



SAN DIEGO
**Regional Task Force
on the Homeless**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

REGIONAL TASK FORCE ON THE HOMELESS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Regional Task Force on the Homeless, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Regional Task Force on the Homeless, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, 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 audits. We conducted our audits 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 Regional Task Force on the Homeless, Inc. as of June 30, 2020 and 2019, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 January 21, 2021, on our consideration of Regional Task Force on the Homeless, Inc.'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 effectiveness of Regional Task Force on the Homeless, Inc.'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 Regional Task Force on the Homeless, Inc.'s internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
January 21, 2021

REGIONAL TASK FORCE ON THE HOMELESS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Assets:</u> (Notes 2 and 4)		
Cash and cash equivalents:		
Unrestricted	\$ 2,521,397	\$ 357,103
Restricted	24,031,207	19,422,166
Accounts receivable	1,301,093	574,432
Prepaid expenses and other assets	31,980	32,685
Property and equipment, net	<u>147,593</u>	<u>65,290</u>
TOTAL ASSETS	<u>\$ 28,033,270</u>	<u>\$ 20,451,676</u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u> (Note 2)		
Accounts payable and accrued expenses	\$ 2,564,630	\$ 181,300
Accrued payroll and related liabilities	170,773	119,388
Deferred revenue	<u>23,779,347</u>	<u>18,871,784</u>
Total Liabilities	<u>26,514,750</u>	<u>19,172,472</u>
<u>Commitments and Contingency:</u> (Note 6)		
<u>Net Assets:</u> (Notes 2 and 5)		
Without donor restrictions	1,266,660	728,822
With donor restrictions	<u>251,860</u>	<u>550,382</u>
Total Net Assets	<u>1,518,520</u>	<u>1,279,204</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,033,270</u>	<u>\$ 20,451,676</u>

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

REGIONAL TASK FORCE ON THE HOMELESS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and Support:</u>						
Contracts	\$ 9,344,677	\$ -	\$ 9,344,677	\$ 2,505,451	\$ -	\$ 2,505,451
Service point annual support fees	249,452	-	249,452	138,210	-	138,210
Contributions	182,239	-	182,239	400,792	464,228	865,020
Membership fees	7,550	-	7,550	6,303	-	6,303
Miscellaneous	708	-	708	574	-	574
Net assets released from restrictions	298,522	(298,522)	-	361,093	(361,093)	-
Total Revenue and Support	10,083,148	(298,522)	9,784,626	3,412,423	103,135	3,515,558
<u>Expenses:</u>						
Program Services	8,004,574	-	8,004,574	2,758,300	-	2,758,300
Management and general	1,540,736	-	1,540,736	438,921	-	438,921
Total Expenses	9,545,310	-	9,545,310	3,197,221	-	3,197,221
Change in Net Assets	537,838	(298,522)	239,316	215,202	103,135	318,337
Net Assets at Beginning of Year	728,822	550,382	1,279,204	513,620	447,247	960,867
NET ASSETS AT END OF YEAR	\$ 1,266,660	\$ 251,860	\$ 1,518,520	\$ 728,822	\$ 550,382	\$ 1,279,204

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

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
<u>Salaries and Related Expenses:</u>						
Salaries and wages	\$ 1,220,735	\$ 329,182	\$ 1,549,917	\$ 1,148,598	\$ 149,551	\$ 1,298,149
Employee benefits	134,085	46,854	180,939	136,254	15,987	152,241
Payroll taxes	102,432	26,870	129,302	91,602	12,724	104,326
Total Salaries and Related Expenses	<u>1,457,252</u>	<u>402,906</u>	<u>1,860,158</u>	<u>1,376,454</u>	<u>178,262</u>	<u>1,554,716</u>
<u>Nonsalary Related Expenses:</u>						
Board development and meetings	6,320	3,869	10,189	(804)	16,733	15,929
Contracted services	8,715	321,255	329,970	134,204	144,683	278,887
Depreciation	-	40,465	40,465	-	-	-
Information technology	10,434	22,548	32,982	39,500	749	40,249
Insurance	48	11,176	11,224	4,767	3,854	8,621
Miscellaneous	588	2,875	3,463	3,931	2,180	6,111
Program expenses	676,771	80,119	756,890	246,978	7,346	254,324
Program expenses - HMIS	68,200	553,916	622,116	843,973	-	843,973
Rent	-	64,253	64,253	28,415	64,888	93,303
Subrecipient expense	5,737,701	-	5,737,701	-	-	-
Supplies	3,853	20,990	24,843	16,800	3,179	19,979
Travel and transportation	29,175	16,364	45,539	46,651	3,929	50,580
Uncollected fees	5,517	-	5,517	17,431	13,118	30,549
Total Nonsalary Related Expenses	<u>6,547,322</u>	<u>1,137,830</u>	<u>7,685,152</u>	<u>1,381,846</u>	<u>260,659</u>	<u>1,642,505</u>
Total Expenses	<u>\$ 8,004,574</u>	<u>\$ 1,540,736</u>	<u>\$ 9,545,310</u>	<u>\$ 2,758,300</u>	<u>\$ 438,921</u>	<u>\$ 3,197,221</u>

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

REGIONAL TASK FORCE ON THE HOMELESS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 239,316	\$ 318,337
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,465	-
(Increase) Decrease in:		
Accounts receivable	(726,661)	39,357
Prepaid expenses and other assets	705	(5,827)
Increase (Decrease) in:		
Accounts payable and accrued expenses	2,383,330	123,399
Accrued payroll and related liabilities	51,385	46,666
Deferred revenue	4,907,563	18,816,101
Net Cash Provided by Operating Activities	<u>6,896,103</u>	<u>19,338,033</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of property and equipment	<u>(122,768)</u>	<u>(65,290)</u>
Net Cash Used in Investing Activities	<u>(122,768)</u>	<u>(65,290)</u>
Net Increase in Cash and Cash Equivalents	6,773,335	19,272,743
Cash and Cash Equivalents at Beginning of Year	<u>19,779,269</u>	<u>506,526</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 26,552,604</u></u>	<u><u>\$ 19,779,269</u></u>

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

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 - Organization:

Regional Task Force on the Homeless, Inc. (RTFH) was incorporated on June 17, 2004 as a non-profit public benefit corporation. RTFH is an integrated array of stakeholders committed to preventing and alleviating homelessness in San Diego. We provide essential data and insights on the issue of homelessness, informing policy and driving system design and performance.

Vision

Homelessness in San Diego is rare, brief and non-recurring.

Mission

RTFH is the homeless policy expert and lead coordinator for the introduction of new models and implementation of best practices for the San Diego Region.

RTFH received federal awards from the U.S. Department of Housing and Urban Development's Supportive Housing Program for the purpose of managing our region's Homeless Management Information System (HMIS), Coordinated Entry System (CES), Continuum of Care Planning Project Application, Youth Homeless Demonstration Program and supporting the homeless service providers. Cost reimbursement, reported as revenue, is recorded pro-rata as expenses are incurred. Funding from the various cities often comes in the form of the U.S. Department of Housing and Urban Development's Community Development Block Grant Program (CDBG), federal funds issued to various local governments, which are then awarded to local nonprofit organizations and vendors.

The State of California Homeless Emergency Aid Program (HEAP) is a one-time block grant advanced to RTFH, is recorded as deferred revenue and is awarded as passthrough funding to local nonprofit organization and various local governments. The HEAP funds may be used for, but are not limited to, the following services: services, rental assistance or subsidies, capital improvements and homeless youth activities. The HEAP funds must be 50 percent contractually obligated by January 1, 2020, and one hundred percent of HEAP funds must be expended by June 30, 2021. Any funds not expended by that date must be returned to the funder.

RTFH received \$10,790,528 in Homeless Housing, Assistance and Prevention (HHAP) funds from the State of California in June 2020. HHAP, a one-time block grant advanced to RTFH, is recorded as deferred revenue and is awarded as passthrough funding to local nonprofit organization and various local governments. The HHAP funds must be 50 percent contractually obligated by May 31, 2023 and one hundred percent of HHAP funds must be expended by June 30, 2025. Any funds not expended by that date must be returned to the funder.

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of RTFH have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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 thereon are classified and reported as follows:

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

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.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). RTFH had no financial instruments at June 30, 2020 and 2019.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible; therefore, no allowance for doubtful accounts receivable was recorded at June 30, 2020 and 2019.

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

RTFH capitalizes all expenditures in excess of \$1,000 for equipment at cost, while donations of equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions 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 support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, RTFH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RTFH reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Equipment is depreciated using the straight-line method over the estimated useful asset lives of three to seven years. Depreciation totaled \$40,465 and \$-0- for the years ending June 30, 2020 and 2019, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Compensated Absences

Accumulated unpaid vacation totaling \$70,636 and \$53,697 at June 30, 2020 and 2019, respectively, is accrued when incurred and included in accrued payroll and related liabilities.

Revenue Recognition

Contracts

Contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the contract. Accounts receivable are recorded when revenue earned under a contract exceeds the cash received. Deferred revenue is recorded when cash received under a contract exceeds the revenue earned. Deferred revenue from contracts totaled \$23,779,347 and \$18,871,784 at June 30, 2020 and 2019, respectively.

RTFH receives its grant support through direct and subgrantee awards from federal contracts. RTFH receives advances or is reimbursed for direct costs incurred in the conduct of its research and receives reimbursement for indirect costs on its research grants based on a fixed rate applied to direct costs. Direct and indirect costs incurred by RTFH and reimbursed by agencies of the United States Government are subject to audit by such agencies. Management believes the results of such audits will not have a material adverse effect on the financial position or results of operations of RTFH.

Service Point Annual Support Fees

Revenue from service point annual support fees is recognized as revenue based on actual activity and are billed quarterly in arrears

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to RTFH that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Membership Fees

Membership fees are recognized as revenue when payment is received.

Donated Services and Support

RTFH utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2020 and 2019 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services based on internal records and estimates made by RTFH's management.

Income Taxes

RTFH is a public charity 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. RTFH 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. RTFH is not a private foundation.

RTFH's Return of Organization Exempt from Income Tax for the years ended June 30, 2020, 2019, 2018 and 2017 are subject to examination by the Internal Revenue Service and State taxing authorities, generally the three to four years after the returns were filed.

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Concentrations

Credit Risk

RTFH maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. RTFH has not experienced any losses in such accounts. RTFH believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Revenue

RTFH receives a substantial portion of its funding from federal and state government agencies through direct and subgrantee grants. Contract revenue related to federal and state government grants through direct and subgrantee funding represented 96% and 71% of total revenue and support for the years ended June 30, 2020 and 2019, respectively. Accounts receivable from those contracts represented 87% and 87% of the total accounts receivable June 30, 2020 and 2019, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, RTFH considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended June 30, 2020 had no effect on the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

Subsequent Events

In preparing these financial statements, RTFH has evaluated events and transactions for potential recognition or disclosure through January 21, 2021, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 3 - Liquidity and Availability:

RTFH regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. RTFH considers investment income without donor restrictions, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, RTFH considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure within one year, are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 26,552,604	\$ 19,779,269
Accounts receivable	<u>1,301,093</u>	<u>574,432</u>
Financial assets available for general expenditures within one year	<u>\$ 27,853,697</u>	<u>\$ 20,353,701</u>

In addition to financial assets available to meet general expenditures over the next 12 months RTFH operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 48,645	\$ 45,535
Furniture and fixtures	49,870	23,919
Leasehold improvements	<u>95,413</u>	<u>1,706</u>
Subtotal	193,928	71,160
Less: Accumulated depreciation	<u>(46,335)</u>	<u>(5,870)</u>
Property and Equipment, Net	<u>\$ 147,593</u>	<u>\$ 65,290</u>

Note 5 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by RTFH, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
HMIS	\$ 107,345	\$ 137,345
Staff positions - COO and Development	102,316	120,510
Workforce Partnership	<u>42,199</u>	<u>292,527</u>
Total Net Assets with Donor Restrictions	<u>\$ 251,860</u>	<u>\$ 550,382</u>

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 5 - Net Assets With Donor Restrictions: (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Workforce Partnership	\$ 250,328	\$ 30,201
HMIS	30,000	4,155
Staff positions - COO and Development	18,194	127,966
Phase Two of the Strategic Community Action Plan	-	190,300
Point in time count	-	8,471
Total Net Assets Released from Restrictions	<u>\$ 298,522</u>	<u>\$ 361,093</u>

Note 6 - Commitments and Contingency:

Office Lease

RTFH entered into an operating lease agreement for facilities through December 31, 2021. Rent expense totaled \$64,232 and \$93,303 for the years ended June 30, 2020 and 2019, respectively.

The following is a schedule of estimated future minimum lease payments under the lease:

<u>Years Ended</u> <u>June 30</u>	
2021	\$ 65,078
2022	<u>33,020</u>
	<u>\$ 98,098</u>

Retirement Plan

RTFH has a retirement benefit plan (the "Plan") for eligible employees. The Plan allows for employee contributions up to the maximum amount allowed by the Internal Revenue Code. RTFH makes an annual contribution to the Plan up to 3% of eligible participant contributions. RTFH's contribution to the Plan totaled \$28,439 and \$29,679 for the years ended June 30, 2020 and 2019, respectively.

Coronavirus Pandemic Contingency

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. RTFH was required to close its facility and cease operations during the time period that the order was in effect and has since resumed normal operations. The potential continuing impacts to RTFH include disruptions or restrictions on employees' ability to work, suspension of programs, reduction in contributions from donors and reduced grant revenue. The future effects of these issues are unknown.

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Term	Pass Through to Subrecipient	Federal Expenditures	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>						
Direct Programs:						
Continuum of Care Program	14.267	CA0702L9D011710	11/1/18-10/31/19	\$ -	\$ 179,664	\$ 179,664
		CA0702L9D011811	11/1/19-10/31/20	-	543,757	543,757
		CA1511L9D011702	11/1/18-10/31/19	-	383,802	383,802
		CA1511L9D011803	11/1/19-10/31/20	-	370,170	370,170
		CA1691L9D011800	7/1/19-6/30/20	-	585,129	585,129
Total Continuum of Care Program				<u>-</u>	<u>2,062,522</u>	<u>2,062,522</u>
Youth Homelessness Demonstration Program	14.276	CA1726Y9D011700	3/18/19-3/31/20	-	150,893	150,893
		CA1814Y9D011700	12/1/19-11/30/21	-	1,045	1,045
		CA1815Y9D011700	12/1/19-11/30/21	75,438	1,045	76,483
		CA1816Y9D011700	12/1/19-11/30/21	255,301	12,338	267,639
		CA1817Y9D011700	12/1/19-11/30/21	116,916	1,045	117,961
		CA1818Y9D011700	12/1/19-11/30/21	55,061	1,922	56,983
		CA1819Y9D011700	12/1/19-11/30/21	-	57,112	57,112
Total Youth Homelessness Demonstration Program		CA1820Y9D011700	12/1/19-11/30/21	<u>-</u>	<u>37,847</u>	<u>37,847</u>
				<u>502,716</u>	<u>263,247</u>	<u>765,963</u>
Total Direct Programs				<u>502,716</u>	<u>2,325,769</u>	<u>2,828,485</u>
Pass-Through Programs From:						
Community Development Block Grant	14.218					
County of San Diego		B-18-UC-06-0501	9/27/19-10/31/20	-	63,382	63,382
County of San Diego		B-19-UC-06-0501	7/1/19-6/30/20	-	70,456	70,456
Total Community Block Grant				<u>-</u>	<u>133,838</u>	<u>133,838</u>
Total Pass-Through Programs				<u>-</u>	<u>133,838</u>	<u>133,838</u>
Total U.S. Department of Housing and Urban Development				<u>502,716</u>	<u>2,459,607</u>	<u>2,962,323</u>
Total Expenditures of Federal Awards				<u>\$ 502,716</u>	<u>\$ 2,459,607</u>	<u>\$ 2,962,323</u>

REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of RTFH under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of RTFH it is not intended to and does not present the financial position, changes in net assets, or cash flows of RTFH.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available.

RTFH has not elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**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***

To the Board of Directors
Regional Task Force on the Homeless, Inc.

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 Regional Task Force on the Homeless, Inc., which comprise the statement of financial position as of June 30, 2020, 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 January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional Task Force on the Homeless, Inc.'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 Regional Task Force on the Homeless, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Regional Task Force on the Homeless, Inc.'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional Task Force on the Homeless, Inc.'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*.

Regional Task Force on the Homeless, Inc.'s Response to Findings

Regional Task Force on the Homeless, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Regional Task Force on the Homeless, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Regional Task Force on the Homeless, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional Task Force on the Homeless, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
January 21, 2021



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**Independent Auditor's Report on Compliance
for the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Regional Task Force on the Homeless, Inc.

Report on Compliance for the Major Federal Program

We have audited Regional Task Force on the Homeless, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Regional Task Force on the Homeless, Inc.'s major federal program for the year ended June 30, 2020. Regional Task Force on the Homeless, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Regional Task Force on the Homeless, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional Task Force on the Homeless, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Regional Task Force on the Homeless, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Regional Task Force on the Homeless, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Regional Task Force on the Homeless, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional Task Force on the Homeless, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional Task Force on the Homeless, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
January 21, 2021

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X None reported

Significant deficiencies identified not considered to be material weaknesses?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Type of auditor's report issued on compliance for major program:

Unmodified

Internal control over major program:

Material weaknesses identified?

_____ Yes X None reported

Significant deficiencies identified?

_____ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)

_____ Yes X No

Identification of major program:

C DFA Number

Name of Federal Program or Cluster

14.276

Youth Homelessness Demonstration Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings:

Finding 2020-001: Internal Controls for the Preparation of the Schedule of Expenditures of Federal Awards

Condition

The amount of federal expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) were incorrectly reported on the SEFA.

Criteria

Per the Code of Federal Regulations Title 2 - Subtitle A - Chapter II – Part 200.508 (b) each auditee must prepare appropriate financial statements, including the schedule of expenditures of federal and state awards, in accordance with 200.510 Financial Statements.

Cause

Internal control systems were not in place to ensure that the preparation and review of the SEFA was completed.

Effect

An inaccurate SEFA and schedule of expenditures of state awards was prepared by Regional Task Force on the Homeless, Inc.

Recommendation

We recommend that Regional Task Force on the Homeless, Inc. review the required elements of the schedule and document its internal controls to ensure compliance with Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions

We agree with the auditors' comments, and the following actions were implemented immediately to ensure we are in compliance with Uniform Guidance. We are reconciling and auditing the SEFA expenditures on a monthly basis instead of annually, and have included this internal control enhancement in our expanded accounting department policies and procedures. We will consolidate the twelve-monthly SEFA schedules into one final year-end SEFA schedule subject to the review and approval by our senior executive management members. These internal controls will ensure the annual SEFA schedule is complete and accurate upon submission to the audit firm at the beginning of our next annual Single Audit.

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings: (Continued)

Finding 2020-002: Reconciliation of General Ledger Accounts are Not Being Performed Consistently

Condition

Reconciliations were not being performed for general ledger accounts consistently, resulting in errors in financial reporting.

Criteria

A reconciliation of general ledger accounts should be performed, reviewed, and approved by management on a monthly basis.

Cause

Internal control systems were not in place to ensure that the reconciliation of general ledger accounts was completed. Also, personnel responsible to perform the monthly reconciliations did not have the time capacity to perform these procedures.

Effect

Error or fraud could go undetected and uncorrected and materially misstate the financial statements.

Recommendation

We recommend that Regional Task Force on the Homeless, Inc. prepare detailed reconciliations for general ledger accounts on a monthly basis, including a formal process of review and approval of each reconciliation.

Views of Responsible Officials and Planned Corrective Actions

We agree with the auditors' comments, and a new Account Reconciliation Policy was implemented immediately to ensure we are in compliance with Uniform Guidance. We are now reconciling all balance sheet accounts using a best practices approach known as “risk-based approach.”

The risk-based approach includes a process called “risk ranking”, in which balance sheet accounts are identified as high, medium or low risk. Risk ranking requires a thorough and balanced analysis of both quantitative and qualitative factors of individual accounts. Ultimately, the risk ranking of the account determines how often the account is reconciled (e.g., monthly, quarterly or semi-annually) as well as the due date of the reconciliation (e.g., by the 10th business day following the end of the month).

Those accounts that inherently have the greatest risk of error (high), are reconciled monthly. High risk accounts have been identified: Cash, Receivables, Advances, Prepaids, Fixed Assets, Payables, Accrued Liabilities and Deferred Revenue. Accounts identified as medium risk will be reconciled on a quarterly basis, and these accounts are PayPal and Gift Card Inventory. The low-risk accounts will be reconciled every six months, and these accounts are Rent Deposit and Petty Cash.

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings: (Continued)

Finding 2020-002: Reconciliation of General Ledger Accounts are Not Being Performed Consistently (Continued)

Views of Responsible Officials and Planned Corrective Actions (Continued)

In addition to preparing the detailed reconciliations for all general ledger accounts, we have also updated the review and approval process of each reconciliation to include additional review by executive management. This will ensure the organization is in compliance with Uniform Guidance, and errors are detected and corrected before we encounter any material misstatement of the underlying financial statements.

Section III - Federal Award Findings and Questioned Costs

None