WEST ENTERPRISE CENTER, INC.

(DBA WEST BUSINESS DEVELOPMENT CENTER)

FINANCIAL STATEMENTS

FOR FIFTEEN MONTHS ENDED

SEPTEMBER 30, 2021

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West Enterprise Center, Inc.
Financial Statements
For fifteen months ended September 30, 2021
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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 September 30, 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

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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 September 30, 2021, 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.

February 18, 2022

JJACPA, Inc.
Dublin, California

FINANCIAL STATEMENTS

West Enterprise Center, Inc.

Statements of Financial Position

September 30, 2021

ASSETS		2021
Current Assets:		
Cash and cash equivalents	$	295,178
Grants receivable		320,905
Prepaid expenses		5,881
Deposits		1,991
Total assets	$	696,955
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable	$	34,643
Accrued payroll		8,504
Accrued vacation		31,909
Unearned revenue		111,500
Deposits payable		19,586
Other liabilities		4,725
Total liabilities		210,867
Net Assets:		
Without donor restrictions:		
Undesignated		486,088
Total net assets		486,088
Total liabilities and net assets	$	696,955

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

West Enterprise Center, Inc.
Statements of Activities
For fifteen months ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Unrestricted Net Position			
Unrestricted support:			
Grant Income	$ 2,304,434	$ -	$ 2,304,434
Charitable Contributions	10,893	-	10,893
Interest income	28	-	28
Total unrestricted revenues and support	2,315,355		2,315,355
Expenses:			
Program services:			
CDBG Funds	129,512	-	129,512
Small Business Administration Funds	585,389	-	585,389
Other Programs	1,356,871	-	1,356,871
Total program expenses	2,071,772		2,071,772
Support services:			
Management and general	104,166	-	104,166
Total expenses	2,175,938		2,175,938
Change in Net Assets	139,417	-	139,417
NET ASSETS (DEFICIT):			
Net Assets, Beginning of year	346,671	-	346,671
Net Assets, End of year	$ 486,088	$ -	$ 486,088

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

West Enterprise Center, Inc.

Statement of Functional Expenses

For fifteen months ended September 30, 2021

	CDBG Funds	Small Business Administration Funds	Other Programs	Total Program Expenses	Management and General	Total Expenses
Salaries and wages	$ 75,137	$ 365,418	$ 277,892	$ 718,447	$ 23,388	$ 741,835
Payroll taxes and benefits	12,909	59,292	41,820	114,021	3,138	117,159
Contract services	24,878	87,026	278,560	390,464	3,935	394,399
Facilities and equipment	6,135	31,564	10,819	48,518	1,565	50,083
Travel & meeting expenses	-	651	131	782	368	1,150
Operations	2,307	35,115	9,725	47,147	1,552	48,699
Client grants/stipends	-	-	721,818	721,818	-	721,818
Staff development/training	934	3,131	860	4,925	26	4,951
Staff recruitment	-	393	-	393	-	393
Insurance - Liability, D and O	1,493	1,459	2,632	5,584	677	6,261
Membership/Dues/Misc Fees	150	1,047	1,274	2,471	166	2,637
Business registration fees	11	82	40	133	43	176
Advertising expenses	5,558	164	11,206	16,928	207	17,135
Bank/Merchant services fees	-	47	94	141	80	221
Other costs	-	-	-	-	69,021	69,021
Total expenses	$ 129,512	$ 585,389	$ 1,356,871	$ 2,071,772	$ 104,166	$ 2,175,938
Percentages	5.95%	26.90%	62.36%	95.21%	4.79%	100.0%

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

West Enterprise Center, Inc.
Statements of Cash Flows
For fifteen months ended September 30, 2021

		2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Grants	$	2,044,905
Receipts from charitable contributions		10,893
Payments to employees		(852,174)
Net cash provided by operating activities		(149,009)
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		-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received		28
Net increase in cash		(148,981)
CASH AND INVESTMENTS:		
Beginning of year		444,159
End of year	$	295,178
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$	139,417
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Investment income		(28)
Grants receivable		(320,905)
Accounts receivable		124,876
Prepaid expenses		(3,697)
Deposits		(16)
Accounts payable		(22,797)
Accrued payroll		6,820
Unearned revenue		(63,500)
Deposits payable		(6,078)
Other liabilities		(3,101)
Net cash provided (used) by operating activities	$	(149,009)
Supplemental disclosures		
Advertising	$	17,135
Noncash contributions	$	-

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

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NOTES TO FINANCIAL STATEMENTS

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:

	2021
Cash and investments - without donor restriction	$ 295,178

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 expended 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 periodas 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 September 30, 2021 was $31,909.

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 September 30, 2021, the Center had two major revenue sources that accounted for approximately 46% of the total revenue of the Center, U.S Small Business Administration office accounted for approximately 29% and the County of Mendocino accounted for approximately 17% of the total revenue.

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.

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

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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:

:

	2021
Cash and cash equivalents	$295,178
Accounts receivable	393,904
Total	$689,082

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 September 30, 2021, consisted of all receivables (aged up to greater than 90 days from their due date) with the following categorization:

	2021	
	Total	Percentage
CDBG	$ 26,194	6.6%
Mendocino County	45,000	11.4%
WBC XI -SBA	141,666	36.0%
Mendocino P&S	8,000	2.0%
SBDC	100,044	25.4%
Other	73,000	18.5%
Total	$ 393,904	100.0%

4. PROPERTY AND EQUIPMENT

All of the Center’s assets were fully depreciated, and no additions or retirements were recorded.

5. ACCOUNTS PAYABLE

Accounts payable at September 30, 2021, consisted of amounts with the following concentrations, in which an amount payable to Others exceeded 94% for September 30, 2021 of total payables and were diluted by amounts payable to other vendors and do not represent a specific concentration with any single vendor:

	2021	
	Total	Percentage
Staples	$ -	0.0%
Wells Fargo	1,851	5.3%
Others	32,792	94.7%
Total	$ 34,643	100.0%

6. UNEARNED REVENUE

Amounts recorded to unearned revenue in the amount of $111,500 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 September 30, 2021 were $11,563.

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.

10. NON-STANDARD PERIOD FINANCIAL PRESENTATION

The year-end of the West Center’s reporting period has changed from a fiscal year of June 30,2021 to September 30, 2021. The annual financial statements are presented for longer than one year, or fifteen months to align the agency’s fiscal year with the project periods of the main funding sources supporting the organization’s major programs.

11. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2020, FASB issued ASU 2020-07 - *Not-for-Profit* (NFP) *Entities (Topic 958), Presentation and Disclosures by* NFP *Entities for Contributed Nonfinancial Assets.* The amendments in this Update apply to NFP that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The main provisions in this amendment require that a NFP (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. (2) Also, a NFP disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

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. The Center has implemented Topic 606 and has 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 2018-08 – *Not-for-Profit Entities (Topic 958)*, *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. The Center has 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 implementation of ASU 2018-08.

12. SUBSEQUENT EVENTS

The COVID-19 pandemic in the United States has caused business disruption and a reduction in the economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Center's operations and financial position. The Center has evaluated subsequent events from their year-end of September 30, 2021, through February 18, 2022, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or additional disclosure within the financial statements.