WEST ENTERPRISE CENTER, INC.

(DBA WEST COMPANY)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2019 AND 2018

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West Enterprise Center, Inc.
Financial Statements
For the years ended June 30, 2019 and 2018
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INDEPENDENT AUDITORS' REPORT

Board of Directors
West Enterprise Center, Inc.
Fort Bragg, California

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of the West Enterprise Center, Inc. (West Company), a California not-for-profit organization, which comprise the Statement of Financial Position as of June 30, 2019, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the West Company's June 30, 2018, financial statements in which an unmodified opinion was expressed on those financial statements on November 7, 2018.

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 opinions 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 consolidated financial position of the West Company as of June 30, 2019, 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.

JJACPA, Inc.

March 13, 2020

JJACPA, Inc.
Dublin, California

FINANCIAL STATEMENTS

West Enterprise Center, Inc.

Statements of Financial Position

June 30, 2019 and 2018

ASSETS	2019	2018
Current Assets:		
Cash and cash equivalents	$ 181,618	$ 148,184
Grants receivable	116,185	52,659
Prepaid expenses	1,549	1,710
Deposits	1,600	1,600
Total assets	$ 300,952	$ 204,153
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable	$ 13,820	$ 2,073
Accrued expenses	36,406	28,864
Deferred revenue	24,690	16,784
Deposits payable	8,851	600
Other liabilities	31,778	20,502
Total liabilities	115,545	68,823
Net Assets (Deficit):		
Without donor restrictions:		
Undesignated	185,407	135,330
Total net assets	185,407	135,330
Total liabilities and net assets	$ 300,952	$ 204,153

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

West Enterprise Center, Inc.
Statements of Activities
For the years ended June 30, 2019 and 2018

	2019	2018
Changes in Unrestricted Net Position		
Unrestricted support:		
Grant Income	$ 629,589	$ 485,041
Workshops, Community Events & Other Fees for Service	5,785	10,102
Donations	599	5,554
In-kind income	3,650	11,591
Interest income	39	16
Other	-	-
Total unrestricted revenues and support	639,662	512,304
Expenses:		
Program services:		
CDBG Funds	73,920	167,737
Small Business Administration Funds	407,971	225,446
Other Programs	80,939	35,331
Total program expenses	562,830	428,514
Support services:		
Management and general	26,755	21,550
Total expenses	589,585	450,064
Change in Net Assets	50,077	62,240
NET ASSETS (DEFICIT):		
Net Assets, Beginning of year	135,330	78,280
Prior Period Adjustment	-	(5,190)
Net Assets, Beginning of year as restated	135,330	73,090
Net Assets, End of year	$ 185,407	$ 135,330

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

West Enterprise Center, Inc.
Statement of Functional Expenses
For the year ended June 30, 2019

	CDBG Funds	Small Business Administration Funds	Other Programs	Total Program Expenses	Management and General	Total Expenses
Salaries and wages	$ 27,030	$ 208,975	$ 29,775	$ 265,780	$ 11,776	$ 277,556
Payroll taxes and benefits	4,354	36,609	3,752	44,715	277	44,992
Total personnel costs	31,384	245,584	33,527	310,495	12,053	322,548
Contract services	19,033	119,777	14,681	153,491		153,491
Facilities and equipment	16,145	8,405	6,297	30,847	2,398	33,245
Travel & meeting expenses	1,099	6,398	4,975	12,472	555	13,027
In kind expenses		3,650		3,650		3,650
Operations	5,289	13,379	6,235	24,903	7,469	32,372
Outside Computer/Website Services				-		-
Community/Educ events expense				-		-
Staff development/training	577	2,878	6,817	10,272		10,272
Staff recruitment		90		90		90
Insurance - Liability, D and O			1,245	1,245	4,000	5,245
Membership/Dues/Misc Fees	48	1,329	684	2,061		2,061
Client grants/stipends			954	954		954
Business registration fees				-		-
Client workshop/training costs		387		387		387
Advertising expenses	345	6,094	5,446	11,885	13	11,898
Bank/Merchant services fees			78	78	267	345
Other costs	-	-	-	-	-	-
Total expenses	$ 73,920	$ 407,971	$ 80,939	$ 562,830	$ 26,755	$ 589,585
Percentages	12.54%	69.20%	13.73%	95.46%	4.54%	100.01%

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

West Enterprise Center, Inc.
Statement of Functional Expenses
For the year ended June 30, 2018

	CDBG Funds	Small Business Administration Funds	Other Programs	Total Program Expenses	Management and General	Total Expenses
Salaries and wages	$ 80,216	$ 111,045	$ 5,798	$ 197,059	$ 13,099	$ 210,158
Payroll taxes and benefits	13,870	18,452	1,997	34,319	3,543	37,862
Total personnel costs	94,086	129,497	7,795	231,378	16,642	248,020
Contract services	35,035	55,977	8,667	99,679	3,414	103,093
Facilities and equipment	19,833	5,309	(1,438)	23,704	187	23,891
Travel & meeting expenses	1,737	11,189	1,662	14,588	406	14,994
In kind expenses	-	8,119	3,473	11,592	-	11,592
Operations	7,456	10,599	-	18,055	(61)	17,994
Staff development/training	1,970	645	280	2,895	50	2,945
Staff recruitment	538	164	-	702	-	702
Insurance - Liability, D and O	4,804	(109)	-	4,695	454	5,149
Membership/Dues/Misc Fees	1,226	219	400	1,845	175	2,020
Client grants/stipends	-	-	3,843	3,843	-	3,843
Business registration fees	-	-	-	-	54	54
Client workshop/training costs	70	1,401	9,168	10,639	-	10,639
Advertising expenses	908	2,397	1,481	4,786	-	4,786
Bank/Merchant services fees	74	39	-	113	229	342
Total expenses	$ 167,737	$ 225,446	$ 35,331	$ 428,514	$ 21,550	$ 450,064
Percentages	37.27%	50.09%	7.85%	95.21%	4.79%	100.00%

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

West Enterprise Center, Inc.

Statements of Cash Flows

For the years ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 50,077	$ 62,240
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Prior period adjustment	-	(5,190)
Changes in operating assets and liabilities:		
Accounts receivable	-	-
Grants receivable	(63,526)	12,997
Prepaid expenses	161	872
Deposits	-	(1,600)
Accounts payable	11,747	(12,602)
Accrued payroll and related liabilities	7,542	9,571
Deferred revenue	7,906	(24,180)
Deposits payable	8,251	600
Other liabilities	11,276	20,502
Net cash provided (used) by operating activities	33,434	63,210
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	-	-
Net cash used by investing activities	-	-
Net increase (decrease) in cash	33,434	63,210
CASH AND INVESTMENTS:		
Beginning of year	148,184	84,974
End of year	$ 181,618	$ 148,184

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

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Enterprise Center, Inc. (West Company), is a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. It was established in April 1992 to foster the economic opportunities in Northern California, with particular emphasis on creating jobs and expanding the economic options of low-income persons.

Major Operating Program Description

West Company provides training and technical assistance to nascent entrepreneurs and micro to small business owners. Training consists of range from basic business principles used in operating a business to specific topic areas in management, marketing and financial management to assist business owners with stabilization or growth of their business. Business advising or consulting is provided by employees and contracted advisors who have additional expertise to assist clients. We work with economic developers and strategies within the community to increase economic opportunities for businesses. Seventy percent of our clients are of low to moderate income. We also serve in particular women and the Spanish speaker of our community.

Management and General – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the West Company's program strategy through the Executive Director; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the West Company; and, manage the financial and budgetary responsibilities of the West Company.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred and accordingly reflect all significant receivables, payables, and other liabilities.

A. Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in a checking account with MLCU and a short-term savings account with the Wells Fargo Bank.

Concentration of Credit and Market Risk

Financial instruments that potentially expose the West Company to concentrations of credit and market risk consist primarily of cash and cash equivalents in MLCU and Wells Fargo, although amounts held are insured up to $250,000.

Cash and investments are maintained at high quality financial institutions and credit exposure is limited at any one institution. West Company has not experienced any losses on its cash and investments.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Concentration of Revenue Sources

During the year ended June 30, 2019, the Agency had two major revenue sources that accounted for approximately 60% of the total revenue of the Agency. U.S Small Business Administration office accounted for approximately 36% and County of Mendocino accounted for approximately 24% of the total revenue.

During the year ended June 30, 2018, the Agency had two major revenue sources that accounted for approximately 82% of the total revenue of the Agency. U.S Small Business Administration office accounted for approximately 38% and Community Development Block Grant accounted for approximately 44% of the total revenue.

B. Donated Assets

Donated marketable securities, classified as restricted cash and investments, and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation utilizing standard indices and valuations for similar items purchased based upon the security or non-cash item.

C. Accounts Receivable

Accounts receivable are stated at unpaid balances with no allowance for doubtful accounts as all amounts are deemed collectible as they are payable through governmental entities.

D. Prepaid Expenses

Prepaid insurance and other costs are expended ratable over their respective terms of agreement.

E. Property and Equipment and Depreciation

The West Company records purchased ·furniture and equipment at cost and donated fixed assets at their fair market value on the date received. The capitalization policy of the West Company is for items of $5,000 or more. Furniture and equipment purchased in connection with restricted grant funds are expensed during the grant period as required by the funding terms and conditions. The funder retains a reversionary interest in assets purchased with their funds. As further discussed in Note E, furniture and equipment not purchased with grant funds are depreciated by the straight-line method over the estimated useful lives of the respective assets.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Paid Time Off (PTO)

The Agency provides Paid Time Off (PTO), to employees without regard to the reason that the employee is taking time off. PTO will start accruing at the date of employment but may not be used until the ninety (90) day probationary period has been completed.

Maximum carry over to the next calendar year is 200 hours for employees with 3 years and under employment and 400 hours for employees with 3 years and over employment. Any PTO accrued over the maximum carry over will be cashed out in January following the year of the accrual all and PTO will be cashed out on termination.

The value of accumulated paid time off at June 30, 2019 and 2018 were $7,990 and $3,513, respectively.

G. Revenue Recognition

Contributions and unconditional grants are recognized as support and revenues when they are received or unconditionally pledged. These contributions and gifts are shown as restricted support and revenues if they are subject to time or donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions when a stipulated time restriction ends, purpose restriction is accomplished, or both. However, temporarily restricted contributions and grants are reported as unrestricted support and revenues if the restriction is met in the same year that the contribution or grant is received.

Conditional contributions are not recorded as support and revenues until the conditions are met. Payments classified as exchange transactions (reciprocal transfers between two entities in which goods and services of equal value is exchanged) are not recorded as other support and revenue until allowable expenditures are incurred.

H. Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has no current designations.

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets With Donor Restrictions, continued

are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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. There are currently no net assets with donor restrictions.

I. Revenue Recognition

Contributions are recognized when a donor makes a promise to give to the West Company, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net position depending on the nature of the restrictions.

Contract revenues make up the primary source of revenue for the West Company. Funds are received from assessments within the Business Improvement District and for administration of MCLA and MCPA.

J. Contributed Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made,* 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 the West Company. Many individuals volunteer their time and perform a variety of tasks that assist the West Company in providing program services, administration and development, these services do not meet the criteria for recognition as contributed services as defined above.

K. Income Taxes

The West Company is a California not-for-profit corporation that 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 and is classified by the Internal Revenue Service as other than a private foundation.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented with no effect on net assets balances or classification.

N. Functional Allocation of Expenses

Costs of providing the West Company's programs and other activities have been summarized in the Statements of Functional Expenses for the applicable year. During the year, such costs were accumulated into separate accounts as either direct for program services or direct management and administrative costs. Indirect costs were not allocated to the programs

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2. CASH AND INVESTMENTS

Cash and investments at June 30, 2019 and June 30, 2018, at fair value were as follows:

	2019	2018
Cash in bank - Wells Fargo	$ 165,818	$ 132,400
MLCU Savings Bank	15,746	15,707
Petty Cash	54	77
Total	$ 181,618	$ 148,184

3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of June 30, 2019, and June 30, 2018 consisted of all receivables (aged up to greater than 90 days from their due date) with the following categorization:

	2019		2018	
	Total	Percentage	Total	Percentage
CDBG	$ 10,854	9.3%	$ 4,900	9.3%
Mendocino County	-	0.0%	10,000	19.0%
WBC XI -SBA	-	0.0%	27,115	51.5%
Humboldt State University - SBA	-	0.0%	10,546	20.0%
Start-up Mendocino	6,250	5.4%	-	0.0%
SBDC	23,130	19.9%	-	0.0%
Go-Biz	70,780	60.9%	-	0.0%
Other	5,172	4.5%	98	0.2%
Total	$ 116,185	100.0%	$ 52,659	100.0%

4. PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance Jul 1, 2018	Additions	Adjustments/ Retirements	Balance Jun 30, 2019
Furniture and Equipment	$ 19,517	$ -	$ (19,517)	$ -
Total cost	19,517	-	(19,517)	-
Less: accumulated depreciation	(19,517)	-	19,517	-
Net book value	$ -	$ -	$ -	$ -

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance Jul 1, 2017	Additions	Adjustments/ Retirements	Balance Jun 30, 2018
Furniture and Equipment	$ 19,517	$ -	$ -	$ 19,517
Total cost	19,517	-	-	19,517
Less: accumulated depreciation	(19,517)	-	-	(19,517)
Net book value	$ -	$ -	$ -	$ -

5. ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of amounts with the following concentrations, in which an amount payable to Others exceeded 93% for June 30, 2019 of total payables and were diluted by amounts payable to other vendors and do not represent a specific concentration with any single vendor:

	2019		2018	
	Total	Percentage	Total	Percentage
Staples	$ 65	0.5%	$ 505	24.4%
Wells Fargo	918	6.6%	1,432	69.1%
Others	12,837	92.9%	136	6.6%
Total	$ 13,820	100.0%	$ 2,073	100.0%

6. DEFERED REVENUE

Amounts recorded to unearned revenue in the amount of $24,690 consisted of balances related to CAMEO and Wells Fargo grants for the next fiscal year, which have not yet been earned.

7. CONTRIBUTORY RETIREMENT PLAN

The West Company maintains simplified employee pension plan which allows participants to make investment contributions. Total cash contributions made by the West Company to the Plan for the years ended June 30, 2019 and 2018 were $4,623 and $1,783 respectively.

8. RELATED PARTY TRANSACTION

The West Company's Fort Bragg office is owned by the Former Executive Director and her husband. The West Company leased the facility on a month to month basis for the amount of $648 per month plus the cost of utilities. Management is of the opinion that the transaction between West Company and the related parties were made in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other unrelated parties.

9. CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the granters. The West Company deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of the organization to the provisions of the grants. The West Company's management is of the opinion that the organization has complied with the terms of all grants.

10. CASH FLOW INFORMATION

The West Company had no income tax expense and there were no non-cash financing transactions.

11. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. We have adopted these provisions in the accompanying financial statements.

11. RECENT ACCOUNTING PRONOUNCEMENTS, Continued

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Center's implementation of ASU 2018-08.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changed to the Disclosure Requirements for Fair Value Measurement." This accounting standard update includes removals, modifications, and additions to topic 820, and certain disclosures required by the update are not required for non-public entities. ASU 2018-13 is effective for annual periods beginning after December 15, 2019, although early adoptions are permitted. The Center is currently evaluating the impact of adoption to the financial statements.

In March 2019, the FASB issued ASU 2019-03, "Not-for Profit Entities (Topic 958): Updating the Definition of Collections." This accounting standard update modifies one condition in the definition of collections by expanding the scope of an organization's internal collection policy to allow proceeds from sales of collection items to be used for not only acquisition of other items for collections, as per the current guidance, but also direct care of existing collections. ASU 2019-03 is effective for annual periods beginning after December 15, 2019, although early adoption is permitted. The Center is currently evaluating the impact of adoption to the financial statements.

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the stated purpose of improving financial reporting by not-for-profit entities (NFP). Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. ASU 2016-14 became effective for the fiscal year ended June 30, 2019. The Center elected to continue to report the cash flow statement on the indirect method, therefore this standard did not impact these financial statements.

12. SUBSEQUENT EVENTS

The Agency has evaluated their financial position and activities from the June 30, 2019 year end of this report through March 13, 2020 which is the date that the financial statements were available to be issued. No material subsequent event items that required recognition or disclosure were identified.