1,896	-	1,896
Total Other Revenue	40,280	-	40,280
Change in Net Assets	128,075	201,349	329,424
Net Assets:			
Beginning of Year	883,349	113,785	997,134
End of Year	<u>\$ 1,011,424</u>	<u>\$ 315,134</u>	<u>\$ 1,326,558</u>

See notes to financial statements.

COASTSIDE HOPE
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Payroll and Benefits	\$ 427,771	\$ 20,849	\$ 27,650	476,270
Professional Services	9,497	29,020	-	38,517
Professional Development and Hospitality	858	-	-	858
Membership, Dues and Subscriptions	1,058	-	-	1,058
Program Travel	2,645	-	-	2,645
Insurance	12,153	-	-	12,153
Interest	1,394	-	-	1,394
Property Tax	5,583	283	-	5,866
Building Repairs and Maintenance	12,710	-	-	12,710
Storage Rental	9,600	-	-	9,600
Utilities	9,311	-	-	9,311
Telephones	6,097	-	-	6,097
Website and Internet	2,942	-	-	2,942
Postage and Delivery	3,827	-	-	3,827
Printing and Copying	4,459	-	-	4,459
Supplies	4,229	-	-	4,229
Marketing and Fundraising	22,110	-	-	22,110
Adopt-a-Family	71,076	-	-	71,076
Emergency Assistance	788	-	-	788
ESL Program	948	-	-	948
Food Bank	1,103	-	-	1,103
Immigration Program	6,385	-	-	6,385
LIBRE Program Costs	1,550	-	-	1,550
Grove Citizen Scholarship Grant	4,457	-	-	4,457
Vehicle Expenses	3,409	-	-	3,409
Rental Property Expenses	-	2,093	-	2,093
Bank Charges	4,526	-	-	4,526
In-Kind Donations	306,080	-	-	306,080
Taxes	-	3,805	-	3,805
Depreciation	24,940	7,781	-	32,721
Special Delivery	4,060	-	-	4,060
General Services	858	-	-	858
Total Expenses	<u>\$ 966,424</u>	<u>\$ 63,831</u>	<u>\$ 27,650</u>	<u>\$ 1,057,905</u>
	91%	6%	3%	100%

See notes to financial statements.

COASTSIDE HOPE
Statement of Functional Expenses
For the Year Ended June 30, 2017

	2016			
	Program Services	Management and General	Fundraising	Total
Payroll and Benefits	\$ 403,952	\$ 19,291	\$ 24,349	\$ 447,592
Professional Services	4,777	34,378	-	39,155
Professional Development and Hospitality	1,237	-	-	1,237
Membership, Dues and Subscriptions	1,032	-	-	1,032
Program Travel	2,655	-	-	2,655
Insurance	12,878	-	-	12,878
Interest	1,503	-	-	1,503
Property Tax	5,713	283	-	5,996
Building Repairs and Maintenance	14,283	-	-	14,283
Storage Rental	9,600	-	-	9,600
Utilities	8,973	-	-	8,973
Telephones	6,224	-	-	6,224
Website and Internet	4,729	-	-	4,729
Postage and Delivery	3,905	-	-	3,905
Printing and Copying	3,854	-	-	3,854
Supplies	5,727	-	-	5,727
Marketing and Fundraising	12,649	-	-	12,649
Adopt-a-Family	54,453	-	-	54,453
Emergency Assistance	3,969	-	-	3,969
ESL Program	12,400	-	-	12,400
Food Bank	224	-	-	224
Immigration Program	6,327	-	-	6,327
LIBRE Program Costs	2,098	-	-	2,098
Grove Citizen Scholarship Grant	3,366	-	-	3,366
Vehicle Expenses	2,053	-	-	2,053
Rental Property Expenses	-	2,124	-	2,124
Bank Charges	6,449	-	66	6,515
In-Kind Donations	301,100	-	-	301,100
Taxes	-	1,208	-	1,208
Depreciation	19,992	11,300	-	31,292
Total Expenses	<u>\$ 916,122</u>	<u>\$ 68,584</u>	<u>\$ 24,415</u>	<u>\$ 1,009,121</u>
	91%	7%	2%	100%

See notes to financial statements.

COASTSIDE HOPE
Statement of Cash Flows
For the years ended June 30, 2018

	2018		
	Unrestricted	Temporarily Restricted	Total
Cash flows from Operating Activities			
Change in Net Assets	\$ 167,729	\$ (61,896)	\$ 105,833
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	32,721	-	32,721
Gain on Investments	(2,384)	-	(2,384)
(Increase) Decrease in Inventory	17,526	-	17,526
(Increase) Decrease in Accounts Receivable	(1,285)	-	(1,285)
(Increase) Decrease in Grants Receivable	1	-	1
(Increase) Decrease in Community Grants Receivable	(5,627)	75,000	69,373
(Increase) Decrease in Prepaid Expenses	900	-	900
Increase (Decrease) in Accounts Payable	9,681	-	9,681
Total Adjustments	51,533	75,000	126,533
Net Cash provided by (used in) Operating Activities	219,262	13,104	232,366
Cash flows from Investing Activities			
Purchases of Investments	(405,592)	-	(405,592)
Purchase of Equipment	(8,882)	-	(8,882)
Net Cash used in Investing Activities	(414,474)	-	(414,474)
Cash flows from Financing Activities			
Payments on long-term debt	(3,719)	-	(3,719)
Net Cash used in Financing Activities	(3,719)	-	(3,719)
Net Increase in cash	(198,931)	13,104	(185,827)
Cash Beginning of Year	468,438	165,134	633,572
Cash End of Year	\$ 269,507	\$ 178,238	\$ 447,745
<u>Supplemental Disclosures</u>			
Cash Paid for Interest	\$ 1,394	\$ -	\$ 1,394

See notes to financial statements.

COASTSIDE HOPE
Statement of Cash Flows
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash flows from Operating Activities			
Change in Net Assets	\$ 128,075	\$ 201,349	\$ 329,424
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	31,292	-	31,292
Gain on Investments	(2,384)	-	(2,384)
(Increase) Decrease in Inventory	(4,134)	-	(4,134)
(Increase) Decrease in Accounts Receivable	(100)	-	(100)
(Increase) Decrease in Government Grants Receivable	(37,494)	-	(37,494)
(Increase) Decrease in Community Grants Receivable	1,309	(150,000)	(148,691)
(Increase) Decrease in Prepaid Expense	(8,647)	-	(8,647)
Increase (Decrease) in Accounts Payable	(3,488)	-	(3,488)
Total Adjustments	<u>(23,646)</u>	<u>(150,000)</u>	<u>(173,646)</u>
Net Cash provided by (used in) Operating Activities	104,429	51,349	155,778
Cash flows from Investing Activities			
Purchase of Investments	(32,660)	-	(32,660)
Purchase of Equipment	<u>(24,234)</u>	<u>-</u>	<u>(24,234)</u>
Net Cash used in Investing Activities	<u>(56,894)</u>	<u>-</u>	<u>(56,894)</u>
Cash flows from Financing Activities			
Payments of Debt	<u>(3,610)</u>	<u>-</u>	<u>(3,610)</u>
Net Cash used in Investing Activities	<u>(3,610)</u>	<u>-</u>	<u>(3,610)</u>
Net Increase in cash	43,925	51,349	95,274
Cash Beginning of Year	<u>424,513</u>	<u>113,785</u>	<u>538,298</u>
Cash End of Year	<u>\$ 468,438</u>	<u>\$ 165,134</u>	<u>\$ 633,572</u>
<u>Supplemental Disclosures</u>			
Cash Paid for Interest	\$ 1,503	\$ -	\$ 1,503

See notes to financial statements.

Coastside Hope
Notes to the Financial Statements
As of June 30, 2018 and 2017

1. NATURE OF ACTIVITIES

Coastside Hope (the Organization), a not-for-profit corporation, was established in 1976 and operates in El Granada, California. Social service programs are the main focus of the Organization.

These programs include critical needs services for local low-income families and individuals, including food, clothing, rental and utilities assistance, shelter referral, infant needs and no cost tax preparation services. In addition, the Organization provides immigration and citizenship services to local immigrant workers under a program led by an Office of Legal Access Program accredited representative.

2. SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The Organization prepares its financial statements using the accrual method of accounting in accordance with GAAP. The Organization's fiscal year is from July 1 to June 30.

Fiscal Year

The Organization's fiscal year begins on July 1 and ends on June 30.

Classes of Net Assets

In accordance with GAAP, where applicable, the financial statements report amounts separately by the following classes of net assets:

- 1) Unrestricted amounts are those currently available at the discretion of the Board for use in the Organization's activities and those resources invested in land, buildings and equipment.
- 2) Board-designated amounts are unrestricted net assets that are presently designated by the Board to a specific purpose. These amounts can be returned to an unrestricted status by action of the same Board. There were no Board-designated net assets as of June 30, 2018 or 2017.
- 3) Temporarily restricted amounts are those that are restricted by donors for specific operating purposes or for the acquisition of land, buildings and equipment. Temporarily restricted donations received and expended during the same fiscal year are considered unrestricted.
- 4) Permanently restricted net assets are those amounts in which the donor has stipulated that the principal remain intact in perpetuity. Income from the

Coastside Hope
Notes to the Financial Statements
As of June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principal is considered unrestricted unless further restricted by the donor. There were no permanently restricted net assets as of June 30, 2018 or 2017.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Funds donated to Coastside Hope's Adopt-a-Family holiday program are accounted for in a separate bank account, which is presented on the statement of financial position as temporarily restricted.

Accounts Receivable

All accounts receivables are deemed collectible by management. Based on management's assessment of the grantors having outstanding balances and their past history, they concluded that losses on balances outstanding at year-end are unlikely. Management believes that all receivables will be collected within one year, therefore no allowance for doubtful accounts has been recorded.

Inventory

Inventory consists of donated food received from Second Harvest Food Bank and from the community. Inventories are determined using the first in, first out method and are valued at the lower of cost or net realizable value.

Prepaid Expenses

Prepaid expenses consist of expenses paid before they are incurred including insurance and other operating expenses.

Property and Equipment

Land, buildings, equipment, and improvements are recorded at cost if purchased or at fair market value at date of gift, if donated. Assets over \$1,500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives. The estimated useful life ranges from 3 to 30 years, based on the nature of the asset.

Construction in progress includes additions in flooring for the upstairs apartment. Construction work was completed and placed in service in August 2018, one month after year end.

Fair Value of Financial Instruments

Financial instruments included in the Organization's Statements of Financial Position as of June 30, 2018 and 2017 include cash, investment, accounts receivable, accounts payable and accrued expenses, and notes payable. The carrying amounts of these financial instruments represent a reasonable estimate of the corresponding fair values.

Coastside Hope
Notes to the Financial Statements
As of June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of Contribution Income

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are temporarily restricted are then reclassified to unrestricted net assets upon satisfaction of the restriction.

Contributions of fixed assets or goods are recognized as in-kind donations at their fair market value. For the years ended June 30, 2018 and 2017, the value of in-kind food, fixed assets, and other items contributed to the Organization is \$288,554 and \$305,235, respectively.

In accordance with GAAP, unconditional contributions are recognized as income in the fiscal year awarded, including funds from multi-year grants, which are included in temporarily restricted net assets until they are disbursed and expensed in the applicable year of the grant designation. Conditional grants are recognized as income in the period all contingent terms of the awards are met. For the years ending June 30, 2018 and 2017, grants totaling \$253,238 and \$315,134 have been recognized as income, but the related funds will be disbursed, and expense recognized in subsequent fiscal years. Of the \$253,238 at June 30, 2018, grant terms require that \$75,000 must be disbursed by June 30, 2019. Disbursement of the remaining \$178,238 is not time restricted; the funds will be disbursed as needed for the related programs.

Other Income Allocations - Unrestricted and Temporarily Restricted

All gains and losses arising from the sale, collection or other disposition of investments and fixed assets are accounted for in the fund that owned such assets according to restrictions placed on the original gift. Ordinary income derived from temporarily restricted investments is accounted for in the temporarily restricted fund.

Accounting for Significant Programs

The Organization's programs assist families and individuals with critical safety net needs and immigration services.

The Organization's programs are operated in conjunction with various partners and donors. The accounting for each program depends on the role of the partner or donor and the type of assistance provided.

Functional Allocation of Expenses

Functional classification allocates expenses according to the purpose for which the costs are incurred. Examples of functional classifications are program services (expenses directly related to the purpose for which the organization exists) and supporting activities (those indirectly related to the purposes for which the organization exists but necessary for its operations, i.e., management and general, and fundraising).

Coastside Hope
Notes to the Financial Statements
As of June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Advertising Expenses

Advertising expenses are recorded as they are incurred.

Tax Exemption Status

The Organization is exempt from federal and state income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701(d) of the California Revenue and Taxation Code. The Organization does pay unrelated business income tax on rental activities that are not related to its exempt purpose. For the years ended June 30, 2018 and 2017, the Organization's unrelated business income tax was \$3,203 and \$2,374, respectively.

In accordance with GAAP, an organization must recognize the tax benefit associated with any tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions. For the years ended June 30, 2018 and 2017, there were no tax related interest or penalties recorded or included in the financial statements.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction are June 30, 2015 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2014 forward.

Changing Standards

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the statement of financial position for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The new standard will be effective for the Organization on July 1, 2020. Early adoption is permitted. The Organization is in the process of evaluating the impact the adoption of this standard will have on its financial statements and related disclosures.

Coastside Hope
Notes to the Financial Statements
As of June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changing Standards (continued)

Inventory Measurement

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"), which requires entities to measure inventory at the lower of cost and net realizable value ("NRV"). ASU 2015-11 defines NRV as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU will not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The guidance in ASU 2015-11 is effective prospectively for fiscal years beginning after December 15, 2016, and interim periods therein. The guidance in ASU 2016-14 moved the effective date to fiscal years beginning after December 15, 2017. Early adoption is permitted. Upon transition, entities must disclose the nature of and reason for the accounting change. The Organization does not expect that the adoption of this standard will have a material effect on its financial statements.

Presentation of Financial Statements of Not-for-Profit Organizations

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"), which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. This issuance of ASU 2016-14 is the first phase of a FASB project with the broad objective of re-examining the standards for financial statement presentation by nonprofit organizations. Some of the more significant changes are (a) only two classes of net assets are reported in the statement of financial position, (b) accumulated losses of donor-restricted endowment funds are no longer classified in unrestricted net assets and additional disclosures about endowment funds are required, (c) all nonprofit organizations are required to present an analysis of expenses by both nature and function either on the face of the statement of activities, as a separate statement, or in the notes to the financial statements, (d) nonprofit organizations are required to describe the methods used to allocate costs among the program and support functions, (e) while nonprofit organizations continue to be permitted to report cash flows from operating activities using either the direct or indirect method, a reconciliation to the indirect method is no longer required when the direct method is used, (f) investment return is reported net of external and direct internal investment expenses, (g) the release of restrictions on donor-restricted capital gifts is recognized when the assets are placed in service, (i) nonprofit organizations are required to provide qualitative and quantitative information about the organization's liquidity and the availability of its resources to fund general expenditures, and (j) enhanced disclosures about net assets with donor restrictions and designations of net assets made by the governing board are required. The guidance in ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. ASU 2016-14 is to be applied to the financial statements using a retrospective application. The nature of any reclassifications or restatements and their effects, if any, on the changes in net asset classes for each period that is presented is required to be disclosed.

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3. CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, and receivables. The Organization maintains cash with commercial banks and other major financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance (“FDIC”) limits of \$250,000.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from Organization members, local donors and governments.

4. INVESTMENTS

The Organization invests its money in brokered certificates of deposit which are traded on the open market. The investments are shown at fair market value as of June 30, 2018 and 2017.

<u>Description</u>	June 30, 2018			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Brokered Certificate of Deposits	<u>\$ 592,960</u>	<u>\$ 592,960</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 592,960</u>	<u>\$ 592,960</u>	<u>\$ -</u>	<u>\$ -</u>
	June 30, 2017			
<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Brokered Certificate of Deposits	<u>\$ 184,984</u>	<u>\$ 184,984</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 184,984</u>	<u>\$ 184,984</u>	<u>\$ -</u>	<u>\$ -</u>

The basis for the carrying value of investments is from information provided by broker managed accounts. Fair value measurements of investment instruments are based on open actively traded securities markets as reported by investment account Broker statements.

The three levels of inputs that may be used to measure fair value:

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

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little to no market activity and that are significant to the fair value of the assets or liabilities.

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4. INVESTMENTS (continued)

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

5. PROPERTY AND EQUIPMENT

The Organization owned the following property and equipment as of June 30, 2018 and 2017:

	2018	2017
Land	\$ 386,716	\$ 386,716
Building	491,347	482,465
Office Equipment	53,034	53,034
Vehicles	51,194	51,194
	<u>982,291</u>	<u>973,409</u>
Less accumulated depreciation	<u>(411,440)</u>	<u>(378,719)</u>
Net property and equipment	<u>\$ 570,851</u>	<u>\$ 594,690</u>

Depreciation expense for the years ended June 30, 2018 and 2017 were \$32,721 and \$31,292.

6. REVENUE

The Organization receives food from Second Harvest Food Bank for its Food Pantry, which is open daily except weekends and holidays. The Organization also receives food from community food drives conducted throughout the year and distributes the collected food through its Food Pantry. In addition, through The Organization's partnership with Second Harvest Food Bank, the Organization's employees and volunteers distribute food to eligible seniors and families on the second and fourth Mondays and on the third Thursday of every month through the Brown Bag and Family Harvest food programs, respectively. The following food assistance was received for the years ending June 30, 2018 and 2017:

	2018	2017
Food Pantry	\$200,857	\$216,354
Community Food Drive Donations	80,062	84,746
Second Harvest Brown Bag Program	117,164	194,946
Second Harvest Family Harvest Program	149,588	114,624
Total Donations	<u>\$547,671</u>	<u>\$610,670</u>

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6. REVENUE (continued)

The related income and expense for each program is included in the Organization's financial statements, with the exception of Brown Bag and Family Harvest donations.

The Organization arranges for rental and utilities assistance in coordination with San Mateo County Measure K, Community Action Agency Community Services Block Grant (CSBG) and other third-party programs. In addition, since 1986, the Organization has partnered with the San Francisco Chronicle as part of its annual Season of Sharing program. The Organization determines eligibility for these third-party run programs, however, related funds are distributed by the respective fiscal agents. Due to the nature of these transactions, The Organization does not recognize the related income or expense in its financial statements for these programs. Significant services provided for these programs for the years ending June 30, 2018 and 2017 are:

	<u>2018</u>	<u>2017</u>
San Mateo County Measure A/K - Rental Assistance	\$ 22,402	\$ -
San Mateo County Measure A Community Service Block Grant - Rental Assistance	-	13,546
Season of Sharing	7,226	6,473
	<u>3,599</u>	<u>12,640</u>
Total	<u>\$ 33,227</u>	<u>\$ 32,659</u>

The Organization receives funds from donations to the Organization's Adopt-a-Family program for holiday needs assistance. In addition to the funds received, donors directly sponsor families and seniors anonymously and shop for needed holiday items. The Organization also receives private grants for rental and shelter assistance to meet critical housing needs of community residents.

The income and expenses for these programs are directly reported in the Organization's financial statements, with the exception of Adopt-a-Family in-kind gifts purchased directly by donors. Funds released for these programs for the years ending June 30, 2018 and 2017 are:

	<u>2018</u>	<u>2017</u>
Adopt-a-Family	\$ 71,076	\$ 54,453
Rental/Shelter Assistance	134	2,990
Total	<u>\$ 71,210</u>	<u>\$ 57,443</u>

The Organization provides free tax preparation assistance to low-income individuals and families. These services are primarily provided by qualified Organization volunteers as part of the Earn It! Keep it! Save It! Program, in conjunction with the Internal Revenue Service and United Way of the Bay Area. For fiscal years ending June 30, 2018 and 2017, The Organization volunteers prepared 394 and 386 tax returns, respectively. The Organization includes related grant income and operating expenses for this program in its financial statements.

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6. REVENUE (continued)

The Organization provides various other in-kind assistance, including diapers, toiletries, paper goods, school supplies, food for Thanksgiving dinners, winter coats and blankets, which are donated and distributed through a variety of programs. The Organization does not recognize income and expense for these in-kind donations in its financial statements.

In addition to safety net programs, The Organization provides low-cost immigration assistance and free citizenship classes to eligible individuals. The Organization includes income and expenses from these programs in its financial statements.

For the years ending June 30, 2018 and 2017, the Organization's programs assisted 1,405 and 1,442 households in the community, comprising 3,366 and 3,344 individuals, respectively.

For the years ending June 30, 2018 and 2017, the Organization's programs had 311 and 362 volunteers, that contributed 6,236 and 6,036 hours, respectively

7. NET ASSETS

Temporarily restricted net assets are restricted to the following purposes:

	<u>2018</u>	<u>2017</u>
Adopt-a-Family Program	\$ 78,222	\$ 74,749
Social Services Program	67,183	73,095
Immigration Program	32,833	17,290
Time Restricted	<u>75,000</u>	<u>150,000</u>
Total Temporarily Restricted Net assets	<u>\$ 253,238</u>	<u>\$ 315,134</u>

Net assets were released from donor restrictions as follows:

	<u>2018</u>	<u>2017</u>
Adopt-a-Family Program	\$ 71,076	\$ 54,453
Social Services Program	68,300	37,869
Immigration Program	4,457	3,366
Time Restricted	<u>75,000</u>	<u>-</u>
Total Net Assets Released from Restriction	<u>\$ 218,833</u>	<u>\$ 95,688</u>

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8. DEBT

At June 30, long-term debt consisted of the following:

	2018	2017
Non-interest bearing note payable to San Mateo County Housing Division, secured by land & building. The entire principal and a share of the appreciated value of the property was due in the year 2025. In November 2016, San Mateo County agreed to extend the due date to the year 2055.	\$ 266,000	\$ 266,000
Note payable to San Mateo County Housing Division, secured by parking lot. Monthly payments of \$432, including interest at 3% per annum, are due through July 2028.	44,443	48,162
Total Notes Payable	310,443	314,162
Less Current Portion on note secured by parking lot	(3,832)	(3,719)
Total Long-Term Debt - Net	\$ 306,611	\$ 310,443

Future payments of principal for the years ended June 30:

2018	\$ 3,832
2019	3,949
2020	4,069
2021	4,193
2022	4,320
Thereafter	290,080
Total	\$ 310,443

9. RELATED PARTY

Storage space is rented from a board member to run the food bank program as well as storage space for other programs. For each of the years ended June 30, 2018 and 2017, the board member was paid \$12,000.

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10. CONTINGENT LIABILITIES

The Organization entered into an agreement with the San Mateo County Housing Division to provide financing for their operating premises (See Note 8). Terms of the agreement provide in part for the Organization to repay in March 2055, the face value of the debt of \$266,000 plus an amount equal to one-half of the market value of the property in excess of the original cost, less the value of improvements made by the Organization during its period of occupancy. The Organization records an accrual for contingent liabilities when a liability is both probable and estimable reasonably estimable. With regards to the San Mateo County Housing Division agreement, the liability related to the future market value of the property is not estimable and is not reflected in the financial statements at June 30, 2018 or 2017. The Organization is in compliance with the note's specific loan covenant requirements for the years ended June 30, 2018 and 2017.

11. LEASES

The Organization leases copier equipment under an operating lease. Lease payments made during the fiscal year end totaled \$3,352. Future minimum lease payments are as follows:

For the Year Ending June 30:

2019	\$ 1,676
Total	<u><u>\$ 1,676</u></u>

12. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

Management evaluates events occurring subsequent to June 30, 2018 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued.