



PEOPLE FOR IRVINE COMMUNITY
HEALTH DBA 2-1-1
ORANGE COUNTY

Financial Statements
With Independent Auditors' Report

June 30, 2019

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
People for Irvine Community Health
dba 2-1-1 Orange County
Santa Ana, California

We have audited the accompanying financial statements of People for Irvine Community Health, dba 2-1-1 Orange County, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Board of Directors
People for Irvine Community Health
dba 2-1-1 Orange County
Santa Ana, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of People for Irvine Community Health, dba 2-1-1 Orange County as of June 30, 2019, and the changes in activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

People for Irvine Community Health, dba 2-1-1 Orange County has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Brea, California
July 15, 2020

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

Statement of Financial Position

June 30, 2019

ASSETS:

Cash and cash equivalents	\$ 25,486
Grants and accounts receivable, net	212,592
Prepaid expenses, deposits, and other assets	<u>41,243</u>

Total Assets \$ 279,321

LIABILITIES AND NET ASSETS:

Accounts payable	\$ 93,177
Accrued expenses	283,932
Note payable	<u>62,737</u>

Total liabilities 439,846

Net assets:

Without donor restrictions	(235,192)
With donor restrictions	<u>74,667</u>
Total net assets	<u>(160,525)</u>

Total Liabilities and Net Assets \$ 279,321

See notes to financial statements

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:			
Private grants and contributions	\$ 195,901	\$ 73,000	\$ 268,901
Government grants and contracts	2,286,845	-	2,286,845
Contributed services	355,166	-	355,166
Program service fees	157,959	-	157,959
Other income	436	-	436
Net assets released from restrictions:			
Satisfaction of donor restrictions	176,139	(176,139)	-
Total Support, Revenue, and Reclassifications	3,172,446	(103,139)	3,069,307
EXPENSES:			
Program services	2,770,996	-	2,770,996
Supporting activities:			
General and administration	347,090	-	347,090
Fundraising	122,791	-	122,791
Total Expenses	3,240,877	-	3,240,877
 Change in Net Assets	 (68,431)	 (103,139)	 (171,570)
 Net Assets, Beginning of Year	 (166,761)	 177,806	 11,045
 Net Assets, End of Year	 \$ (235,192)	 \$ 74,667	 \$ (160,525)

See notes to financial statements

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising	
Wages and benefits	\$ 1,941,902	\$ 141,620	\$ 89,078	\$ 2,172,600
Information technology	200,401	6,167	10,355	216,923
Equipment and software	10,227	8,030	275	18,532
Rent and facilities	170,452	12,265	3,137	185,854
Professional services	392,414	100,339	9,261	502,014
Other expenses	55,600	78,669	10,685	144,954
Total	\$ 2,770,996	\$ 347,090	\$ 122,791	\$ 3,240,877

See notes to financial statements

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

Statement of Cash Flows

June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (171,570)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net change in:	
Grants and accounts receivable	62,683
Prepaid expenses, deposits, and other assets	14,301
Accounts payable	(176,781)
Accrued expenses	136,922
Net Cash Used In Operating Activities	<u>(134,445)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on note payable	6,724
Principal payments on note payable	(14,873)
Net Cash Used in Financing Activities	<u>(8,149)</u>

Change in Cash and Cash Equivalents (142,594)

Cash and Cash Equivalents, Beginning of Year 168,080

Cash and Cash Equivalents, End of Year \$ 25,486

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest \$ 12,682

See notes to financial statements

PEOPLE FOR IRVINE COMMUNITY HEALTH DBA 2-1-1 ORANGE COUNTY

Notes to Financial Statements

June 30, 2019

1. NATURE OF ORGANIZATION:

People for Irvine Community Health was established in 1984 and is known as 2-1-1 Orange County (211OC). On April 1, 2004, the Public Utilities Commission of the state of California authorized 211OC to use the 2-1-1 abbreviated dialing code to provide information and referral services to all of Orange County. This authority is granted for an indefinite term. 2-1-1 is the national abbreviated dialing code designated by the Federal Communications Commission to be used to phone non-emergency information and referral providers. 211OC is a California not-for-profit corporation.

Additionally, 211OC has expanded its service offerings to be a leader and catalyst in promoting, creating, building, supporting, and sustaining viable solutions to homelessness, hunger, and inadequate health care in Orange County, California. 211OC coordinates with a group of public and private organizations who support our efforts and work with them toward strengthening Orange County's system of care. 211OC's primary source of revenue consists of tax-deductible contributions and support from governmental entities and private foundation grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of 211OC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by 211OC are described below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of cash on deposit. At June 30, 2019, 211OC's cash balances did not exceed federally insured limits.

GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable consist primarily of grants receivable from government entities and private foundations. All amounts are expected to be collected within one year. Balances that remain outstanding after reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. For the year ended June 30, 2019, the balance in the allowance for doubtful accounts was \$5,000.

PROPERTY AND EQUIPMENT

Purchased property and equipment with a value of \$5,000 or greater is capitalized and stated at cost, net of accumulated depreciation and amortization. Property and equipment is reported at fair value on the date of the gift, net of accumulated depreciation and amortization. Furniture and equipment is depreciated over its estimated useful lives on a straight-line basis. The useful lives of fixed assets range from three to seven years.

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

Notes to Financial Statements

June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by the following net asset classifications:

Net assets without donor restrictions are currently available at the discretion of the board of directors for use in the operations.

Net assets with donor restrictions are contributed with donor stipulations for specific programs and purposes, as well as grants not yet received.

All contributions are considered available for without donor restriction use unless specifically restricted by the donor or subject to legal restrictions.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to 211OC. Conditional promises-to-give are recognized as revenue when the conditions on which they depend are substantially met.

Contributions are recorded as with donor restrictions if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the asset is placed in service.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

CONTRIBUTED SERVICES

Donated services are recognized as contributions if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During the year ended June 30, 2019, 211OC received donated legal and technology services. Total donated services were approximately \$355,000 for the year ended June 30, 2019. This amount was recorded as a contribution and expense in the statement of activities.

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

Notes to Financial Statements

June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis on the accompanying statement of functional expenses. Accordingly, certain costs, such as wages and benefits, have been allocated based on time and effort by employees for payroll costs and square footage for utilities and depreciation. For the year ended June 30, 2019, there were no joint costs.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

REVENUE CONCENTRATION

Each year, 211OC applies for annual grant renewals from the U.S. Department of Housing and Urban Development (HUD) and County of Orange which constituted 62% of total revenue received during the year ended June 30, 2019. Management recognizes the operational implications of the concentration.

RECENTLY ADOPTED ACCOUNTING STANDARDS

During the year ended June 30, 2019, 211OC adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires not-for-profit entities to improve their financial statement presentation and disclosures to provide more relevant information about their resources to their donors, grantors, creditors, and other users. ASU 2016-14 has qualitative and quantitative requirements for presentation and disclosure over net asset classes, investment return, expenses, liquidity and availability of resources, and cash flows. There was no effect on changes in net assets for the year ended June 30, 2019.

3. PROPERTY AND EQUIPMENT:

Property and equipment as of June 30, 2019, consist of:

Leasehold improvements	\$ 3,780
Furniture and equipment	306,451
	<hr/> 310,231
Less accumulated depreciation	<hr/> (310,231)
	<hr/> <hr/> \$ -

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

Notes to Financial Statements

June 30, 2019

4. LEASES:

211OC leases office space and copier equipment under operating leases ending April 2020 and August 2024, respectively. Lease expense for the year ended June 30, 2019, was approximately \$119,000. The minimum future payments are:

<u>Year Ending June 30,</u>	
2020	\$ 110,987
2021	102,909
2022	9,392
2023	9,392
2024	<u>10,174</u>
	<u>\$ 242,854</u>

5. NOTE PAYABLE:

Notes payable consists of a \$100,000 revolving credit line payable to a financial institution with an effective interest rate of 9.5%. As of June 30, 2019, the outstanding balance was approximately \$63,000.

6. FINANCIAL CONDITION:

Management has implemented a strategy to improve 211OC's financial condition. 211OC is working to increase general cash flow through additional fundraising efforts. Management has also taken expense reduction strategies. If the necessary funds are not covered through general giving, 211OC has funding in place to cover temporary cash flow shortfalls.

7. RELATED PARTY:

During the year ended June 30, 2019, a board member donated technology services at a fair value of approximately \$279,000.

During the year ended June 30, 2019, 211OC had related party transactions with organizations affiliated with board members as follows:

Two board members provided legal services through their respective firms. The value of these donated services was approximately \$75,000 during the year ended June 30, 2019.

One board member served as interim City Manager of the city of Garden Grove. A contract with the City of Garden Grove generated approximately \$5,000 during the year ended June 30, 2019.

One board member also serves on the board of OneOC. 211OC paid a database membership fee and other miscellaneous expenses of approximately \$4,000 to OneOC during the year ended June 30, 2019.

**PEOPLE FOR IRVINE COMMUNITY HEALTH
DBA 2-1-1 ORANGE COUNTY**

Notes to Financial Statements

June 30, 2019

8. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects 211OC'S financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. 211OC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The financial assets are available to fund operating and funding requirements.

Financial assets:

Cash and cash equivalents	\$ 25,486
Grants and accounts receivable, net	212,592
Financial assets, at year-end:	<u>\$ 238,078</u>

9. SUBSEQUENT EVENTS:

Subsequent to year-end, 211OC obtained three unsecured short term loans from board members and an advisor to the board each in the amount of \$5,000. Additionally, 211OC obtained an unsecured short term loan from the president in the amount of \$2,500. All loans were repaid as of April 2020.

As part of the response to the impact of COVID-19, 211OC applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. 211OC was approved for a loan of approximately \$357,000. The loan agreement allows for loan forgiveness up to the full amount of the loan as long as 211OC meets certain loan stipulations.

Subsequent events have been evaluated through July 15, 2020, which represents the date the financial statements were available to be issued.