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Wesley House Student Residence, Inc.
Audited Financial Statements
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 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.

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, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wesley House Student Residence, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wesley House Student Residence, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wesley House Student Residence, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wesley House Student Residence, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

July 6, 2022


Munger & Company, CPAs

Wesley House Student Residence, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash	\$ 15,520
Restricted Cash	15,000
Promises to Give	100,000
Prepaid Expense and Other	295
Investments	354,961
Property Management Account - Tenant Deposits	15,775
Property Management Account - Other	9,976
Land	1,407,067
Building	607,208
Building Improvements	125,033
Less: Accumulated Depreciation	<u>(271,357)</u>
TOTAL ASSETS	<u><u>\$2,379,478</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 5,127
Security Deposits	15,775
Accrued Vacation	1,213
Accrued Payroll	4,274
Note Payable, net	<u>1,036,367</u>
TOTAL LIABILITIES	<u><u>1,062,756</u></u>

NET ASSETS

Without Donor Restrictions	
Undesignated	<u>1,301,722</u>

With Donor Restrictions	
Purpose Restrictions	<u>15,000</u>
TOTAL NET ASSETS	<u><u>1,316,722</u></u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$2,379,478</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, 2021

REVENUES AND SUPPORT	Without Donor Restriction	With Donor Restriction	Total
Rent, net of vacancy of \$11,445	\$ 189,255	\$ -	\$ 189,255
Laundry and Parking	4,679	-	4,679
Contributions and Grants	250,590	15,000	265,590
In-kind Contributions	4,500	-	4,500
Investment income, net	12,131	-	12,131
Net Assets Released from Restrictions	750	(750)	-
Total Revenue and Support	461,905	14,250	476,155
EXPENSES			
Program Services	328,275	-	328,275
Supporting Services			
Management and General	83,028	-	83,028
Fundraising	56,192	-	56,192
Total Operating Expenses	467,495	-	467,495
Change in Net Assets	(5,590)	14,250	8,660
Net Assets, Beginning of Year	1,307,312	750	1,308,062
NET ASSETS, END OF YEAR	\$ 1,301,722	\$ 15,000	\$ 1,316,722

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, 2021

EXPENSES	Program Services - Housing Services	Management and General	Fundraising	Total
Salaries & Benefits	\$ 116,195	\$ 29,055	\$ 47,307	\$ 192,557
Mortgage Interest	48,234			48,234
Repairs and Maintenance	47,304			47,304
Utilities	48,531	263		48,794
Professional Services	15,343	34,602		49,945
Depreciation and Amortization	22,664			22,664
Payroll Taxes	11,016	2,755	4,487	18,258
Resident Programs	1,892			1,892
Insurance	634	9,635		10,269
Supplies	8,637	681		9,318
Donated Professional Services		4,500		4,500
Payroll Processing	1,560	390	635	2,585
Memberships and Dues	280	925	942	2,147
Other			1,101	1,101
Training and Development			1,278	1,278
Travel	4,250	70		4,320
Meals and Entertainment	360	45		405
Incentives	1,310			1,310
Printing			130	130
Bank Charges	8		312	320
Taxes and Other	31	95		126
Postage and Delivery	26	12		38
TOTAL EXPENSES	\$ 328,275	\$ 83,028	\$ 56,192	\$ 467,495

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 8,660
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	22,664
Amortization of Loan Costs	3,254
Unrealized Gain on Investments	(11,805)
 (Increase) / Decrease in operating assets:	
Promises to Give	(81,545)
Prepaid Expense and Other	1,278
Property Management Accounts	(598)
 Increase / (Decrease) in operating liabilities:	
Accounts Payable	4,067
Accrued Vacation	(3,215)
Accrued Payroll	1,088
Contract Liability	<u>(30,000)</u>
Net Used by Operating Activities	(86,152)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(24,896)
Sales of Investments	<u>100,662</u>
Net Cash Provided by Investing Activities	75,766
 CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payments on Long-Term Debt	<u>(27,287)</u>
Net Cash Used by Financing Activities	(27,287)
 NET CHANGE IN CASH	 (37,673)
CASH AT BEGINNING OF YEAR	 <u>68,193</u>
CASH AT END OF YEAR	 <u><u>\$ 30,520</u></u>
 SUPPLEMENTARY INFORMATION:	
Cash	\$ 15,520
Restricted Cash	<u>15,000</u>
Total Cash	<u><u>\$ 30,520</u></u>
 Cash paid during the year for Interest	 <u>\$ 48,234</u>
Cash paid during the year for taxes	<u>\$ 126</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, 2021

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 of accounting, 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

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, are considered 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. There were no cash equivalents for the year ended December 31, 2021.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of December 31, 2021, there was not allowance or discount as the amounts were fully collected in 2022.

WESLEY HOUSE STUDENT RESIDENCE, INC.
Notes to Financial Statements
For the Year Ended December 31, 2021

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

Property and Equipment

Property and equipment additions over \$5,000 are recorded 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.

Management 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, 2021.

Investments

Investment purchases are recorded 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.

WESLEY HOUSE STUDENT RESIDENCE, INC.
Notes to Financial Statements
For the Year Ended December 31, 2021

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

Net Assets, (continued)

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.

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(c)(3). 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). The Organization is not subject to unrelated business income tax.

WESLEY HOUSE STUDENT RESIDENCE, INC.
Notes to Financial Statements
For the Year Ended December 31, 2021

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

Income Taxes, (continued)

Management 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 management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates under different assumptions or conditions, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed 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 has 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 management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, Management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

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	\$ 15,520
Promises to Give	100,000
Investments	<u>354,961</u>
	<u>\$ 470,481</u>

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

WESLEY HOUSE STUDENT RESIDENCE, INC.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 4. Promises to Give

During the year, the Organization received a promise to give for \$100,000 which was received in full in 2022.

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.

WESLEY HOUSE STUDENT RESIDENCE, INC.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 5. Fair Value Measurements and Disclosures, (continued)

The following table represents assets measured at fair value on a recurring basis, at December 31, 2021:

Fair Value Measurements at December 31, 2021 Using

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange-traded funds	\$ 112,871	\$ 112,871	\$ -	\$ -
Held by Community Foundations	\$ 242,090	\$ -	\$ -	\$ 242,090
Totals	\$ 354,961	\$ 112,871	\$ -	\$ 242,090

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2021:

WESLEY HOUSE STUDENT RESIDENCE, INC.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 5. Fair Value Measurements and Disclosures, (continued)

Fair Value Measurements at December 31, 2021 Using
Significant Unobservable Inputs (Level 3)

	<u>Assets Held by Community Foundations</u>
Balance at December 31, 2020	\$ 338,972
Purchases /contributions of investments	-
Investment return, net	3,118
Distributions	<u>(100,000)</u>
Balance at December 31, 2021	<u>\$ 242,090</u>

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, 2021:

Principle amount	\$ 1,043,454
Less unamortized debt issuance costs	<u>(7,087)</u>
	<u>\$ 1,036,367</u>

Future maturities of the note payable are as follows:

Years Ending December 31,	
2022	\$ 25,345
2023	26,708
2024	<u>991,401</u>
Totals	<u>\$ 1,043,454</u>

WESLEY HOUSE STUDENT RESIDENCE, INC.
Notes to Financial Statements
For the Year Ended December 31, 2021

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>15,000</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, 2021:

Satisfaction of purpose restrictions	\$ <u>750</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, 2021:

Contract Liabilities, beginning of year	\$ 30,000
Decreases in contract liabilities during the year	<u>(30,000)</u>
Contract Liabilities, end of year	<u>\$ -</u>

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.

Note 11. Date of Management Review

Management has evaluated subsequent events through July 6, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to or disclosure in the financial statements.