

**OPERATION HOPE - NORTH COUNTY, INCORPORATED  
AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2023**

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# **BECK and COMPANY, CPAs**

## **INDEPENDENT AUDITOR'S REPORT OPERATION HOPE - NORTH COUNTY, INCORPORATED AUDITED FINANCIAL STATEMENTS JUNE 30, 2023**

To the Board of Directors  
OPERATION HOPE - NORTH COUNTY, INCORPORATED

We have audited the accompanying financial statements of OPERATION HOPE - NORTH COUNTY, INCORPORATED which comprise the balance sheets as of JUNE 30, 2023, and the related statement of revenues, expenses and changes in fund balances 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 OPERATION HOPE - NORTH COUNTY, INCORPORATED as of JUNE 30, 2023, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited the corporation's June 30, 2022, financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 31, 2023. In our opinion, the summarized comparative information presented herein as of and for that year is consistent in all material respects, with the audited financial statements from which it has been derived.



Charles F. Beck, CPA

***Beck and Company, CPA's, Inc.***

October 11, 2024

**OPERATION HOPE - NORTH COUNTY, INCORPORATED**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**  
(With Comparative Totals for 06/30/22)

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Comparative Total</u>
<b><u>ASSETS:</u></b>				
Cash	\$ 575,509	\$ 7,500	\$ 583,009	\$ 723,940
Prepaid Expenses	-	-	-	2,000
Fixed Assets	1,223,517	-	1,223,517	1,212,780
Accumulated Depreciation	(441,453)	-	(441,453)	(397,481)
Land	463,900	-	463,900	463,900
<b>TOTAL ASSETS</b>	<b><u>\$ 1,821,473</u></b>	<b><u>\$ 7,500</u></b>	<b><u>\$ 1,828,973</u></b>	<b><u>\$ 2,005,139</u></b>
<b><u>LIABILITIES:</u></b>				
Accounts Payable	\$ 30,234	\$ -	\$ 30,234	\$ 28,654
Loans Payable (Footnote 7)	425,000	-	425,000	525,000
Payroll and related liabilities	16,530	-	16,530	33,537
Deferred Income	-	7,500	7,500	-
<b>TOTAL LIABILITIES</b>	<b><u>\$ 471,764</u></b>	<b><u>\$ 7,500</u></b>	<b><u>\$ 479,264</u></b>	<b><u>\$ 587,191</u></b>
<b><u>NET ASSETS</u></b>				
Without Donor Restrictions	1,349,709	-	1,349,709	1,416,110
With Donor Restrictions	-	-	-	1,838
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,349,709</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,349,709</u></b>	<b><u>\$ 1,417,948</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,821,473</u></b>	<b><u>\$ 7,500</u></b>	<b><u>\$ 1,828,973</u></b>	<b><u>\$ 2,005,139</u></b>

**OPERATION HOPE - NORTH COUNTY, INCORPORATED**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**  
**(With Comparative Totals for 06/30/22)**

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Comparative Total</u>
<b><u>SUPPORT AND REVENUES</u></b>				
<b>Revenues and Support:</b>				
Business and Foundations	\$ 220,479	\$ -	\$ 220,479	\$ 179,641
Campaigns and Solicitations	63,617	-	63,617	10,519
Community Contributions	329,355	-	329,355	291,285
Government Funding	360,164	-	360,164	385,594
Support Expenses Program	1,325	-	1,325	-
Miscellaneous Support	5,232	-	5,232	5,492
Investment Income	25	-	25	21
<b>TOTAL SUPPORT AND REVENUES</b>	<b>980,197</b>	<b>-</b>	<b>980,197</b>	<b>872,552</b>
Net Revenue and Support with restrictions	-	-	-	-
Net Assets released from restrictions	1,838	(1,838)	-	-
<b>TOTAL SUPPORT AND REVENUES, NET</b>	<b>982,035</b>	<b>(1,838)</b>	<b>980,197</b>	<b>872,552</b>
<b><u>EXPENSES</u></b>				
Program Expenses	631,803	-	631,803	554,806
Management Expenses	285,974	-	285,974	95,145
Development and Fundraising Expenses	130,659	-	130,659	147,869
<b>Total Expenses</b>	<b>1,048,436</b>	<b>-</b>	<b>1,048,436</b>	<b>797,820</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(66,401)</b>	<b>(1,838)</b>	<b>(68,239)</b>	<b>74,732</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,416,110</b>	<b>1,838</b>	<b>1,417,948</b>	<b>1,343,216</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,349,709</b>	<b>\$ -</b>	<b>\$ 1,349,709</b>	<b>\$ 1,417,948</b>

See accompanying notes to financial statements

**OPERATION HOPE - NORTH COUNTY, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
<b><u>EXPENSES CATEGORY:</u></b>				
Accounting	\$ -	\$ 29,968	\$ -	\$ 29,968
Apricot CRM	3,669	-	-	3,669
Client Emergency Fund	570	-	-	570
Covid Supplies	64	-	-	64
Development Expenses	48	541	-	589
Donor Snap	-	-	900	900
Education misc. expense	10	-	-	10
Employee Expenses	3,765	2,843	1,419	8,027
Fees & Permits	510	25	142	677
Fundraising Event Expense	-	-	17,497	17,497
General Shelter Supplies	2,535	300	-	2,835
Independent Program Expense	1,440	433	-	1,873
Independent Program_Education	510	-	-	510
Insurance Deductible	-	5,000	-	5,000
Insurance Expense	-	16,448	-	16,448
IT/Computer Related Expense	885	6,239	375	7,499
Maintenance	9,143	178	1,142	10,463
Marketing & Advertising	13,764	1,167	1,224	16,155
Meal Program	600	71	-	671
Memberships	-	735	1,770	2,505
Merchant Fees	-	-	3,273	3,273
Non recurring expenses	-	32,500	-	32,500
Office expenses.	6,163	2,442	123	8,728
Other employee benefits	8,890	22,065	3,657	34,612
Other expenses balance	713	2,485	-	3,198
Other	6,524	3,540	-	10,064
Payroll taxes	47,662	6,927	6,201	60,790
Rent Expense	-	24,000	-	24,000
Resident Expenses	1,899	-	-	1,899
Salaries and wages	486,040	79,548	74,309	639,897
Shelter Utilities	20,506	-	-	20,506
Stabilize Program Expense	379	-	-	379
Stewardship expenses	1,370	-	18,627	19,997
Task Force on Homelessness	185	1,110	-	1,295
Utilities	12,818	3,437	-	16,255
Volunteer Program Expenses	1,141	-	-	1,141
Depreciation, depletion, and amortization	-	43,972	-	43,972
Total	<u>\$ 631,803</u>	<u>\$ 285,974</u>	<u>\$ 130,659</u>	<u>\$ 1,048,436</u>

See accompanyin notes to financial statements

**OPERATION HOPE - NORTH COUNTY, INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2023**  
**(With Comparative Totals for 06/30/22)**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (68,239)	\$ 74,731
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities by operating activities:		
Adjustment in Accumulated Depreciation	43,972	43,371
(Increase) decrease in:		
Prepaid Expenses	2,000	(2,000)
Other Assets	-	1,146
Increase (decrease) in:		
Accounts Payable	1,580	11,747
Other Liabilities	(17,007)	(92,154)
Deferred Income	7,500	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(30,194)</b>	<b>36,841</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of assets	(10,737)	(6,512)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan activity	(100,000)	-
Sub Total	(140,931)	30,329
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(140,931)</b>	<b>30,330</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>723,940</b>	<b>693,610</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 583,009</b>	<b>\$ 723,940</b>
<b>Reconciliation to Statement of Financial Position:</b>		
Cash	\$ 575,509	\$ 693,610
Restricted cash	7,500	30,330
Cash and restricted cash at end of year	<b>\$ 583,009</b>	<b>\$ 723,940</b>

See accompanying notes to financial statements  
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**OPERATION HOPE - NORTH COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – ORGANIZATION**

OPERATION HOPE - NORTH COUNTY, INCORPORATED, (“Operation Hope”), was incorporated on September 15, 2004, as a nonprofit public benefit corporation in the State of California. The corporation’s purpose under the California Nonprofit Public Benefit Corporation Law is for charitable activities. The corporation’s primary mission and principal activity is providing a year-round shelter for homeless families in the Vista California area utilizing its owned facility. In addition, the corporation provides case management and other services coordinated by the area’s faith community. Funding for the corporation’s activities and programs comes from a combination of governmental agencies grants, private donations and fund-raising events, and support from local churches.

**NOTE 2 – DATE OF MANAGEMENT’S REVIEW**

In preparing the financial statements, the corporation has evaluated events and transactions for potential recognition or disclosure through the date of the audit report, which is the date that the financial statements were available to be issued.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statements and Fund Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). To ensure observance of any limitations and restrictions placed on the use of resources available to Operation Hope, the corporation’s books of accounts are maintained in accordance with the principles of fund accounting. These are the procedures by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” The corporation also presents a statement of cash flows. For the year ending JUNE 30, 2023, there is \$7,500 donor restricted funds.

Support, Contributions, and Grant Revenue

All Support, Contributions, and Grant(s) revenues are considered to be available for unrestricted use unless specifically restricted by the donor. For Contributions, the corporation complies with SFAS No. 116 “Accounting for Contributions Received and Contributions Made.” Under SFAS No.116 contributions are defined as an unconditional transfer of cash or other asset(s) to an entity, or a settlement or cancellation of its liabilities in a voluntary non-reciprocal transfer. Other assets include use of facilities (or utilities), services and unconditional promises to give these items in the future. Generally, contributions received are recognized as revenues in the period received at fair market value. In situations where contributions are restricted or conditional upon the corporation incurring certain qualifying expenses such contributions become unrestricted or unconditional upon the expense being incurred. Accordingly, these revenues and costs are recognized when incurred.

Special Events and Fundraising

For special fund-raising events, revenues and expenses are recorded when incurred at gross.

**OPERATION HOPE - NORTH COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

The corporation reports grants, contracts, and gifts as temporarily restricted if they are received with stipulations that limit the timing and/or use of the assets. When a restriction expires either due to time and or the stipulation is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However as permitted under SFAS No. 116 the corporation follows the practice of recording as unrestricted income all contributions and grants where restrictions lapse in the same fiscal year in which they are received. As of the year ended JUNE 30, 2023, there is \$7,500 of donor restricted funds.

Donated Services and Supplies

The corporation follows the practice of recording donated services only in instances where non-financial assets are thereby created or enhanced or where services are provided which require specialized skills, are provided by such skilled individuals and would typically need to be purchased. In addition, the corporation's programs and fund-raising activities have benefited from the significant amounts of time donated by other volunteers which has been expressed in the financial statements at an equivalent fair market value.

The corporation has estimated the value of food and other various community services, and other supplies donated to the corporation which are used to fulfill the operating requirements of the shelter.

Pledges

The corporation obtains pledges from time to time for its various programs and projects. These pledges are non-binding and therefore are recorded as donations at the time the funds are actually received.

Cash and cash equivalents

In reporting cash, the corporation considers all highly liquid assets and any investments with maturities of 90 days or less to be cash equivalents.

Property and Equipment

In the balances of Property and Equipment are some assets recorded at a nominal value as of January 1, 2006, as prior to that date detail records were not maintained. Substantially all of the property and equipment was donated to the corporation. Subsequent to 2006 purchases of property and equipment have been recorded at cost. Depreciation is not provided for those assets recorded at nominal value. Depreciation is applied to subsequently capitalized assets using the straight-line method over the respective assets' useful lives.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.



**OPERATION HOPE - NORTH COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Economic Concentrations

The corporation's operations are conducted solely in Vista, California. During the year ended JUNE 30, 2023, the corporation received some significant contributions from a limited number of sources which are an Economic Concentration. The corporation depends on contributions and donations from both public and private funding sources. Based on the strength of the organization's Statement of Financial Position, the corporation does not see any risk to its facility in this Economic Concentration.

Summarized Prior Year Financial Information

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. It is being shown for informational purposes only. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year ended June 30, 2022, from which the summarized information was derived.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

The corporation receives substantial funding from government agencies which may be restricted under the terms of the related funding agreements. When restricted, expenditures are charged against these restricted funds and are subject to audit by the funding agencies. It is possible future audits will result in expenditure disallowances; however, based on their knowledge of the funding agencies and the fact that no material cost disallowances have occurred in the past, management believes that any such disallowances will not be material. At the year ended JUNE 30, 2023, the corporation had loans (see Note 7 below) which have certain ongoing covenants.

**NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS**

As of the year ended JUNE 30, 2023, the total net assets with donor restrictions is \$7,500. The amount consists of donor restricted support or contributions consisting of cash for which the related restrictions had not lapsed or yet been met as of JUNE 30, 2023.

**NOTE 6 – INCOME TAXES**

The corporation qualifies for exemption from income taxes under Federal and State Revenue codes. Therefore, no tax provision is necessary and has not been provided for in the financial statements. The corporation is subject to taxation on unrelated business income, if any. There was no unrelated business income for the year ended JUNE 30, 2023.

**OPERATION HOPE - NORTH COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 7 – LOANS**

The corporation is responsible for the following loans:

1. City of Oceanside for \$100,000: This loan is for a term of ten years and bears interest at the rate of three percent (3%) per annum on any unpaid balance. The loan is contingent upon the corporation using the funds for the purposes of a public benefit (homeless shelter). As long as the corporation continues operating the shelter as a public benefit, payments are suspended. If at the end of the loan term the shelter is still operating as a public benefit, then the loan and any accrued interest are considered paid in full and as such will convert to income at that time. If during the loan term the corporation fails to meet the public benefit requirement (including the submission of any required proper verification documentation) the Lender may, at its option, increase the interest rate retroactive to the interest accrual date, to a market rate of ten percent (10%). The loan is secured by a Uniform Commercial Code Financing Statement filing on certain assets of the corporation. During the year ended JUNE 30, 2023, this loan has been forgiven per the covenants of the loan agreement.
2. City of Vista for \$225,000: This loan was executed October 3, 2012, with the signing of a Promissory Note. The funds were transacted through an Escrow Account for the purpose of purchasing the Real Property for the corporation's facility site at 857-859 E. Vista Way, Vista, California. The loan is a deferred twenty (20) year interest free term loan. It is forgivable at the end of the 20-year period if the corporation, during that time, has continually maintained the property for the purposes of its mission. The Promissory Note is secured by a Deed of Trust and Security Agreement.
3. City of Vista for \$200,000: This loan was used to pay off a previous loan from the San Diego Foundation. The terms of the loan executed on January 26, 2021, with the City of Vista is for a period of eleven years running through the year 2032. This non-interest bearing loan shall be forgivable on the Expiration Date if the Real Property, beginning on the Loan Origination Date, has been continuously maintained and operated as an emergency shelter consistent with the conditions as set forth within this Agreement, or operated as another facility eligible for CDBG funds with prior written approval from HUD and the City of Vista. The Promissory Note is secured by a Deed of Trust and Security Agreement.

**NOTE 8 – PROGRAM ACCOMPLISHMENTS**

During the 2022-2023 shelter season Operation HOPE-Vista fed, housed and case managed a total of 169 unique individuals. Volunteers contributed a total of 4300 hours of service toward the program. For the year ending June 30, 2023, housing placements were found for 56 % of the clients entering the program and another 10% of clients left the shelter for other programs in the homelessness continuum of care due to pervasive challenges requiring long-term support.