

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
and
SUPPLEMENTAL STATEMENTS**

APRIL 30, 2020 and 2019

CONTENTS

Independent Auditors' Report	1-2
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-21
Supplemental Statements:	
Consolidating Statement of Financial Position	22-23
Consolidating Statement of Activities	24

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Weingart Center Association, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Weingart Center Association, Inc. and Affiliated (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of April 30, 2020 and 2019, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Weingart Center Association, Inc. and Affiliates as of April 30, 2020 and 2019, and the changes in their net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Statement of Financial Position and Consolidating Statement of Activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2021, on our consideration of Weingart Center Association, Inc. and Affiliates' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Weingart Center Association, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Weingart Center Association, Inc. and Affiliates' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

April 7, 2021

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
April 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Current assets:						
Cash	\$ 4,131,803	\$ -	\$ 4,131,803	\$ 5,749,270	\$ 2,326,516	\$ 8,075,786
Accounts receivable	2,173,094		2,173,094	1,484,388		1,484,388
Pledges receivable (Note 4)	378,050		378,050	203,050		203,050
Prepaid expenses	338,723		338,723	315,082		315,082
Investments (Note 5)	2,000,206	3,104,534	5,104,740	548,585	4,500,000	5,048,585
TOTAL CURRENT ASSETS	<u>9,021,876</u>	<u>3,104,534</u>	<u>12,126,410</u>	<u>8,300,375</u>	<u>6,826,516</u>	<u>15,126,891</u>
Property and equipment:						
Land	10,235,385		10,235,385	6,399,613		6,399,613
Building and improvements	23,638,400	-	23,638,400	22,767,657	-	22,767,657
Equipment, furniture, and fixtures	2,943,745		2,943,745	2,720,970		2,720,970
TOTAL PROPERTY AND EQUIPMENT	36,817,530	-	36,817,530	31,888,240	-	31,888,240
Less: accumulated depreciation	(18,118,017)		(18,118,017)	(17,337,247)		(17,337,247)
TOTAL PROPERTY AND EQUIPMENT, NET	<u>18,699,513</u>	<u>-</u>	<u>18,699,513</u>	<u>14,550,993</u>	<u>-</u>	<u>14,550,993</u>
Non-current assets:						
Investment in Weingart Tower LP (Note 6)	1,366,776		1,366,776	929,662		929,662
PSBH Project			-	-		-
TOTAL NON-CURRENT ASSETS	<u>1,366,776</u>	<u>-</u>	<u>1,366,776</u>	<u>929,662</u>	<u>-</u>	<u>929,662</u>
TOTAL ASSETS	<u>\$ 29,088,165</u>	<u>\$ 3,104,534</u>	<u>\$ 32,192,699</u>	<u>\$ 23,781,030</u>	<u>\$ 6,826,516</u>	<u>\$ 30,607,546</u>

These accompanying notes are an integral part of these consolidated financial statements.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

April 30, 2020 and 2019

continued

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 657,413	\$ -	\$ 657,413	\$ 651,123	\$ -	\$ 651,123
Accrued liabilities (Note 7)	1,408,656		1,408,656	1,101,948		1,101,948
Notes payable - current portion (Note 9)	84,632		84,632	50,019		50,019
TOTAL CURRENT LIABILITIES	2,150,701	-	2,150,701	1,803,090	-	1,803,090
Liabilities:						
Line of credit (Note 8)			-			-
Notes payable - long term portion (Note 9)	5,186,801		5,186,801	5,412,853		5,412,853
Paycheck protection program loan (Note 10)	1,451,400		1,451,400			-
TOTAL LIABILITIES	8,788,902	-	8,788,902	7,215,943	-	7,215,943
Net assets:						
Without donor restrictions	18,646,868		18,646,868	15,622,026		15,622,026
Without donor restrictions - partner capital in LP	1,652,395		1,652,395	943,061		943,061
With donor restrictions (Note 11)		3,104,534	3,104,534		6,826,516	6,826,516
TOTAL NET ASSETS	20,299,263	3,104,534	23,403,797	16,565,087	6,826,516	23,391,603
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,088,165</u>	<u>\$ 3,104,534</u>	<u>\$ 32,192,699</u>	<u>\$ 23,781,030</u>	<u>\$ 6,826,516</u>	<u>\$ 30,607,546</u>

These accompanying notes are an integral part of these consolidated financial statements.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended at April 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Government contracts and grants	\$ 11,654,148	\$ 14,644	\$ 11,668,792	\$ 11,312,244	\$ 35,000	\$ 11,347,244
Private support	1,046,362	250,000	1,296,362	659,634		659,634
Leases and rentals (Note 14)	1,221,371		1,221,371	1,167,377		1,167,377
Special events, net of expenses of \$98,889 and \$213,274, respectively	219,670		219,670	370,238		370,238
Other revenue	216,993		216,993	326,051		326,051
In-kind contributions (Note 2)	90,387		90,387	60,450		60,450
Net assets released from restrictions (Note 11)	3,986,626	(3,986,626)	-	1,204,644	(1,204,644)	-
TOTAL REVENUES AND SUPPORT	<u>18,435,557</u>	<u>(3,721,982)</u>	<u>14,713,575</u>	<u>15,100,638</u>	<u>(1,169,644)</u>	<u>13,930,994</u>
EXPENSES						
Residential services	12,119,241		12,119,241	10,934,303		10,934,303
Management and general	2,532,124		2,532,124	2,311,517		2,311,517
Fundraising	241,455		241,455	323,334		323,334
TOTAL EXPENSES	<u>14,892,820</u>	<u>-</u>	<u>14,892,820</u>	<u>13,569,154</u>	<u>-</u>	<u>13,569,154</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	3,542,737	(3,721,982)	(179,245)	1,531,484	(1,169,644)	361,840
OTHER CHANGES						
EHAP loan amortization (Note 9)	191,439		191,439	95,020		95,020
CHANGE IN NET ASSETS	3,734,176	(3,721,982)	12,194	1,626,504	(1,169,644)	456,860
NET ASSETS, BEGINNING OF YEAR	<u>16,565,087</u>	<u>6,826,516</u>	<u>23,391,603</u>	<u>14,938,583</u>	<u>7,996,160</u>	<u>22,934,743</u>
NET ASSETS, END OF YEAR	<u>\$ 20,299,263</u>	<u>\$ 3,104,534</u>	<u>\$ 23,403,797</u>	<u>\$ 16,565,087</u>	<u>\$ 6,826,516</u>	<u>\$ 23,391,603</u>

These accompanying notes are an integral part of these consolidated financial statements.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended April 30, 2020

With comparative totals for the year ended April 30, 2019

	Residential Services	Management and General	Fundraising	Total Expenses	
				2020	2019
Salaries, payroll taxes, and employee benefits	\$ 6,837,290	\$ 1,595,735	\$ 95,397	\$ 8,528,422	\$ 7,665,071
Outside services	1,235,366	638,901	87,966	1,962,233	2,464,949
Maintenance and repairs	1,288,212			1,288,212	307,087
Depreciation	716,195	64,575		780,770	777,979
Supplies	654,370	82,921	7,801	745,092	750,829
Utilities	564,349	5,751	694	570,794	497,813
Food and beverages	505,883			505,883	399,086
Other	99,533	46,891	25,565	171,989	344,509
Insurance	156,863	104		156,967	158,634
Lease and rental costs	14,483	42,552	7,440	64,475	77,534
Promotion and business development	4,840	35,389	13,118	53,347	61,509
Training and personnel	30,136	5,603	2,610	38,349	10,051
Transportation	11,721	13,702	864	26,287	54,103
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 12,119,241	\$ 2,532,124	\$ 241,455	\$ 14,892,820	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 10,934,303	\$ 2,311,517	\$ 323,334		\$ 13,569,154

These accompanying notes are an integral part of these consolidated financial statements.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended at April 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 12,194	\$ 456,860
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	780,770	777,979
Loss (gain) on investments	9,513	(106,776)
EHAP loan amortization	(176,307)	(100,064)
CDBG loan amortization	(15,132)	(15,132)
Dividends reinvested, net of fees	(65,668)	(117,723)
(Increase) decrease in operating assets:		
Accounts and pledges receivable	(863,706)	148,754
Prepaid expenses	(23,641)	(65,383)
Increase (decrease) in operating liabilities:		
Accounts payable	6,290	199,125
Accrued liabilities	306,708	41,185
	(28,979)	1,218,825
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,000,000)	(222,492)
Proceeds for sale of investments	1,000,000	222,684
Purchase of property and equipment	(5,366,404)	(846,609)
PSBH Project	-	12,803
	(5,366,404)	(833,614)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on note payable	-	2,767,036
Proceeds from paycheck protection program loan	1,451,400	-
	1,451,400	2,767,036
NET (DECREASE) INCREASE IN CASH	(3,943,983)	3,152,247
CASH, BEGINNING OF YEAR	8,075,786	4,923,539
CASH, END OF YEAR	\$ 4,131,803	\$ 8,075,786
SUPPLEMENTAL INFORMATION:		
Non-cash financing activity:		
Amortized loan cost	\$ 191,439	\$ 95,020
Acquisition of property and equipment with notes payable	\$ -	\$ 1,854,208

These accompanying notes are an integral part of these consolidated financial statements.

WEINGART CENTER ASSOCIATION, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

The mission of the Weingart Center Association, Inc. (“the Center”) is to empower and transform lives by delivering innovative solutions to combat poverty and break the cycle of homelessness.

The Center was established in 1983 through collaboration between the Weingart Foundation, Volunteers of America, the City of Los Angeles, and the Federal Urban Development Action agency. In 1984, it formally became the Center, a grassroots 501(c)(3) nonprofit organization with a strong business orientation, sound leadership, and an extraordinary mission. The Center is recognized as the most comprehensive “one-stop” service center for homeless men and women in the Western United States.

The Center is a 600-bed transitional housing facility located in the heart of Los Angeles’ “Skid Row”. It is a multi-service agency providing a full spectrum of services for individuals who are homeless or at risk for homelessness. The Center’s primary objective is to provide a broad range of comprehensive services that enable thousands of homeless individuals to lead productive, self-sufficient lives off the streets permanently. The Center collaborates with other private and public agencies, ensuring clients receive access to a wide range of other resources that are available to them to help increase their chances of making the permanent changes necessary for them to become self-sufficient. This unique strategy successfully links services that address the immediate needs of the homeless population, such as transitional housing, emergency shelter, on-site health care, education, vocational training, employment, mental health, recovery services, and food and safety. In addition to transitional programs and services, the Center provides supportive services, including a community based medical clinic; hot meals for resident clients served in Skid Row’s largest cafeteria; recuperative care for persons that are recovering from illness, injury, or surgery, and do not have medical insurance to stay in hospitals; and a temporary shelter that serves as an alternative to sleeping on the streets. The Center provides direct services to more than 20,000 economically disadvantaged individuals and families per year.

The Center continuously seeks government contracts and private grants to expand and enhance the services it offers to the community. The Center evaluates the impact of its programs through various measures such as job retention rates, housing retention rates, and the rates of improvement in the health and the self-determination of its clients throughout their residency and long-term follow-up care. In the past 33 years, the Center has enabled over 150,000 men, women, and their families to permanently exit the streets and return to lives of self-sufficiency with permanent jobs and permanent housing.

In 2006, WCA Development Corporation (“WDC”), a nonprofit public benefit corporation, was organized as a supporting organization of the Center. In the fiscal year ended April 30, 2012, WDC officially began operations.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, continued

The Center has created a number of Limited Liability Companies and Limited Partnerships for the purpose of acquiring, developing, and operating affordable rental housing developments for low-income persons.

Generally accepted accounting principles provide guidance for the reporting and disclosure of financially interrelated organizations. Based upon the nature of the relationship between the Center, WDC (California Nonprofit Corporations), and Limited Liability Companies and Limited Partnerships, consolidated financial statements are presented. These organizations together will be collectively referred to as "WCA".

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of the Center, WDC and 600 San Pedro, LP. The Center and WDC are consolidated since WDC is financially related to the Center and under common control. The Center and 600 San Pedro, LP, are consolidated since the Center maintains 100% interest in 600 San Pedro, LP. All inter-organization transactions have been eliminated.

Net Assets

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

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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 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 resource was restricted has been fulfilled, or both.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable are recorded when billed or accrued. Accounts receivable primarily represent receivables from governmental agencies and are deemed fully collectible. Therefore, no allowance for doubtful accounts has been provided

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

Investments consist of fixed income and money market funds at a security institution. WCA values its investments at fair value. Gains or losses (including investments bought, sold, and held during the year) are included in the Consolidated Statements of Activities under other revenue.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

WCA is required to measure certain investments, pledged contributions, and non-cash contributions at fair value. The specific techniques used to measure fair value for these consolidated financial statement elements are described in the notes below that relate to each element.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risks

WCA places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. However, WCA performs ongoing evaluations of the commercial bank to limit its concentration of credit risk.

The primary receivable balances outstanding at April 30, 2020 and 2019 consist of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to the government contract receivables is limited, as these receivables consist of earned fees from contract programs.

WCA holds investments in the form of fixed income assets, equities, and short-term money market investments. The Board of Directors routinely reviews market values of such investments and the credit ratings of the bond issuers.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than three years.

Prior to the fiscal year 2008-2009, in accordance with WCA's policy, property and equipment funded with contributions, specifically restricted for that purpose, were capitalized and included as temporarily restricted support. Over the useful life of these assets (five to thirty years), the restricted support related to the contributions is reclassified as unrestricted support in the Consolidated Statements of Activities as "Net Assets Released from Restrictions". The amount released from restriction is equal to depreciation. There are no donor stipulations on how long these assets must be used by WCA. The assets are depreciated over their useful life as well. Depreciation expense is reported in the Consolidated Statements of Activities as a decrease in without donor restrictions net assets. Property and equipment purchased under this policy will continue to be released from restriction under this practice.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the years ended April 30, 2020 and 2019, WCA recorded in-kind donations of \$90,387 and \$60,450, respectively (see Note 15).

Revenue and Revenue Recognition

WCA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of WCA's revenue is derived from cost-reimbursable state, county, or local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when WCA has incurred expenditures in compliance with specific contract or grant provisions.

Functional Allocation of Expenses

Costs of providing WCA's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. WCA uses salary dollars, square footage, and other methodologies to allocate indirect costs.

Income Taxes

WCA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by WCA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. WCA returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the periods presented. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncement

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes, or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosures about revenue. WCA has implemented Topic 606 and have adjusted the presentation in these consolidated financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions, and determining whether a contribution is conditional. WCA has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Analysis of various provisions of these standards resulted in no significant changes in the way WCA recognizes revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis. However, the presentation and disclosures of revenue have been enhanced in accordance with the standard.

3. Liquidity and Availability of Resources

WCA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. WCA has various sources of liquidity at its disposal, including cash and cash equivalents, fixed income, and equity securities. A majority of WCA’s funds come from renewing grant contracts for program specific purposes.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, WCA considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, fundraising, and investments.

In addition to financial assets available to meet general expenditures over the next 12 months, WCA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

continued

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

As of April 30, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash	\$4,131,803
Accounts receivable	2,173,094
Investments	<u>2,000,206</u>
	<u>\$8,305,103</u>

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at estimated fair value at April 30, 2020 and 2019, and are deemed fully collectible. Pledges receivable were \$378,050 and \$203,050, respectively at April 30, 2020 and 2019. Pledges receivable at April 30, 2020 of \$378,050 are expected to be collected within one year.

5. Investments

WCA's investments are stated at market value. Investments at April 30, 2020 and 2019 consist of:

	<u>2020</u>	<u>2019</u>
Fixed income:		
Short-term bond	\$2,025,730	\$1,995,244
Bank loan	179,780	158,003
High yield bond	111,311	99,014
U.S. government bonds and notes	<u>-</u>	<u>-</u>
	<u>2,316,821</u>	<u>2,252,261</u>
Equities:		
Large blend	578,272	507,619
Large value	288,247	249,295
Emerging market bond	241,861	136,011
Corporate bond	216,956	188,333
Short-term bond	143,917	123,980
Intermediate government	108,462	93,191
Diversified emerging market	71,797	90,727
Short government	46,087	40,488
Small value	45,198	36,115
Real estate	21,311	18,222
Global real estate	21,209	18,135
Foreign large blend	<u>-</u>	<u>45,603</u>
	<u>1,783,317</u>	<u>1,547,719</u>
Cash and cash equivalents:		
Money market sweep funds	<u>1,004,602</u>	<u>1,248,605</u>
	<u>\$5,104,740</u>	<u>\$5,048,585</u>

continued

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. **Investments**, continued

Investment activity - April 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest income	\$ 80,488	\$ -	\$ 80,488
Loss on investments	(9,513)		(9,513)
Investment management fees	<u>(14,820)</u>	<u> </u>	<u>(14,820)</u>
Net investment income	<u>\$ 56,155</u>	<u>\$ -</u>	<u>\$ 56,155</u>

Investment activity - April 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest income	\$129,943	\$ -	\$129,943
Gain (loss) on investments	106,776		106,776
Investment management fees	<u>(12,220)</u>	<u> </u>	<u>(12,220)</u>
Net investment income	<u>\$224,499</u>	<u>\$ -</u>	<u>\$224,499</u>

6. **Investment in Weingart Tower LP**

On February 17, 2017, WC Tower LLC, a California limited liability company wholly owned by the Center, a California nonprofit corporation, along with CIC Weingart Tower LLC, a California limited liability company, and Sage Too Investment Corporation, a California corporation, filed an Articles of Organization for Weingart Tower LP, a California limited Partnership (“the Partnership”), with the Secretary of State of California. WC Tower LLC, CIC Weingart Tower LLC, and Sage Too Investment Corporation, entered into an Operating Agreement. The Partnership’s primary purpose shall be to acquire, construct, own, hold for investment, operate, manage, lease, or sell an affordable rental housing development for low-income persons. Per the agreement, WC Tower LLC is the “Managing General Partner,” CIC Weingart Tower LLC is the “Administrative General Partner,” and Sage Too Investment Corporation is the “Initial Limited Partner” of the Partnership. Per operating, agreement all profits, losses and distributions shall be shared 1% by the Managing General Partner, 1% by the Administrative General Partner, and 98% by the Initial Limited Partner.

As of the year ended April 30, 2020, the Center’s total investment in Weingart Tower LP is \$1,366,776.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Accrued Liabilities

Accrued liabilities at April 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Accrued salaries	\$ 501,326	\$ 415,428
Accrued vacation	257,732	254,894
Other accrued liabilities	<u>649,598</u>	<u>431,626</u>
	<u>\$1,408,656</u>	<u>\$1,101,948</u>

8. Line of Credit

WCA currently has a line of credit in the amount of \$500,000, with a bank, with variable interest rate currently at 4.75% per annum, due December 2021. WCA had no outstanding balance on the line of credit at April 30, 2020.

9. Notes Payable

Program funds are awarded as forgivable deferred loans for capital development to acquire, construct or rehabilitate sites for emergency shelters, transitional housing, and safe haven facilities for homeless persons. The outstanding balance of three notes below at April 30, 2020 was \$821,433. Amortization of the loan for the year ended April 30, 2020 was \$191,439.

- On October 31, 2012, WCA received a \$629,813 forgivable loan through the Emergency Housing Assistance Program (“EHAP”). The loan term is for 7 years (84 months). WCA will record the amortization of the forgivable loan over the 84-month term. During the year ended April 30, 2020, the remaining balance was paid in full.

- On August 30, 2017, WCA received \$75,675 forgivable loan through the Community Development Block Grant (“CDBG”). The loan term is for 5 years (60 months). WCA will record the amortization of the forgivable loan over the 60-month term. The outstanding balance at April 30, 2020 was \$35,323.

- WCA received a \$990,000 forgivable loan through the EHAP. The loan term is for 7 years (84 months). WCA will not start to record the amortization of the forgivable loan over the 84-month term until the project is complete. The outstanding balance at April 30, 2020 was \$786,110.

On April 6, 2018, WCA signed a note with a bank in the amount of \$4,450,000. The loan is secured by a property and bears an interest of 5.00% per annum. The note matures on May 2023. The loan stipulates monthly payments of \$27,350 starting June 2020 with a final payment of \$4,145,753 due on May 2023. The outstanding balance at April 30, 2020 was \$4,450,000. The Center is the guarantor of the loan.

continued

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Notes Payable, continued

Amortized maturities for the loans are as follows:

<u>Year ending April 30,</u>	<u>Cash</u>	<u>Non-cash</u>
2021	\$ -	\$ 84,632
2022		102,438
2023		96,832
2024	4,201,421	
2025		-
Thereafter	<u>-</u>	<u>786,110</u>
	<u>\$4,201,421</u>	<u>\$1,070,012</u>

10. Paycheck Protection Program Loan

In April 2020, WCA received loan proceeds in the amount of \$1,451,400 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with deferral of payments for the first six months. WCA currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions at April 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Acquisition and rehab of new properties	\$2,585,460	\$6,000,000
Pre-development	250,000	-
Rehabilitation of 566 South San Pedro	243,005	766,511
Workforce development	26,069	42,378
Women’s renaissance	-	17,627
	<u>\$3,104,534</u>	<u>\$6,826,516</u>

For the year ended April 30, 2020 and 2019, net assets released from restrictions were \$3,986,626 and \$1,204,644.

continued

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Donated Food

During the years ended April 30, 2020 and 2019, WCA received donated food from the Los Angeles Regional Food Bank and private sources with values of approximately \$65,584 and \$38,480, respectively. This donated food is included in in-kind contributions and recorded for the same amount under food and beverages (program expenses).

13. Profit Sharing Retirement Plan

WCA sponsors a safe harbor plan. Benefits are funded by contributions from WCA eligible employees who have completed a full year of employment and are 21 years of age or older. All qualifying employees are fully vested immediately. The matching contributions made by WCA were \$82,935 and \$21,343 to the plan for the years ended April 30, 2020 and 2019, respectively.

14. Commitments and Contingencies

Rental Income Under Operating Leases

WCA receives rental income for portions of its facilities leased under long-term arrangements with lease terms expiring through April 2024. Future minimum lease income under these contracts, with an initial or remaining term of one year or more, is as follows:

<u>Year ending April 30,</u>	
2021	\$ 792,081
2022	1,040,852
2023	1,040,852
2024	1,040,852
2025	1,040,852
Thereafter	<u>736,048</u>
	<u>\$5,691,537</u>

Lease income under these leases, including year-to-year leases, were \$1,221,371 and \$1,167,377 for the years ended April 30, 2020 and 2019, respectively.

Contracts

WCA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits often cannot be reasonably estimated. However, WCA has no provisions on its consolidated financial statements under its other governmental contracts and grants for the possible disallowance of program costs related to those contracts.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Commitments and Contingencies, continued

Impact of COVID-19 Virus

Following the State of California COVID-19 protocols, WCA has been conducting business activities as usual with consideration of social distancing and remote work opportunities. The long-term impact of the COVID-19 virus on WCA cannot be foreseen at this time and is not reflected in these consolidated financial statements.

15. Fair Value Measurements

The tables below present the balance of assets measured at fair value at April 30, 2020 and 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>April 30, 2020</u>				
Fixed income:				
Short-term bond	\$ -	\$2,025,730	\$ -	\$2,025,730
Bank loan		179,780		179,780
High yield bond		111,311		111,311
Equities:				
Domestic common and foreign	<u>1,783,317</u>	<u> </u>	<u> </u>	<u>1,783,317</u>
	<u>\$1,783,317</u>	<u>\$2,316,821</u>	<u>\$ -</u>	<u>\$4,100,138</u>
 <u>April 30, 2019</u>				
Fixed income:				
Short-term bond	\$ -	\$1,995,244	\$ -	\$1,995,244
Bank loan		158,003		158,003
High yield bond		99,014		99,014
Equities:				
Domestic common and foreign	<u>1,547,719</u>	<u> </u>	<u> </u>	<u>1,547,719</u>
	<u>\$1,547,719</u>	<u>\$2,252,261</u>	<u>\$ -</u>	<u>\$3,799,980</u>

The fair value of equities has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The fair value of fixed income investments has been measured on a recurring basis using quoted prices in active markets for the same or similar assets (Level 2 inputs).

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Fair Value Measurements, continued

The table below presents the transactions measured at fair value at April 30, 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity investment in Weingart Tower LP	\$ -	\$ -	\$1,366,776	<u>\$1,366,776</u>

The fair value of equity investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 3 inputs).

Equity investment in Weingart Tower, LP represents its cash capital investment in a corporation formed to acquire and operate affordable rental housing (see Note 6). WCA has a 1% economic interest in the Partnership.

The tables below present transactions measured at fair value on a non-recurring basis during the years ended April 30, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed materials	\$ -	\$24,803	\$ -	<u>\$ 24,803</u>
Contributed food		65,584		<u>65,584</u>
Pledges received - current year			<u>465,000</u>	<u>465,000</u>
Fair value at April 30, 2020	<u>\$ -</u>	<u>\$90,387</u>	<u>\$465,000</u>	<u>\$555,387</u>
Contributed materials	\$ -	\$21,970	\$ -	\$ 21,970
Contributed food		38,480		38,480
Pledges received - current year			<u>453,250</u>	<u>453,250</u>
Fair value at April 30, 2019	<u>\$ -</u>	<u>\$60,450</u>	<u>\$453,250</u>	<u>\$513,700</u>

The fair value of contributed material and food has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledges received in the current year has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration of the credit worthiness of the donor (Level 3 inputs).

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subsequent Events

In June 2020 and November 2020, 11010 SMB, LP, a California limited partnership, and Beacon, LLC., a California limited liability company, were formed respectively, for the purposes of holding title to properties of the Center.

In July 2020, WCA refinanced into a new promissory note of \$4,825,000, the note matures on July 1, 2022. The loan is secured by a property and bears an interest of 4.25% per annum. WCA authorizes the lender to place \$375,000 of the principal amount as an interest reserve, in the event the interest due exceeds the interest reserve amount, WCA will pay accrued unpaid interest according to the terms of the note. WCA will pay this note in one payment of all outstanding principal plus all accrued unpaid interest on the maturity date.

Management has evaluated subsequent events through April 7, 2021, the date which the consolidated financial statements were available for issue. Except for the above, no other events or transactions have occurred during the period that appear to require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL STATEMENTS

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
April 30, 2020

	<u>Weingart Center Association</u>			<u>Weingart Development Corporation</u>	<u>600 San Pedro LP</u>	<u>Eliminating Entries</u>	<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>				
ASSETS							
Current assets:							
Cash	\$ 4,122,526		\$ 4,122,526	\$ 9,277	\$ -	\$ -	\$ 4,131,803
Accounts receivable	2,231,117		2,231,117	16,977		(75,000)	2,173,094
Pledges receivable (Note 4)	378,050		378,050				378,050
Prepaid expenses	324,077		324,077	14,646			338,723
Investments (Note 5)	2,000,206	3,104,534	5,104,740				5,104,740
Due from affiliate	4,025,000		4,025,000			(4,025,000)	-
TOTAL CURRENT ASSETS	<u>13,080,976</u>	<u>3,104,534</u>	<u>16,185,510</u>	<u>40,900</u>	<u>-</u>	<u>(4,100,000)</u>	<u>12,126,410</u>
Property and equipment:							
Land	4,557,990		4,557,990		5,677,395		10,235,385
Building and improvements	23,638,400		23,638,400				23,638,400
Equipment, furniture, and fixtures	2,876,090		2,876,090	67,655			2,943,745
TOTAL PROPERTY AND EQUIPMENT	<u>31,072,480</u>	<u>-</u>	<u>31,072,480</u>	<u>67,655</u>	<u>5,677,395</u>	<u>-</u>	<u>36,817,530</u>
Less: accumulated depreciation	<u>(18,050,362)</u>		<u>(18,050,362)</u>	<u>(67,655)</u>			<u>(18,118,017)</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>13,022,118</u>	<u>-</u>	<u>13,022,118</u>	<u>-</u>	<u>5,677,395</u>	<u>-</u>	<u>18,699,513</u>
Non-current assets:							
Investment in 600 San Pedro LP (Note 1)	1,652,395		1,652,395			(1,652,395)	-
Investment in Weingart Tower LP (Note 6)	1,366,776		1,366,776				1,366,776
TOTAL NON-CURRENT ASSETS	<u>3,019,171</u>	<u>-</u>	<u>3,019,171</u>	<u>-</u>	<u>-</u>	<u>(1,652,395)</u>	<u>1,366,776</u>
TOTAL ASSETS	<u>\$ 29,122,265</u>	<u>\$ 3,104,534</u>	<u>\$ 32,226,799</u>	<u>\$ 40,900</u>	<u>\$ 5,677,395</u>	<u>\$ (5,752,395)</u>	<u>\$ 32,192,699</u>

See independent auditors' reports.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
April 30, 2020
continued

	Weingart Center Association			Weingart Development Corporation	600 San Pedro LP	Eliminating Entries	Total
	Without Donor Restrictions	With Donor Restrictions	Total				
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable	\$ 654,295	\$ -	\$ 654,295	\$ 3,118	\$ -	\$ -	\$ 657,413
Accrued liabilities (Note 7)	1,407,844		1,407,844	75,812		(75,000)	1,408,656
Notes payable - current portion (Note 9)	84,632		84,632				84,632
TOTAL CURRENT LIABILITIES	2,146,771	-	2,146,771	78,930	-	(75,000)	2,150,701
Liabilities:							
Notes payable - long term portion (Note 9)	5,186,801		5,186,801				5,186,801
Paycheck protection program loan (Note 10)	1,451,400		1,451,400				1,451,400
Due to affiliate			-		4,025,000	(4,025,000)	-
TOTAL LIABILITIES	8,784,972	-	8,784,972	78,930	4,025,000	(4,100,000)	8,788,902
Net assets:							
Without donor restrictions	20,337,293		20,337,293	(38,030)		(1,652,395)	18,646,868
Without donor restrictions - partner capital in LP					1,652,395		1,652,395
With donor restrictions (Note 11)		3,104,534	3,104,534				3,104,534
TOTAL NET ASSETS	20,337,293	3,104,534	23,441,827	(38,030)	1,652,395	(1,652,395)	23,403,797
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,122,265</u>	<u>\$ 3,104,534</u>	<u>\$ 32,226,799</u>	<u>\$ 40,900</u>	<u>\$ 5,677,395</u>	<u>\$ (5,752,395)</u>	<u>\$ 32,192,699</u>

See independent auditors' reports.

**WEINGART CENTER ASSOCIATION, INC.
AND AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES
April 30, 2020

	<u>Weingart Center Association</u>			<u>Weingart Development Corporation</u>	<u>600 San Pedro LP</u>	<u>Eliminating Entries</u>	<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>				
REVENUES AND SUPPORT							
Government contracts and grants	\$ 11,654,148	\$ 14,644	\$ 11,668,792	\$ -	\$ -	\$ -	\$ 11,668,792
Private support	1,046,362	250,000	1,296,362				1,296,362
Leases and rentals (Note 14)	1,221,371		1,221,371				1,221,371
Special events, net of expenses of \$98,889	219,670		219,670				219,670
Other revenue	216,989		216,989	4			216,993
In-kind contributions (Note 2)	90,387		90,387				90,387
Net assets released from restrictions	3,986,626	(3,986,626)	-				-
TOTAL REVENUES AND SUPPORT	<u>18,435,553</u>	<u>(3,721,982)</u>	<u>14,713,571</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>14,713,575</u>
EXPENSES							
Residential services	12,119,241		12,119,241				12,119,241
Management and general	2,532,124		2,532,124				2,532,124
Fundraising	241,455		241,455				241,455
TOTAL EXPENSES	<u>14,892,820</u>	<u>-</u>	<u>14,892,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,892,820</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	3,542,733	(3,721,982)	(179,249)	4	-	-	(179,245)
OTHER CHANGES							
EHAP loan amortization (Note 9)	191,439		191,439				191,439
CHANGE IN NET ASSETS	3,734,172	(3,721,982)	12,190	4	-	-	12,194
NET ASSETS, BEGINNING OF YEAR	16,603,121	6,826,516	23,429,637	(38,034)	943,061	(943,061)	23,391,603
PARTNERSHIP CAPITAL CONTRIBUTION			-		709,334	(709,334)	-
NET ASSETS, END OF YEAR	<u>\$ 20,337,293</u>	<u>\$ 3,104,534</u>	<u>\$ 23,441,827</u>	<u>\$ (38,030)</u>	<u>\$ 1,652,395</u>	<u>\$ (1,652,395)</u>	<u>\$ 23,403,797</u>

See independent auditors' reports.