

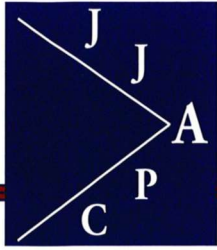
WEST ENTERPRISE CENTER, INC.
(DBA WEST BUSINESS DEVELOPMENT CENTER)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019

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West Enterprise Center, Inc.
Financial Statements
For the years ended June 30, 2020 and 2019
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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

Board of Directors
West Enterprise Center, Inc.
345 N. Franklin St.
Fort Bragg, California

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of the West Enterprise Center, Inc. (Center), a California not-for-profit organization, 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. The prior year summarized comparative information has been derived from the Center's June 30, 2019, financial statements in which an unmodified opinion was expressed on those financial statements on March 13, 2020.

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.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Center as of June 30, 2020, 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.

March 10, 2021

JJACPA, Inc.
JJACPA, Inc.
Dublin, California

FINANCIAL STATEMENTS

West Enterprise Center, Inc.
Statements of Financial Position
June 30, 2020 and 2019

ASSETS	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 444,159	\$ 181,618
Grants receivable	197,876	116,185
Prepaid expenses	2,184	1,549
Deposits	1,975	1,600
Total assets	\$ 646,194	\$ 300,952
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 57,440	\$ 13,820
Accrued payroll	15,757	18,931
Accrued vacation	17,836	17,475
Unearned revenue	175,000	24,690
Deposits payable	25,664	8,851
Other liabilities	7,826	31,778
Total liabilities	299,523	115,545
Net Assets:		
Without donor restrictions:		
Undesignated	346,671	185,407
Total net assets	346,671	185,407
Total liabilities and net assets	\$ 646,194	\$ 300,952

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

West Enterprise Center, Inc.
Statements of Activities
For the years ended June 30, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	Total	2019
Changes in Unrestricted Net Position				
Unrestricted support:				
Grant Income	\$ 883,669	\$ -	\$ 883,669	\$ 629,589
Workshops, Community Events & Other Fees for Service	6,484	-	6,484	5,785
Charitable Contributions	111,571	-	111,571	599
In-kind income	5,188	-	5,188	3,650
Interest income	43	-	43	39
Other	3,096	-	3,096	-
Total unrestricted revenues and support	<u>1,010,051</u>	<u>-</u>	<u>1,010,051</u>	<u>639,662</u>
Expenses:				
Program services:				
CDBG Funds	49,445	-	49,445	73,920
Small Business Administration Funds	369,880	-	369,880	407,971
Other Programs	417,938	-	417,938	80,939
Total program expenses	<u>837,263</u>	<u>-</u>	<u>837,263</u>	<u>562,830</u>
Support services:				
Management and general	11,524	-	11,524	26,755
Total expenses	<u>848,787</u>	<u>-</u>	<u>848,787</u>	<u>589,585</u>
Change in Net Assets	<u>161,264</u>	<u>-</u>	<u>161,264</u>	<u>50,077</u>
NET ASSETS (DEFICIT):				
Net Assets, Beginning of year	185,407	-	185,407	135,330
Net Assets, End of year	<u>\$ 346,671</u>	<u>\$ -</u>	<u>\$ 346,671</u>	<u>\$ 185,407</u>

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, 2020

	CDBG	Small Business	Other	Total Program	Management	Total
	Funds	Administration	Programs	Expenses	and General	Expenses
Salaries and wages	\$ 2,731	\$ 208,668	\$ 131,330	\$ 342,729	\$ 5,185	\$ 347,914
Payroll taxes and benefits	1,261	38,523	21,000	60,784	1,816	62,600
Total personnel costs	3,992	247,191	152,330	403,513	7,001	410,514
Contract services	24,381	68,589	200,282	293,252	-	293,252
Facilities and equipment	11,699	13,889	20,697	46,285	125	46,410
Travel & meeting expenses	5,293	4,392	3,796	13,481	-	13,481
In kind expenses	-	5,188	-	5,188	-	5,188
Operations	1,489	24,817	13,121	39,427	2,598	42,025
Staff development/training	2,093	2,986	1,897	6,976	-	6,976
Staff recruitment	236	-	946	1,182	-	1,182
Insurance - Liability, D and O	-	-	3,913	3,913	1,526	5,439
Membership/Dues/Misc Fees	115	1,346	400	1,861	26	1,887
Business registration fees	-	-	-	-	-	-
Client workshop/training costs	88	208	3,487	3,783	-	3,783
Advertising expenses	41	1,248	665	1,954	-	1,954
Bank/Merchant services fees	18	26	-	44	67	111
Other costs	-	-	16,404	16,404	181	16,585
Total expenses	\$ 49,445	\$ 369,880	\$ 417,938	\$ 837,263	\$ 11,524	\$ 848,787
Percentages	5.83%	43.58%	49.24%	98.64%	1.36%	100.0%

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
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
Total expenses	\$ 73,920	\$ 407,971	\$ 80,939	\$ 562,830	\$ 26,755	\$ 589,585
Percentages	12.53%	69.20%	13.73%	95.46%	4.54%	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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Grants	\$ 952,288	\$ 566,589
Receipts from Workshops, Community Events & Other Fees for Service	9,580	5,746
Receipts from charitable contributions	116,759	4,601
Payments to vendors for services and supplies	(402,802)	(178,259)
Payments to employees	(413,327)	(365,282)
Net cash provided by operating activities	<u>262,498</u>	<u>33,395</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments of Line of credit	-	-
Acquisition of fixed assets	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	43	39
Net increase in cash	<u>262,541</u>	<u>33,434</u>
CASH AND INVESTMENTS:		
Beginning of year	181,618	148,184
End of year	<u>\$ 444,159</u>	<u>\$ 181,618</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 161,264	\$ 50,077
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Investment income	(43)	(39)
Changes in operating assets and liabilities:		
Grants receivable	(81,691)	(63,526)
Prepaid expenses	(635)	161
Deposits	(375)	-
Accounts payable	43,620	11,747
Accrued payroll	(2,813)	7,542
Unearned revenue	150,310	7,906
Deposits payable	16,813	8,251
Other liabilities	(23,952)	11,276
Net cash provided (used) by operating activities	<u>\$ 262,498</u>	<u>\$ 33,395</u>
<i>Supplemental disclosures</i>		
Advertising	\$ 1,954	\$ 11,898
Noncash contributions	\$ 5,188	\$ 3,650

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

NOTES TO FINANCIAL STATEMENTS

West Enterprise Center, Inc.
Notes to Financial Statements
For the years ended June 30, 2020 and 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Enterprise Center, Inc. (Center), 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 for low-income persons.

Major Operating Program Description

The Center provides training and technical assistance to nascent entrepreneurs and micro to small business owners. Training consists of a 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 speaking 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 Center'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 Center; and, manage the financial and budgetary responsibilities of the Center.

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 and a short-term savings account with Wells Fargo Bank.

The following table provides a reconciliation of cash and cash equivalents reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and investments - without donor restriction	<u>\$ 444,159</u>	<u>\$ 181,618</u>

West Enterprise Center, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2020 and 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. 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.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as unearned revenue in the accompanying statements of financial position.

C. 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.

D. Prepaid Expenses

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

E. Property and Equipment and Depreciation

The Center 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 Center 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. As indicated in the Footnote № 4, all Center's assets were fully depreciated, and no additions or retirements were recorded.

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, 2020 and 2019 were \$17,836 and \$17,475, respectively.

West Enterprise Center, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2020 and 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

G. 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 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 that were not met by the end of the fiscal year.

H. Revenue and 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. 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.

Concentration of Revenue Sources

During the years ended June 30, 2020 and June 30, 2019, the Center had two major revenue sources that accounted for approximately 46% and 65% of the total revenue of the Center, respectively. U.S Small Business Administration office accounted for approximately 29% and 42% and the County of Mendocino accounted for approximately 17% and 23% of the total revenue, respectively.

West Enterprise Center, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2020 and 2019

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued**

I. Donated Contributions and Services

Contributions are recognized when a donor makes a promise to give to the Center, 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 Center. Funds are received from assessments within the Business Improvement District and for administration of MCLA and MCPA.

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 Center. Many individuals volunteer their time and perform a variety of tasks that assist the Center in providing program services, administration and development, these services do not meet the criteria for recognition as contributed services as defined above.

J. Income Taxes

The Center 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.

K. 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.

L. 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.

West Enterprise Center, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2020 and 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

M. Functional Allocation of Expenses

Costs of providing the Center’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

2. LIQUIDITY AND AVAILABILITY

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

	2020	2019
Cash and cash equivalents	<u>\$444,159</u>	<u>\$181,618</u>
Accounts receivable	197,876	116,185
Total	<u>\$642,035</u>	<u>\$297,803</u>

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Center to concentrations of credit and market risk consist primarily of cash and cash equivalents in 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. Center has not experienced any losses on its cash and investments.

3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of June 30, 2020, and June 30, 2019 consisted of all receivables (aged up to greater than 90 days from their due date) with the following categorization:

	2020		2019	
	Total	Percentage	Total	Percentage
CDBG	\$ 23,876	12.1%	\$ 10,854	9.3%
WBC XI -SBA	28,677	14.5%	-	0.0%
Start-up Mendocino	-	0.0%	6,250	5.4%
SBDC	77,480	39.2%	23,130	19.9%
Go-Biz	67,843	34.3%	70,780	60.9%
Other	-	0.0%	5,172	4.5%
Total	<u>\$ 197,876</u>	<u>100.0%</u>	<u>\$ 116,185</u>	<u>100.0%</u>

West Enterprise Center, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2020 and 2019

4. PROPERTY AND EQUIPMENT

For both fiscal years, all of the Center's assets were fully depreciated, and no additions or retirements were recorded.

5. ACCOUNTS PAYABLE

Accounts payable at June 30, 2020, consisted of amounts with the following concentrations, in which an amount payable to Others exceeded 93% for June 30, 2020 of total payables and were diluted by amounts payable to other vendors and do not represent a specific concentration with any single vendor:

	2020		2019	
	Total	Percentage	Total	Percentage
Staples	\$ -	0.0%	\$ 65	0.5%
Wells Fargo	3,755	6.5%	918	6.6%
Others	53,685	93.5%	12,837	92.9%
Total	<u>\$ 57,440</u>	<u>100.0%</u>	<u>\$ 13,820</u>	<u>100.0%</u>

6. UNEARNED REVENUE

Amounts recorded to unearned revenue in the amount of \$175,000 consisted of balances related to Covid-19 grant funds for the next fiscal year, which have not yet been earned.

7. CONTRIBUTORY RETIREMENT PLAN

The Center maintains simplified employee pension plan which allows participants to make investment contributions. Total cash contributions made by the Center to the Plan for the years ended June 30, 2020 and 2019 were \$7,065 and \$4,623 respectively.

8. 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 Center 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 Center's management is of the opinion that the organization has complied with the terms of all grants.

9. CASH FLOW INFORMATION

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

West Enterprise Center, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2020 and 2019

10. 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. The Center has adopted these provisions in the accompanying financial statements with no effect on cash flows.

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 2019, FASB issued ASU 2019-08, 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 2019-08 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 2019-08.

In August 2019, the FASB issued ASU 2019-13, 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 2019-13 is effective for annual periods beginning after December 15, 2020, although early adoptions are permitted. The Center is currently evaluating the impact of adoption to the financial statements.

In March 2020, the FASB issued ASU 2020-03, “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 2020-03 is effective for annual periods beginning after December 15, 2020, 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, 2020. The Center has adopted these provisions in the accompanying financial statements.

West Enterprise Center, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2020 and 2019

11. PANDEMIC EFFECTS

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Center is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Center's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Center's employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Center's financial position and changes in net position, fund balance and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.