

# **WeHOPE**

*(A California Nonprofit Public Benefit Corporation)*

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

WeHOPE  
(A California Nonprofit Public Benefit Corporation)  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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\* \* \* \*



JAMES M. KRAFT  
S. SCOTT SEAMANDS  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
CATHY L. HWANG  
RITA B. DELA CRUZ  
STANLEY WOO  
SCOTT K. SMITH  

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CRISANTO S. FRANCISCO  
JOE F. HUIE

Board of Directors  
WeHOPE  
San Francisco, California

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of WeHOPE, a California nonprofit public benefit corporation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WeHOPE as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, WeHOPE adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on revenue recognition of contributions and contracts. The change in accounting principle on revenue recognition of contributions and contracts has been applied on a modified prospective basis. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated March 1, 2021 on our consideration of WeHOPE's internal control over financial reporting and on our tests of its 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 WeHOPE's 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 WeHOPE's internal control over financial reporting and compliance.

*Lindquist, von Husen and Joyce LLP*

March 1, 2021

WeHOPE  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2019 AND 2018

|   | 2019         | 2018         |
|---|--------------|--------------|
| ASSETS  |              |              |
| Current assets:                                 |              |              |
| Cash  | \$ 528,323   | \$ 834,671   |
| Receivables                                     |              |              |
| Grants (Note 4)                                 | 603,274      | 156,531      |
| Related-party (Note 3)                          | 33,273       | 4,473        |
| Other   | 1,349        | 1,475        |
| Prepaid expenses                                | 12,513       | 4,104        |
| Total current assets                            | 1,178,732    | 1,001,254    |
| Client funds held in trust                      | 59,873       | 58,606       |
| Property and equipment – net (Note 5)           | 2,303,381    | 2,000,214    |
| Other assets – lease deposit                    | 2,000        | 2,000        |
| Total assets                                    | \$ 3,543,986 | \$ 3,062,074 |
| LIABILITIES AND NET ASSETS                      |              |              |
| Current liabilities:                            |              |              |
| Accounts payable and accrued expenses           | \$ 347,102   | \$ 170,058   |
| Client funds held in trust                      | 57,036       | 59,001       |
| Deferred revenue                                | 12,380       | 2,380        |
| Line of credit                                  | 140          | 140          |
| Notes payable – current portion (Note 7)        | 12,114       | 10,854       |
| Total current liabilities                       | 428,772      | 242,433      |
| Notes payable – net of current portion (Note 7) | 787,287      | 799,549      |
| Total liabilities                               | 1,216,059    | 1,041,982    |
| Net assets:                                     |              |              |
| Without donor restrictions                      | 1,658,393    | 1,292,055    |
| With donor restrictions (Note 8)                | 669,534      | 728,037      |
| Total net assets                                | 2,327,927    | 2,020,092    |
| Total liabilities and net assets                | \$ 3,543,986 | \$ 3,062,074 |

*The accompanying notes are an integral part of these financial statements.*

WeHOPE  
(A California Nonprofit Public Benefit Corporation)  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018

|  | 2019                                      |  |                     | 2018                                      |  |                     |
|--|---|--|---------------------|---|--|---------------------|
|  | <i>Without<br/>Donor<br/>Restrictions</i> | <i>With<br/>Donor<br/>Restrictions</i> | <i>Total</i>        | <i>Without<br/>Donor<br/>Restrictions</i> | <i>With<br/>Donor<br/>Restrictions</i> | <i>Total</i>        |
| Support and revenue:                                 |   |  |                     |   |  |                     |
| Grants and contributions                             | \$ 2,954,881                              | \$ 144,865                             | \$ 3,099,746        | \$ 1,692,295                              | \$ 1,604,125                           | \$ 3,296,420        |
| Special events                                       | -   | -                                      | -                   | 7,580                                     | -                                      | 7,580               |
| Less: cost of special events                         | -   | -                                      | -                   | (10,201)                                  | -                                      | (10,201)            |
| Interest   | 1,179                                     | -                                      | 1,179               | 1,349                                     | -                                      | 1,349               |
| Other income   | 17,520                                    | -                                      | 17,520              | 32,018                                    | -                                      | 32,018              |
| Net assets released from restriction (Note 8)        | 203,368                                   | (203,368)                              | -                   | 876,088                                   | (876,088)                              | -                   |
| Total support and revenue                            | <u>3,176,948</u>                          | <u>(58,503)</u>                        | <u>3,118,445</u>    | <u>2,599,129</u>                          | <u>728,037</u>                         | <u>3,327,166</u>    |
| Expenses:  |   |  |                     |   |  |                     |
| Program services                                     | 2,219,392                                 | -                                      | 2,219,392           | 1,691,649                                 | -                                      | 1,691,649           |
| Management and general                               | 544,446                                   | -                                      | 544,446             | 107,655                                   | -                                      | 107,655             |
| Fundraising  | 46,772                                    | -                                      | 46,772              | 48,865                                    | -                                      | 48,865              |
| Total expenses                                       | <u>2,810,610</u>                          | <u>-</u>                               | <u>2,810,610</u>    | <u>1,848,169</u>                          | <u>-</u>                               | <u>1,848,169</u>    |
| Change in net assets                                 | 366,338                                   | (58,503)                               | 307,835             | 750,960                                   | 728,037                                | 1,478,997           |
| Net assets, beginning of year, as restated (Note 10) | <u>1,292,055</u>                          | <u>728,037</u>                         | <u>2,020,092</u>    | <u>541,095</u>                            | <u>-</u>                               | <u>541,095</u>      |
| Net assets, end of year                              | <u>\$ 1,658,393</u>                       | <u>\$ 669,534</u>                      | <u>\$ 2,327,927</u> | <u>\$ 1,292,055</u>                       | <u>\$ 728,037</u>                      | <u>\$ 2,020,092</u> |

*The accompanying notes are an integral part of these financial statements.*

WeHOPE

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2019 AND 2018

|  | 2019                        |                                   |                    |                     |
|--|-----------------------------|-----------------------------------|--------------------|---------------------|
|  | <i>Program<br/>Services</i> | <i>Management<br/>and General</i> | <i>Fundraising</i> | <i>Total</i>        |
| Salaries and related expenses                          | \$ 1,284,209                | \$ 379,032                        | \$ 29,180          | \$ 1,692,421        |
| Supplies   | 245,700                     | 23,625                            | 4,725              | 274,050             |
| Services and professional fees                         | 200,397                     | 50,280                            | 2,681              | 253,358             |
| Depreciation   | 152,064                     | 6,200                             | 2,777              | 161,041             |
| Repairs and maintenance                                | 95,268                      | 18,206                            | 1,991              | 115,465             |
| Utilities  | 51,693                      | 4,970                             | 994                | 57,657              |
| Insurance  | 42,352                      | 2,801                             | 792                | 45,945              |
| Travel, meals, and entertainment                       | 31,881                      | 3,065                             | 613                | 35,559              |
| Telephone and internet                                 | 22,960                      | 2,208                             | 441                | 25,609              |
| License and permit fees                                | 17,422                      | 1,675                             | 335                | 19,432              |
| Interest   | 2,420                       | 9,730                             | 213                | 12,363              |
| Rent   | 11,891                      | -                                 | 209                | 12,100              |
| Training and conferences                               | 6,027                       | 580                               | 116                | 6,723               |
| Miscellaneous  | 55,108                      | 42,074                            | 1,705              | 98,887              |
|  | <hr/>                       |                                   |                    |                     |
| Total expenses as shown on the statement of activities | 2,219,392                   | 544,446                           | 46,772             | 2,810,610           |
| Cost of special events                                 | -                           | -                                 | -                  | -                   |
|  | <hr/>                       |                                   |                    |                     |
| Total expenses   | <u>\$ 2,219,392</u>         | <u>\$ 544,446</u>                 | <u>\$ 46,772</u>   | <u>\$ 2,810,610</u> |

*The accompanying notes are an integral part of these financial statements.*

WeHOPE

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2019 AND 2018

|  | 2018                    |                               |                    |              |
|--|-------------------------|-------------------------------|--------------------|--------------|
|  | <i>Program Services</i> | <i>Management and General</i> | <i>Fundraising</i> | <i>Total</i> |
| Salaries and related expenses                          | \$ 1,064,799            | \$ 54,250                     | \$ 29,401          | \$ 1,148,450 |
| Supplies   | 156,039                 | 10,932                        | 4,771              | 171,742      |
| Depreciation   | 77,501                  | 3,838                         | 2,324              | 83,663       |
| Services and professional fees                         | 126,979                 | 11,120                        | 3,946              | 142,045      |
| Repairs and maintenance                                | 54,139                  | 6,433                         | 1,731              | 62,303       |
| Utilities  | 49,641                  | 5,824                         | 1,585              | 57,050       |
| Insurance  | 28,779                  | 3,558                         | 924                | 33,261       |
| Travel, meals, and entertainment                       | 11,311                  | 1,460                         | 365                | 13,136       |
| Telephone and internet                                 | 21,362                  | 2,506                         | 682                | 24,550       |
| License and permit fees                                | 15,664                  | 2,021                         | 505                | 18,190       |
| Interest   | 423                     | 2,007                         | 97                 | 2,527        |
| Rent   | 56,292                  | -                             | 1,608              | 57,900       |
| Training and conferences                               | 5,283                   | 682                           | 170                | 6,135        |
| Miscellaneous  | 23,437                  | 3,024                         | 756                | 27,217       |
| Total expenses as shown on the statement of activities | 1,691,649               | 107,655                       | 48,865             | 1,848,169    |
| Cost of special events                                 | 10,201                  | -                             | -                  | 10,201       |
| Total expenses   | \$ 1,701,850            | \$ 107,655                    | \$ 48,865          | \$ 1,858,370 |

*The accompanying notes are an integral part of these financial statements.*



WeHOPE  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018

|   | 2019       | 2018         |
|---|------------|--------------|
| Cash flows from operating activities:   |            |              |
| Change in net assets  | \$ 307,835 | \$ 1,478,997 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |            |              |
| Depreciation  | 161,041    | \$ 142,045   |
| (Increase) decrease in assets:  |            |              |
| Grant receivable  | (446,743)  | 79,248       |
| Related-party   | (28,800)   | (4,473)      |
| Other receivable  | 126        | 7,575        |
| Prepaid expenses  | (8,409)    | (2,132)      |
| Client funds held in trust – cash   | (1,267)    | 12,960       |
| Increase (decrease) in liabilities:   |            |              |
| Accounts payable and accrued expenses   | 177,044    | 54,355       |
| Client funds held in trust  | (1,965)    | (12,948)     |
| Deferred revenue  | 10,000     | 2,380        |
| Net cash provided by operating activities   | 168,862    | 1,758,007    |
| Cash flows from investing activity:   |            |              |
| Purchase of property and equipment  | (464,208)  | (1,836,171)  |
| Net cash used in investing activity   | (464,208)  | (1,836,171)  |
| Cash flows from financing activities:   |            |              |
| Advances from line of credit  | -          | 140          |
| Proceeds from notes payable   | -          | 810,403      |
| Payments of notes payable   | (11,002)   | -            |
| Net cash provided by (used in) financing activities   | (11,002)   | 810,543      |
| Net increase (decrease) in cash   | (306,348)  | 732,379      |
| Cash, beginning of year   | 834,671    | 102,292      |
| Cash, end of year   | \$ 528,323 | \$ 834,671   |

*The accompanying notes are an integral part of these financial statements.*

WeHOPE  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

WeHOPE (“the Organization”), a California nonprofit public benefit corporation, was founded in 2000 with a mission to help people become healthy, employed and housed using innovative solutions.

WeHOPE helps unhoused, homeless and those at-risk in rebuilding their lives through a Supportive Housing Program customized to the needs of each individual. WeHOPE’s programs include:

Mobile Homeless Services:

Dignity on Wheels (DOW), a mobile hygiene service, provides free showers and laundry services to the homeless throughout the Bay Area.

Vehicle Safe Parking provides safe overnight parking, toilets, showers, laundry services, meals and comprehensive case management to assist in securing permanent supportive housing.

Emergency Food and Shelter:

WeHOPE Shelter is a 24-hour facility located in East Palo Alto that provides emergency and transitional housing for homeless individuals. The program provides hot meals, shelter beds, access to medical care, hot showers, laundry service, transportation and comprehensive case management.

Family Harvest provides free healthy food to individuals and families in need.

Job Training and Life Skills:

HOPE Jobs provides job training and certification programs designed to provide dignified employment and a livable wage to those facing underemployment or unemployment throughout the Bay Area. HOPE Jobs provides free certification courses taught by nationally certified instructors within their professional industry.

Dignity @Work is a re-entry program that helps the formerly incarcerated individuals successfully transition into society with proper education, support and resources.

The Organization is vulnerable to inherent risks associated with revenue that is substantially dependent on governmental funding, public support and contributions. The continued growth and well-being of the Organization is contingent upon successful achievement of its long-term revenue-raising goals.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method

The Organization uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WeHOPE  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. When a donor restriction expires – that is, when a stipulated time restrictions ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recognized when the donor makes a promise to give; that is, in substance, an unconditional promise. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are recognized when the conditions on which they depend are substantially met. Consequently, at December 31, 2019, contributions of approximately \$1,542,000 was not recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Government contracts, which are funded on a reimbursement basis, are shown as revenue without donor restriction.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$106,000 as of December 31, 2019. The Organization has not experienced any losses in such accounts.

Receivables

Grants and other receivable within one year are recorded at net realizable value. Grants receivable expected to be received in the future years are recorded at present value of their estimated cash flows. No allowance for uncollectible accounts have been provided since the receivables are all deemed to be collectible.

Client Funds Held in Trust

The Organization is holding client funds in trust in separate bank accounts. The total amount of \$59,873 and \$58,606 in 2019 and 2018, respectively, was included in cash in the Statements of Financial Position.

WeHOPE

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Property and Equipment

Property and equipment is stated at cost of acquisition, construction or fair value if donated. Assets costing at least \$2,000 are capitalized. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

|                           |                |
|---------------------------|----------------|
| Building and improvements | 20 to 30 years |
| Furniture and equipment   | 3 to 7 years   |
| Vehicles                  | 5 years        |

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and state information tax returns for the years 2015 through 2018 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supporting services.

Subsequent Events

Management has evaluated subsequent events through March 1, 2021, the date on which the financial statements were available to be issued.

**NOTE 3 – RELATED-PARTY TRANSACTIONS**

All related party transactions for the years ending December 31, 2019 and 2018 occurred between the Organization and Action Associates, a company owned by an immediate family of its board member and founder. Related-party transactions are summarized as follows:

Nature of transaction:

|   | 2019      | 2018      |
|---|-----------|-----------|
| Facility lease <sup>(1)</sup>               | \$ 12,100 | \$ 57,900 |
| Property taxes and insurance <sup>(2)</sup> | 33,273    | 4,473     |
| Purchase of property <sup>(3)</sup>         | -         | 1,600,000 |

WeHOPE

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

- (1) The Organization previously leased its shelter facility at 1854 Bay Road from Action Associates under an operating lease that expired in July 2019. The Organization purchased the facility in 2018 to eliminate future rent payments. Shelter facility rent expense was \$-0- and \$45,900 in 2019 and 2018, respectively. The Organization also leases its recuperative care facility at 1836 Bay Road from Action Associates under a five-year agreement that expired in July 2019. In August 2019, the five-year agreement was amended to extend the terms of the lease to September 2024. Recuperative care facility rent expense was \$12,100 and \$12,000 in 2019 and 2018, respectively (see note 10).
- (2) The Organization pays the property taxes and insurance of the property and receives reimbursement from Action Associates for its share of the costs. The costs are prorated based on the square footage of the buildings. The full amount is included in related-party receivable as of December 31, 2019 and 2018.
- (3) In September 2018, the Organization purchased the commercial property at 1836 and 1854 Bay Road from Action Associates for \$1,600,000. The property was purchased with a tenancy in common agreement whereas the Organization and Action Associates each owns an undivided interest in the property. The property is comprised of two building structures: the 1836 Bay Road building with approximately 19,800 square feet currently occupied by Action Associates, which is referred to as the applicable owner of the 1836 Bay Road building per tenancy in common agreement; and the 1854 Bay Road building with approximately 9,900 square feet currently occupied by the Organization, which is referred to as the applicable owner of the 1854 Bay Road building per tenancy in common agreement. The percentage of undivided interest is based on the square footage of each building. The undivided interest of the Organization and Action Associate is 33% and 67%, respectively (see Note 5). The co-owners are currently in the process of subdividing the parcel to bisect the southern portion of the property that includes the 1854 Bay Road building from the northern portion of the property that includes 1836 Bay Road building.

**NOTE 4 – GRANTS RECEIVABLE**

Grants receivable are summarized as follows:

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| City of San Jose                         | \$ 175,589        | \$ 15,522         |
| Rammler’s Family Fund                    | 100,000           | -                 |
| City of East Palo Alto                   | 92,973            | 30,375            |
| San Mateo County Human Services Agency   | 90,884            | 102,084           |
| City of Oakland                          | 80,231            | -                 |
| County of Santa Clara                    | 48,895            | -                 |
| County of San Mateo HEAP Funding         | 8,077             | -                 |
| Homefirst Services of Santa Clara County | 3,000             | -                 |
| Mountain View Community Services Agency  | 2,625             | 1,125             |
| Fidelity Charitable                      | 1,000             | -                 |
| LifeMoves                                | -                 | 7,425             |
|  | <u>\$ 603,274</u> | <u>\$ 156,531</u> |
| Grants receivable                        | <u>\$ 603,274</u> | <u>\$ 156,531</u> |
| Amounts due in:                          |                   |                   |
| Less than one year                       | <u>\$ 553,274</u> | -                 |
| Total grant receivable                   | <u>\$ 50,000</u>  | -                 |

WeHOPE

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| Land                                      | \$ 843,478          | \$ 843,478          |
| Buildings and improvements <sup>(1)</sup> | 950,473             | 768,050             |
| Furniture, fixtures and equipment         | 927,236             | 645,451             |
|   | <u>2,721,187</u>    | <u>2,256,979</u>    |
| Less: accumulated depreciation            | (417,806)           | (256,765)           |
|   | <u>\$ 2,303,381</u> | <u>\$ 2,000,214</u> |

- <sup>(1)</sup> The Organization purchased an undivided interest in real property located at 1836 and 1854 Bay Road in September 2018 for \$1,600,000 (see Note 3). The property is comprised of two building structures: the 1836 Bay Road building with approximately 19,800 square feet currently occupied by Action Associates, and the 1854 Bay Road building with approximately 9,900 square feet currently occupied by the Organization. The 1836 Bay Road building is divided into eight units that are currently under various leases. The lease contracts of these units are with Action Associate therefore no rental income is recognized by the Organization.

**NOTE 6 – LINE OF CREDIT**

In September 2018, the Organization obtained a revolving line of credit in the amount of \$100,000, of which \$140 was outstanding at December 31, 2019 and 2018. Advances on the line of credit are payable monthly and carry an initial interest rate of 6.25% per annum. The line of credit is secured by various assets of the Organization as specified in the commercial security agreement and matures in September 2023.

**NOTE 7 – NOTES PAYABLE**

Notes payable consist of the following:

|   | 2019                        |                  | 2018                        |                  |
|---|-----------------------------|------------------|-----------------------------|------------------|
|   | <i>Interest<br/>Payable</i> | <i>Principal</i> | <i>Interest<br/>Payable</i> | <i>Principal</i> |
| Avid Bank, in the original amount of \$270,000, bears interest from 3.75% to 5.50%. Payments of principal and interest of \$1,396 due monthly commencing October 2018 and \$1,602 commencing October 2025, and balloon payment of \$196,723 in September 2028. Interest expense was \$9,943 and \$2,104 in 2019 and 2018, respectively. | \$ -                        | \$ 261,127       | \$ -                        | \$ 267,913       |

WeHOPE

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

|  | 2019                    |                  | 2018                    |                  |
|--|-------------------------|------------------|-------------------------|------------------|
|  | <i>Interest Payable</i> | <i>Principal</i> | <i>Interest Payable</i> | <i>Principal</i> |
| County of San Mateo, in the original amount of \$490,673, non-interest bearing loan. Payments of principal are deferred and all outstanding principal will be forgiven at a rate of 10% of the loan amount every three years until September 2048.   | -                       | 490,673          | -                       | 490,673          |
| LENDonate CA, LLC, in the original amount of \$52,500, bears interest at 4.85% per annum. Payments of principal and interest in the amount of \$553 due monthly commencing October 2018 and \$545 commencing May 2020, and balloon payment of \$38,767 in October 2021. Interest expense was \$2,420 and \$423 in 2019 and 2018, respectively. | -                       | 47,601           | -                       | 51,817           |
| Total  | -                       | 799,401          | -                       | 810,403          |
| Less: current portion  | -                       | (12,114)         | -                       | (10,854)         |
| Long-term portion  | \$ -                    | \$ 787,287       | \$ -                    | \$ 799,549       |

Principal payments on notes payable for the next five years are subject to changes in net cash flow and are estimated as follows:

|      |           |
|------|-----------|
| 2020 | \$ 12,114 |
| 2021 | 49,925    |
| 2022 | 7,635     |
| 2023 | 7,926     |
| 2024 | 8,228     |

**NOTE 8 – NET ASSETS**

Net assets with donor restrictions are for the following purpose:

|  | <i>December 31, 2018</i> | <i>Contributions</i> | <i>Releases from Restrictions</i> | <i>December 31, 2019</i> |
|--|--------------------------|----------------------|-----------------------------------|--------------------------|
| Dignity at Work  | \$ 62,703                | \$ 143,865           | \$ (58,486)                       | \$ 148,082               |
| Capital Campaign – building purchase and addition of recuperative unit | 665,334                  | 1,000                | (144,882)                         | 521,452                  |
|  | \$ 728,037               | \$ 144,865           | \$ (203,368)                      | \$ 669,534               |

WeHOPE

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

|  | <i>December 31,</i><br><i>2017</i> | <i>Contributions</i> | <i>Releases from</i><br><i>Restrictions</i> | <i>December 31,</i><br><i>2018</i> |
|--|------------------------------------|----------------------|---|------------------------------------|
| Dignity at Work  | \$ -                               | \$ 91,125            | \$ (28,422)                                 | \$ 62,703                          |
| Capital Campaign – building purchase and addition of recuperative unit | -                                  | 1,513,000            | (847,666)                                   | 665,334                            |
|  | <u>\$ -</u>                        | <u>\$ 1,604,125</u>  | <u>\$ (876,088)</u>                         | <u>\$ 728,037</u>                  |

**NOTE 9 – LIQUIDITY AND AVAILABILITY**

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

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| Financial assets at end of year available within one year:          |                   |                   |
| Cash  | \$ 528,323        | \$ 834,671        |
| Grants receivable   | 603,274           | 156,531           |
| Related-party receivable  | 33,273            | 4,473             |
| Other receivable  | 1,349             | 1,475             |
|   | <u>1,125,196</u>  | <u>997,150</u>    |
| Less financial assets not available for general expenditures:       |                   |                   |
| Cash subject to expenditure for specific purpose                    | <u>(669,534)</u>  | <u>(728,037)</u>  |
| Financial assets available for general expenditures within one year | <u>\$ 496,685</u> | <u>\$ 269,113</u> |

Financial assets include amounts that will be used to pay accounts payable, accrued expenses and other payables from operating cash flow, if any, in the subsequent year. An amount of \$669,534 and \$728,037 of the financial assets in 2019 and 2018, respectively, is subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. As part of its liquidity management, the Organization monitors liquidity in order to fulfill its operating cash needs. The Organization has various sources that provide liquidity during the year such as contract revenue, program fees, interest income, and grants and contributions. The Organization operates within a budget and anticipates collecting sufficient revenue to cover general expenditures.

**NOTE 10 – RENTAL INCOME**

Starting in 2019, the Organization leases a portion of its premises to Saint Samuel Church under a five-year agreement that expires in December 2024. The Organization also receives rental income from the use of its premises. Rental income was \$10,300 in 2019.



WeHOPE

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

**NOTE 11 – COMMITMENTS, CONTINGENCIES AND OTHER**

County of San Mateo Forgivable Loan

In September 2018, the Organization purchased an undivided interest in the commercial property located at 1836 and 1854 Bay Road with loan proceeds from County of San Mateo in the amount of \$490,673. The loan is secured by the property and bears no interest. Repayment of principal shall be deferred and the outstanding loan balance shall be decreased by 10% after every three years throughout the life of the loan which is 30 years, as long as the facility is operating as an emergency shelter in compliance with the terms of the regulatory agreement.

Lease Commitments

The Organization leases its recuperative care facility from Action Associates, under a five-year agreement that expired in July 2019. In August 2019, the five-year agreement was amended to extend the terms of the lease to September 2024. Rent expense was \$12,100 and 12,000 in 2019 and 2018, respectively. Future minimum lease payments are estimated as follows:

|      | <u>Year Ending December 31,</u> |               |
|------|---------------------------------|---------------|
| 2021 | \$                              | 12,000        |
| 2022 |                                 | 12,000        |
| 2023 |                                 | 12,000        |
| 2024 |                                 | 9,000         |
|      | \$                              | <u>45,000</u> |

Fiscal Sponsorship

During the 2019 fiscal year, the Organization entered into a fiscal sponsorship with the Interfaith Council of Alameda County for Safe Parking Program. The Organization is authorized to collect due, contributions and grants to cover associated expenses. The total revenue and corresponding expense for Safe Parking Program was \$97,857 in 2019.

COVID-19 Pandemic

The emergence and spread of the coronavirus (COVID-19) during 2020 has affected business and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on supply chains, service providers, and business partners, and changes in business practices, all of which are uncertain and cannot be determined at this time.



Board of Directors  
WeHOPE  
San Francisco, California

JAMES M. KRAFT  
S. SCOTT SEAMANDS  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
CATHY L. HWANG  
RITA B. DELA CRUZ  
STANLEY WOO  
SCOTT K. SMITH  

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CRISANTO S. FRANCISCO  
JOE F. HUIE

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the 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, the financial statements of WeHOPE, which comprise the statements of financial position as of December 31, 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, and have issued our report thereon dated March 1, 2021.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered WeHOPE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WeHOPE's internal control. Accordingly, we do not express an opinion on the effectiveness of WeHOPE's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WeHOPE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lindquist, von Haven and Joyce LLP*

March 1, 2021

WeHOPE

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2019

Finding No. 2018-1 – Financial Accounting and Reporting Process

During our 2018 audit, we had noted that the Organization's financial reporting process did not have adequate internal controls to ensure the accuracy of the financial statements. This includes properly identifying and correcting reporting errors, maintaining accurate and updated general ledger and having adequate supporting documentations. Due to this, material adjustments were made to the financial statements as follows:

- **Net Asset Beginning Balance**

During our 2018 audit, we had noted that the net asset beginning balance did not agree to the ending balance reported in the 2017 audited financial statements. Additionally, the Organization was not able to directly identify the transactions that caused the variance. Due to this, the net asset beginning balance required an adjustment in the amount of \$24,765 and recorded as miscellaneous revenue.

- **Accrued Vacation Liability**

During our 2018 audit of accrued payroll liabilities, we had noted that the accrued vacation was not recorded correctly in the general ledger. The organization initially recorded \$50,465 of accrued vacation liability, however this balance appeared to be the accrued payroll salaries for the month ending December 2018. An adjustment of \$5,584 was made to properly record the accrued vacation liability in 2018.

Likewise, the prior year accrued vacation was also not recorded properly, resulting into a prior period year adjustment of \$43,284 to recognize the accrued vacation liability.

- **Property and Equipment**

In 2018, the Organization purchased a commercial property from Action Associates, a company owned by an immediately family of its board member and president Pastor Paul Bains. The property was purchased by the Organization for \$1,600,000 and was allocated to land and building at 25% and 75% of purchased price, respectively. However, upon further inquiry, it was noted that the Organization did not have a proper support for the basis of the allocation. We requested a copy of the property tax assessment to use as the basis and recalculated the allocation. An adjustment of approximately \$400,000 was made to properly allocate the purchase price between land and building.

- **Inadequate Supporting Documentation**

During our 2018 audit, we had noted several transactions were recorded but did not have adequate supporting documentation in the Organization's records. Likewise, we also had noted considerable delay in providing supporting documentation during our audit process.

Recommendation:

We had recommended that Management should strengthen its existing internal controls over financial reporting by requiring a thorough review of the financial reports to ensure that balances are recorded accurately. This should include the following:

- Management should reconcile the general ledger balances with any related underlying schedules on a quarterly and year-end basis to ensure the accuracy of the general ledger balances.
- Management should develop a process whereby management keeps track of the balances of the employees' accrued vacation and perform a review and analysis of the accrued vacation balance to ensure that the amounts are recorded accurately in the financial statements.

WeHOPE

*(A California Nonprofit Public Benefit Corporation)*

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2019

- Transactions recorded in the accounting system should have adequate supporting documentation. Management should improve its existing processes on maintaining and retaining records. The process of filing, storing and retrieving documents should be done in a systematic manner so that they may be easily located when needed.

Status:

During the 2019 audit, we had likewise proposed material adjustments to the books. We continue to make the above recommendations.

Finding No. 2018-2 – Journal Entry Review Process

During our review of internal controls over financial reporting process, we had noted that the journal entries and adjustments to the general ledger prepared and posted by Avitus, the Organization's bookkeeping service provider, do not go through a review process for accuracy.

Per inquiry with client, there is no formal review of journal entries and general ledger for accuracy, however at year end, the Organization hires a CPA consultant to clean up and make all necessary adjustments to their books.

Recommendation:

We had recommended that Management establish a process to have someone from the finance periodically review the journal entries and adjustments made to the general ledger for accuracy.

Status:

This has been addressed with the hiring of a controller.

Finding No. 2018-3 – Review of Bank Reconciliation

During our review of internal controls over bank reconciliation process, we had noted that there was no review of the monthly bank reconciliations prepared by Avitus. Furthermore, we reviewed the December 2018 reconciliation of their main checking account to the general ledger and noted a variance of approximately \$14,000. It appeared that the statement had not been fully reconciled and difference still remained between the book and bank statement balances for the December 2018.

Recommendation:

We had recommended that Management establish a process to have someone from the finance perform a monthly review of all the bank reconciliations to ensure that accounting errors, misstatements and / or unauthorized activities may be identified or corrected in a timely manner.

Status:

This has been addressed with our finance committee and the hiring of the finance team.

WeHOPE

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2019

Finding No. 2018-4 – Segregation of Duties

During our review of the Organization's internal controls for proper segregation of duties and procedures, we had noted areas in which controls need to be improved and employee's access and/or duties revised. Good internal controls require that employees with access to the Organization's assets not have access to accounting records for the same assets. Ideally, one employee should retain authorization to use an asset and another employee should maintain the records over that asset. However, we had noted that the same individual was responsible for multiple key aspects of a transaction, including authorizing, processing, recording, and reviewing.

- **Disbursement Process**

We had noted that the employee who processes accounts payable is also an authorized check signer, has access to blank checks, and is also responsible for mailing/releasing the checks. Additionally, check registers are not reviewed by another employee for accuracy prior to mailing the checks. The lack of segregation of duties in the disbursement process could possibly lead to fraudulent transactions and unauthorized payments.

- **Payroll Process**

We had noted that the employee who processes payroll also signs the payroll checks, has access to personnel files and can make changes in pay including her own hours and pay. We also had noted that there is currently no review and approval of payroll prior to issuance of payroll.

Recommendation:

We had recommended the Organization strengthen its internal controls to ensure an adequate segregation of duties exists over disbursement and payroll processing. Although the size of the Organization's finance department may not allow for proper segregation of duties, Management may consider involving executive level employees such as the president or board members to provide independent review of these accounting functions. By involving the board, it will give the Organization strong governance over the Organization.

Status:

President or finance committee review and report out to the board as necessary.

Finding No. 2018-5 – Controls over Cash Receipts

During our review of internal controls over cash receipts, we had noted that checks received by mail are opened by the Office Manager and are scanned into a folder on her desktop. The scanned checks are then sent via email to the Finance Department and Development Department and actual checks are sent to Finance Department for deposit. However, we had noted that no check log is maintained and no reconciliation of daily cash receipts to accounting records are done to ensure that all cash receipts are accounted for.

Recommendation:

We had recommended that Management consider maintaining a check log for checks received through the mail to properly record cash receipts and to reconcile it to the bank deposits. These will provide assurance over the completeness and accuracy of cash receipts received.

Status:

Management noted the issue and is currently in the process of updating its cash receipts process. We continue to make the above recommendations.