

HUMBOLDT COMMUNITY ACCESS
AND RESOURCE CENTER

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2015

AUDITED BY

COUGHLAN NAPA CPA COMPANY, INC.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Humboldt Community Access and Resource Center

We have audited the accompanying financial statements of Humboldt Community Access and Resource Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 Humboldt Community Access and Resource Center as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015, on our consideration of Humboldt Community Access and Resource Center'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Constance Coughlan".

Constance Coughlan, CPA
Coughlan Napa CPA Company, Inc.
September 4, 2015

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
As of June 30, 2015

ASSETS

Current Assets

Cash & Cash Equivalents	\$ 1,156,947
Accounts Receivables - net	422,090
Prepaid Expenses	42,553
Total Current Assets	1,621,590

Property and Equipment

Land	684,908
Buildings and Improvements	2,101,739
Equipment and Furniture	661,849
	3,448,495
Accumulated Depreciation	(1,195,491)
Total Property and Equipment	2,253,004

Other Assets

Restricted Cash	5,055
Deposits	25,069
Intangible Assets - net	47,059
Total Other Assets	77,183

TOTAL ASSETS	\$ 3,951,778
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 22,594
Accrued Expenses	246,988
Security Deposits	1,750
Current Portion of Long-Term Debt	61,443
Total current liabilities	332,774

Long-term liabilities

Long-Term Debt	1,307,886
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TOTAL LIABILITIES	1,640,661
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Net assets

Unrestricted Net Assets	2,201,313
Designated Net Assets	13,529
Temporarily Restricted Net Assets	91,275
Permanently Restricted Net Assets	5,000
Total net assets	2,311,117

TOTAL LIABILITIES AND NET ASSETS	\$ 3,951,778
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The accompanying notes are an integral part of the financial statements.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Grants and contracts	\$ 385,715	\$ 60,000	\$ -	\$ 445,715
Contributions and foundation grants	6,286	-	-	6,286
Program fees for services	3,503,391	-	-	3,503,391
Program revenue	84,876	-	-	84,876
Rental income	21,088	-	-	21,088
Interest income	1,237	-	-	1,237
Realized gains on investments	1	-	-	1
Unrealized gains on investments	152	-	-	152
Other income	46,060	-	-	46,060
Total revenue	<u>4,048,805</u>	<u>60,000</u>	<u>-</u>	<u>4,108,805</u>
Net assets released from restriction	<u>77,144</u>	<u>(77,144)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>4,125,949</u>	<u>(17,144)</u>	<u>-</u>	<u>4,108,805</u>
EXPENSES				
Program services				
Dances	1,248	-	-	1,248
The studio	280,364	-	-	280,364
Day programs	1,023,261	-	-	1,023,261
Baybridge services	313,946	-	-	313,946
Respite services	331,400	-	-	331,400
Support services	787,745	-	-	787,745
Transportation	280,907	-	-	280,907
211 program	121,026	-	-	121,026
Total program services	<u>3,139,897</u>	<u>-</u>	<u>-</u>	<u>3,139,897</u>
Administration	<u>529,875</u>	<u>-</u>	<u>-</u>	<u>529,875</u>
TOTAL EXPENSES	<u>3,669,772</u>	<u>-</u>	<u>-</u>	<u>3,669,772</u>
CHANGE IN NET ASSETS	456,177	(17,144)	-	439,033
NET ASSETS, JUNE 30, 2014	<u>1,758,665</u>	<u>108,419</u>	<u>5,000</u>	<u>1,872,084</u>
NET ASSETS, JUNE 30, 2015	<u>\$ 2,214,842</u>	<u>\$ 91,275</u>	<u>\$ 5,000</u>	<u>\$ 2,311,117</u>

The accompanying notes are an integral part of the financial statements.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

Cash flows from operating activities	
Change in net assets	\$ 439,033
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	101,540
Realized (gains) losses on investments	(1)
Unrealized (gains) losses on investments	(152)
(Increase) decrease in:	
Accounts receivable	(47,608)
Prepaid expenses	49,877
Deposits	8,518
Increase (decrease) in:	
Accounts payable	7,290
Accrued expenses	29,235
Deferred revenue	(420)
Net cash provided by operating activities	<u>587,312</u>
Cash flows from investing activities	
Restricted cash	(5,055)
Purchase of property, equipment, and intangibles	(65,314)
Net cash used in investing activities	<u>(70,369)</u>
Cash flows from financing activities	
Principal payments on short and long-term debt	(54,838)
Net cash provided by (used in) financing activities	<u>(54,838)</u>
Increase (decrease) in cash and cash equivalents	462,105
Cash and cash equivalents at beginning of year	<u>694,843</u>
Cash and cash equivalents at end of year	<u>\$ 1,156,947</u>
 Supplemental information	
Interest paid	\$ 64,252

The accompanying notes are an integral part of the financial statements.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015

	Program Services										Total Support and Program Services
	Dances	The studio	Day programs	Baybridge services	Respite Services	Support services	Transportation	211	Total program services	Support Services	
Personnel	\$ -	\$ 203,702	\$ 803,754	\$ 249,773	\$ 282,859	\$ 647,215	\$ 160,996	\$ 81,901	\$ 2,430,200	\$ 326,365	\$ 2,756,566
Occupancy	775	60,282	136,080	8,036	7,641	10,720	10,296	11,005	244,835	96,328	341,163
Operational	473	16,380	83,427	56,137	40,900	129,810	109,615	28,120	464,861	107,182	572,043
TOTAL EXPENSES	\$ 1,248	\$ 280,364	\$ 1,023,261	\$ 313,946	\$ 331,400	\$ 787,745	\$ 280,907	\$ 121,026	\$ 3,139,897	\$ 529,875	\$ 3,669,772

The accompanying notes are an integral part of the financial statements.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Humboldt Community Access and Resource Center (the Center) is a nonprofit organization providing various services and transportation for the developmentally disabled. These services are funded by the State of California primarily through the Redwood Coast Regional Center and the Department of Rehabilitation. Other funding is received from grants, fees, and donations.

Dances – provides dance therapies.

The Studio – provides the opportunity for adults with disabilities to express themselves artistically and to foster those creative artists and showcase their work in the local community.

Day Programs – provides training and offers opportunities to develop life-enhancing skills and raise levels of independence.

Comprehensive Career Services – provides services that match pre-screened applicants with job skills and abilities to employers' needs.

Respite Services – provides positive behavior reinforcement and care for individuals in their home or in the community.

Summit Support – provides supported living services and offers training on community housing, emotional and social development, nutrition and health awareness, medical appointments and accessing a variety of community resources. The program also provides support services to people with developmental disabilities who are transitional or already living in a home of their own.

Transportation – provides Dial-A-Ride/Dial-A-Lift service to the outlying areas of Eureka and Arcata.

2-1-1 Program – provides a resource service that refers calls to appropriate services.

Financial Statement Presentation

Humboldt Community Access and Resource Center reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Restricted and Unrestricted Support

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the liability is incurred.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all cash in demand deposit accounts and certificates of deposit to be cash and cash equivalents.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Humboldt Community Access and Resource Center capitalizes all property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Purchased property and equipment are capitalized at historical cost. Donated property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Humboldt Community Access and Resource Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Humboldt Community Access and Resource Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method based on estimated useful lives of five to forty years.

Contributed Materials, Equipment, and Services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Humboldt Community Access and Resource Center. Volunteers also provide services throughout the year in serving Humboldt Community Access and Resource Center's mission that are not recognized as contributions in the financial statements because the recognition criteria are not met.

Contributed materials and equipment are recorded as support in the accompanying statements at their estimated value at the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by donor.

Support and Revenue Recognition

Support and revenue received from federal, state, and local governments that are conditioned upon Humboldt Community Access and Resource Center incurring certain qualifying costs, are considered to be exchange transactions and, therefore, are recognized as unrestricted revenue as those costs are incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

Accounts Receivable

The Center records an allowance for doubtful accounts. Management reviews accounts receivable and estimates the allowance based on past loss experience, specific impaired balances, adverse situations that may affect the repayment, and current economic conditions. Receivables are considered impaired if payments are not received in accordance with transaction terms.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE B - CASH AND CASH EQUIVALENTS

Humboldt Community Access and Resource Center maintains its cash balances in several financial institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2015, amounts at one bank exceeded the insured amount.

NOTE C - ACCOUNTS RECEIVABLE

The accounts receivable was composed of the following at June 30, 2015:

	2015
Redwood Coast Regional Center	\$ 289,613
Department of Transportation	37,724
State Transit Assistance Fund	43,404
Other Receivables	54,818
Allowance for Doubtful Accounts	(3,469)
	\$ 422,090

NOTE D - PROPERTY AND EQUIPMENT

The following is a summary of the changes to the property and equipment accounts:

	Balance July 1, 2014	Additions	Retirements and Transfer	Balance June 30, 2015
Land	\$ 684,908	\$ -	\$ -	\$ 684,908
Buildings and Improvements	2,080,222	-	-	2,080,222
Leasehold Improvements	21,517	-	-	21,517
Furniture and Fixtures	10,542	-	-	10,542
Equipment and Machinery	121,375	1,571	-	124,294
Vehicles	467,012	60,000	-	527,012
	3,385,576	61,571	-	3,448,495
Accumulated Depreciation	(1,109,418)	(86,073)	-	(1,195,491)
Total	\$ 2,276,158	\$ 23,154	\$ -	\$ 2,253,004

Depreciation for the year ended June 30, 2015 was \$86,073.

NOTE E - RESTRICTED NET ASSETS

At June 30, 2015, temporarily restricted net assets consisted of the federal grant restriction on three of the Center's vehicles.

At June 30, 2015, permanently restricted net assets consisted of contributions of \$5,000 received in 1972 restricted to investment in perpetuity, the income from which is expendable to support the bowling program.

NOTE F - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated \$13,529 as an endowment fund.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE G - NOTES PAYABLE

Notes payable at June 30, 2015 consists of the following:

Note payable to U.S. Bank National Association, payable at \$4,965 per month including interest at 5.14%. Secured by real property at 1001 Searles Street expiring February 5, 2019.	\$ 638,778
Note payable to U.S. Bank National Association, payable at \$5,682 per month including interest at 5.14%. Secured by real property at 1707 E Street expiring February 5, 2019.	<u>730,551</u>
Total Notes Payable	1,369,329
Less Current Portion	<u>(61,443)</u>
Total Non-Current Portion	<u>\$ 1,307,886</u>

The Center has a credit line in the amount of \$80,000. Interest is payable at 7%. The balance at year end was zero.

NOTE H - LEASE AGREEMENT

Humboldt Community Access and Resource Center is leasing commercial property as described below:

The Center leases the facility that houses its Art Studio program on a lease expiring March 31, 2018 at \$3,350 per month.

The Center leases a facility that houses a day programs on a lease expiring June 1, 2022 at \$4,918 per month, adjusted in the sixth year to prevailing market rate and annual adjustments to market thereafter for increases.

Future minimum lease payments for the next 5 years:

Year	Amount
2016	\$ 99,216
2017	99,216
2018	89,166
2019	59,016
2020	<u>42,764</u>
Total	<u>\$ 389,378</u>

NOTE I - COMPENSATED ABSENCES

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability.

HUMBOLDT COMMUNITY ACCESS AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE J – REHABILITATION GRANT

The Center received a grant for rehabilitation of the J Street property. The project is substantially complete. It has brought the building into compliance with local government requirements and allows for better utilization. The grant awarded April 1, 2008 restricts the use of the building and requires a five year subsequent review period.

NOTE K - TAX EXEMPTION

Humboldt Community Access and Resource Center is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Center is subject to tax on net income from rental activities. There are no uncertain tax positions. Tax years remaining open to examination are three years for federal and four years for California.

NOTE L - MERGER

The Center has merged with 2-1-1 the Humboldt Community Switchboard. The Switchboard is now a Humboldt Community Access and Resource Center program.

NOTE M – GENERAL FUNDING CONTINGENCY

The Center's operations are concentrated in disability aid services and support from federal and state governments. The operations of the Center are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by the relevant regulatory agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Any change in governmental support provided could have a direct and material effect on the Center's ability to carry out its activities.

NOTE N - SUBSEQUENT EVENTS

Management of Humboldt Community Access and Resource Center has evaluated subsequent events for disclosure through September 4, 2015, the date of the Independent Auditor's report and the date the financial statements were available to be issued.

**REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**



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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

To the Board of Directors of
Humboldt Community Access and Resource Center

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 Humboldt Community Access and Resource Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humboldt Community Access and Resource Center's internal control over financial reporting (internal control) to determine the 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 Humboldt Community Access and Resource Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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. 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.

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, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt Community Access and Resource Center'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 determination of financial statement amounts. 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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Constance Coughlan".

Constance Coughlan, CPA
Coughlan Napa CPA Company, Inc.
September 4, 2015