

**MUNGER & COMPANY, CPAs**

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**Wesley House Student Residence, Inc.**  
Audited Financial Statements  
December 31, 2020

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Wesley House Student Residence, Inc.

We have audited the accompanying financial statements of Wesley House Student Residence, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial position of Wesley House Student Residence, Inc. as of December 31, 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.

August 16, 2021



Munger & Company, CPAs

**Wesley House Student Residence, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2020

**ASSETS**

Cash	\$ 406,415
Restricted Cash	750
Promise to Give	18,455
Prepaid Expense and Other	1,573
Investments	104,846
Property Management Account - Tenant Deposits	15,775
Property Management Account - Other	9,378
Land	1,407,067
Building	607,208
Building Improvements	100,137
Less: Accumulated Depreciation	<u>(248,693)</u>
TOTAL ASSETS	<u><u>\$2,422,911</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	\$ 1,060
Security Deposits	15,775
Accrued Vacation	4,428
Accrued Payroll	3,186
Contract Liability	30,000
Note Payable, net	<u>1,060,400</u>
TOTAL LIABILITIES	<u>1,114,849</u>

**NET ASSETS**

Without Donor Restrictons	
Undesignated	501,993
Investment in fixed assets, net	<u>805,319</u>
	1,307,312

**With Donor Restrictions**

Purpose Restrictions	<u>750</u>
TOTAL NET ASSETS	<u>1,308,062</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$2,422,911</u></u>
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The Accompanying Notes Are an Integral Part of the Financial Statements

**Wesley House Student Residence, Inc.**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2020

	Without	With	
REVENUES AND SUPPORT	Donor Restriction	Donor Restriction	Total
Rent, net of vacancy of \$20,642	\$ 180,058	\$ -	\$ 180,058
Laundry and Parking	4,888	-	4,888
Contributions and Grants	172,675	-	172,675
In-kind Contributions	4,500	-	4,500
Interest Income	5,759	-	5,759
Unrealized loss on investments	14,150	-	14,150
Net Assets Released from Restrictions	2,500	(2,500)	-
<b>Total Revenue and Support</b>	<b>384,530</b>	<b>(2,500)</b>	<b>382,030</b>
<b>EXPENSES</b>			
Program Services	341,838	-	341,838
Supporting Services			
Management and General	58,422	-	58,422
Fundraising	56,515	-	56,515
<b>Total Operating Expenses</b>	<b>456,775</b>	<b>-</b>	<b>456,775</b>
<b>Change in Net Assets</b>	<b>(72,245)</b>	<b>(2,500)</b>	<b>(74,745)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,379,557</b>	<b>3,250</b>	<b>1,382,807</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,307,312</b>	<b>\$ 750</b>	<b>\$ 1,308,062</b>

The Accompanying Notes Are an Integral Part of the Financial Statements

**Wesley House Student Residence, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For The Year Ended December 31, 2020

EXPENSES	Program Services - Housing Services	Management and General	Fundraising	Total
Salaries & Benefits	\$ 118,619	\$ 29,655	\$ 49,425	\$ 197,699
Mortgage Interest	48,956	-	-	48,956
Repairs and Maintenance	41,698	915	-	42,613
Utilities	35,875	299	-	36,174
Professional Services	12,882	13,023	-	25,905
Depreciation and Amortization	22,245	-	-	22,245
Second Start Rent Expense	21,600	-	-	21,600
Payroll Taxes	9,824	2,456	4,094	16,374
Resident Programs	12,619	-	-	12,619
Insurance	8,268	379	-	8,647
Supplies	2,409	3,491	-	5,900
Donated Professional Services	-	4,500	-	4,500
Payroll Processing	1,252	313	521	2,086
Memberships and Dues	-	1,655	386	2,041
Other	2,037	-	-	2,037
Training and Development	-	614	1,278	1,892
Travel	704	871	-	1,575
Landscaping	1,326	-	-	1,326
Meals and Entertainment	743	107	90	940
Incentives	720	-	-	720
Printing	-	-	567	567
Bank Charges	-	-	154	154
Taxes and Other	61	85	-	146
Postage and Delivery	-	59	-	59
<b>TOTAL EXPENSES</b>	<b>\$ 341,838</b>	<b>\$ 58,422</b>	<b>\$ 56,515</b>	<b>\$ 456,775</b>

The Accompanying Notes Are an Integral Part of the Financial Statements

**Wesley House Student Residence, Inc.**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended December 31, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (74,745)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	22,245
Amortization of Loan Costs	3,254
Unrealized Gain on Investments	(14,150)
(Increase) / Decrease in operating assets:	
Promises to Give	(18,455)
Prepaid Expense and Other	(1,573)
Property Management Accounts	14,247
Increase / (Decrease) in operating liabilities	
Payables	1,060
Security Deposits	(800)
Accrued Vacation	(3,144)
Accrued Payroll	(6,141)
Net (Used) by Operating Activities	(78,202)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of Investments	5,545
Net Cash Provided by Investing Activities	5,545

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on Long-Term Debt	(23,053)
Net Cash (Used) by Financing Activities	(23,053)

**NET CHANGE IN CASH** (95,710)

**CASH AT BEGINNING OF YEAR** 502,875

**CASH AT END OF YEAR** \$ 407,165

**SUPPLEMENTARY INFORMATION:**

Cash	\$ 406,415
Restricted Cash	750
Total Cash	<u>\$ 407,165</u>
Cash paid during the year for Interest	<u>\$ 48,956</u>

The Accompanying Notes Are an Integral Part of the Financial Statements

WESLEY HOUSE STUDENT RESIDENCE, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2020

**Note 1.        Organization and Nature of Activities**

Nature of Business: Wesley House Student Residence, Inc. (WHSR) is a public, non-profit organization that represents the culmination of over 80 years of San Diego State University service and outreach.

WHSR is responsible for Wesley House, formerly known as Aztec apartments, a two story building adjacent to the San Diego State University campus. WHSR's mission is to provide affordable housing and support services to students attending San Diego colleges and universities.

**Note 2.        Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements are presented on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, resulting in related receivables and payables.

**Cash and Cash Equivalents**

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**Property and Equipment**

The Organization record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 15 years for furniture and equipment and 39 years for buildings and improvements, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

WESLEY HOUSE STUDENT RESIDENCE, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2020

**Note 2.      Summary of Significant Accounting Policies, (continued)**

**Investments**

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**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 designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue and Revenue Recognition**

Revenue is recognized when services are provided. In addition, all services are transferred at a point in time. The Organization's state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.



WESLEY HOUSE STUDENT RESIDENCE, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2020

**Note 2.      Summary of Significant Accounting Policies, (continued)**

**Advertising Costs**

Advertising costs are expensed as incurred.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

WHSR is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Section 509(a)(1). WHSR is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS and California Franchise Tax Board (Forms 199 and RRF-1). In addition, WHSR is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS or (Form 109) with California.

The Organization has reviewed its position for all open tax years and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

WESLEY HOUSE STUDENT RESIDENCE, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2020

**Note 2.      Summary of Significant Accounting Policies, (continued)**

**Financial Instruments and Credit Risk**

The Organization manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, The Organization and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

**Subsequent Events**

The Organization have evaluated subsequent events through August 16, 2021, the date the financial statements were available to be issued.

**Note 3.      Liquidity and Availability**

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

Cash and cash equivalents	\$ 406,415
Promises to Give	18,455
Investments	<u>104,846</u>
	<u>\$ 529,716</u>

As part of the Organization's liquidity management plan, the Organization invest cash in excess of daily requirements in investments.

**Note 4.      Promises to Give**

During the year, the Organization received a promise to give as a matching gift. The matching gift requirements were fulfilled during December 2020 but was not received until early 2021. As a result, promises to give for this gift totaled \$18,455 at December 31, 2020.

WESLEY HOUSE STUDENT RESIDENCE, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2020

**Note 5.      Fair Value Measurements and Disclosures**

The Organization report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

All of the investment assets are classified within Level 1 because they comprise fixed income securities with readily determinable fair values based on daily redemption values.

WESLEY HOUSE STUDENT RESIDENCE, INC.

Notes to Financial Statements

For the Year Ended December 31, 2020

**Note 6.      Note Payable**

In March 2014, WHSR received a \$1,220,000 loan to make improvements to the housing building. The loan has an interest rate of 4.375%. The loan is due in full when the loan matures on April 1, 2024.

Note payable consist of the following at December 31, 2020:

Principle amount	\$ 1,070,741
Less unamortized debt issuance costs	<u>10,341</u>
	<u>\$ 1,060,400</u>

Future maturities of the note payable are as follows:

Years Ending December 31,	
2021	\$ 24,051
2022	25,345
2023	26,708
2024	<u>994,637</u>
Totals	<u>\$ 1,070,741</u>

**Note 7.      Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for specified purpose:

Program purposes	<u>\$ 750</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020:

Satisfaction of purpose restrictions	<u>\$ 2,500</u>
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**Note 8.      Revenue from Contracts with Customers**

The following table provides information about significant changes in contract liabilities for the year ended December 31, 2020:

Contract Liabilities, beginning of year	\$ 30,000
Increases in contract liabilities due to cash received during the year	<u>-</u>
Contract Liabilities, end of year	<u>\$ 30,000</u>

WESLEY HOUSE STUDENT RESIDENCE, INC.

Notes to Financial Statements

For the Year Ended December 31, 2020

**Note 9.        Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, payroll taxes, and payroll processing, which are allocated on the basis of estimates of time and effort.

**Note 10.        Litigation**

From time to time, the Organization incurs litigation matters. To date, management believes that its insurance policy is sufficient to cover any matters.