



FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



Leaf & Cole, LLP
Certified Public Accountants

REGIONAL TASK FORCE ON THE HOMELESS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Regional Task Force on the Homeless, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Regional Task Force on the Homeless, Inc., which comprise the statement of financial position as of June 30, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Regional Task Force on the Homeless, Inc. as of June 30, 2018, 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.

Prior Period Financial Statements

The financial statements of Regional Task Force on the Homeless, Inc. as of June 30, 2017, were audited by other auditors whose report dated March 9, 2018, expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of Regional Task Force on the Homeless, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Regional Task Force on the Homeless, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional Task Force on the Homeless, Inc.'s internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
October 11, 2018

REGIONAL TASK FORCE ON THE HOMELESS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Assets:</u> (Note 2)		
Cash and cash equivalents	\$ 506,526	\$ 302,059
Account and other receivables, net	613,789	223,618
Prepaid expenses and other assets	26,858	16,585
Total Current Assets	<u>1,147,173</u>	<u>542,262</u>
TOTAL ASSETS	<u>\$ 1,147,173</u>	<u>\$ 542,262</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Note 2)		
Accounts payable and accrued expenses	\$ 57,901	\$ 72,037
Accrued payroll and related liabilities	72,722	46,060
Deferred revenue	55,683	23,618
Total Current Liabilities	<u>186,306</u>	<u>141,715</u>
<u>Commitments:</u> (Note 4)		
<u>Net Assets:</u> (Notes 2 and 3)		
Unrestricted	513,620	389,547
Temporarily restricted	447,247	11,000
Total Net Assets	<u>960,867</u>	<u>400,547</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,147,173</u>	<u>\$ 542,262</u>

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

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenue and Support:</u>						
Contracts	\$ 2,021,667	\$ -	\$ 2,021,667	\$ 1,937,656	\$ -	\$ 1,937,656
Contributions	217,375	521,500	738,875	65,214	-	65,214
Service point annual support fees	122,924	-	122,924	61,454	-	61,454
Membership fees	6,755	-	6,755	6,677	-	6,677
Miscellaneous	15	-	15	-	-	-
Net assets released from restrictions	85,253	(85,253)	-	7,621	(7,621)	-
Total Revenue and Support	<u>2,453,989</u>	<u>436,247</u>	<u>2,890,236</u>	<u>2,078,622</u>	<u>(7,621)</u>	<u>2,071,001</u>
<u>Expenses:</u>						
Program Services	2,049,089	-	2,049,089	1,849,074	-	1,849,074
Management and general	274,619	-	274,619	191,789	-	191,789
Fundraising	6,208	-	6,208	-	-	-
Total Expenses	<u>2,329,916</u>	<u>-</u>	<u>2,329,916</u>	<u>2,040,863</u>	<u>-</u>	<u>2,040,863</u>
Change in Net Assets	124,073	436,247	560,320	37,759	(7,621)	30,138
Net Assets at Beginning of Year	<u>389,547</u>	<u>11,000</u>	<u>400,547</u>	<u>351,788</u>	<u>18,621</u>	<u>370,409</u>
NET ASSETS AT END OF YEAR	<u>\$ 513,620</u>	<u>\$ 447,247</u>	<u>\$ 960,867</u>	<u>\$ 389,547</u>	<u>\$ 11,000</u>	<u>\$ 400,547</u>

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

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018				2017		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Total
<u>Salaries and Related Expenses:</u>							
Salaries and wages	\$ 1,274,756	\$ 149,691	\$ -	\$ 1,424,447	\$ 837,862	\$ 82,865	\$ 920,727
Employee benefits	148,072	5,430	-	153,502	124,796	10,852	135,648
Payroll taxes	109,256	15,410	-	124,666	76,738	6,673	83,411
Total Salaries and Related Expenses	<u>1,532,084</u>	<u>170,531</u>	<u>-</u>	<u>1,702,615</u>	<u>1,039,396</u>	<u>100,390</u>	<u>1,139,786</u>
<u>Nonsalary Related Expenses:</u>							
Board development and meetings	7,269	3,074	35	10,378	10,493	1,852	12,345
Contracted services	221,214	81,626	6,000	308,840	396,830	70,029	466,859
Depreciation	-	-	-	-	417	-	417
Dues and subscriptions	23,085	2,145	-	25,230	19,450	2,161	21,611
Information technology	27,177	854	-	28,031	19,560	2,173	21,733
Insurance	6,436	(255)	-	6,181	6,880	69	6,949
Miscellaneous	27	6,739	91	6,857	1,706	170	1,876
Program equipment	8,365	1,009	-	9,374	25,055	-	25,055
Program expenses - HMIS	118,939	820	-	119,759	230,695	-	230,695
Rent	59,929	-	-	59,929	47,359	5,262	52,621
Supplies	9,817	4,996	82	14,895	9,423	5,074	14,497
Survey gift cards	12,792	-	-	12,792	15,690	-	15,690
Travel and transportation	21,955	3,080	-	25,035	26,120	4,609	30,729
Total Nonsalary Related Expenses	<u>517,005</u>	<u>104,088</u>	<u>6,208</u>	<u>627,301</u>	<u>809,678</u>	<u>91,399</u>	<u>901,077</u>
Total Expenses	<u>\$ 2,049,089</u>	<u>\$ 274,619</u>	<u>\$ 6,208</u>	<u>\$ 2,329,916</u>	<u>\$ 1,849,074</u>	<u>\$ 191,789</u>	<u>\$ 2,040,863</u>

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

REGIONAL TASK FORCE ON THE HOMELESS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 560,320	\$ 30,138
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	417
(Increase) Decrease in:		
Account and other receivables, net	(390,171)	(161,160)
Prepaid expenses and other assets	(10,273)	(1,695)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(14,136)	37,277
Accrued payroll and related liabilities	26,662	28,011
Deferred revenue	32,065	6,372
Net Cash Provided by (Used in) Operating Activities	<u>204,467</u>	<u>(60,640)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	204,467	(60,640)
Cash and Cash Equivalents at Beginning of Year	<u>302,059</u>	<u>362,699</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 506,526</u>	<u>\$ 302,059</u>

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

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 - Organization:

Regional Task Force on the Homeless, Inc. (RTFH) was incorporated on June 17, 2004 as a non-profit public benefit corporation. RTFH is an integrated array of stakeholders committed to preventing and alleviating homelessness in San Diego. We provide essential data and insights on the issue of homelessness, informing policy and driving system design and performance.

Vision

An end to homelessness in the San Diego regions.

Mission

To provide comprehensive data and trusted analysis that empowers the entire community to identify, implement, and support efforts to prevent and alleviate homelessness.

RTFH received federal awards from the U.S. Department of Housing and Urban Development's Supportive Housing Program for the purpose of managing our region's Homeless Management Information System (HMIS), Coordinated Assessment and Housing Placement (CAHP) system, Continuum of Care Planning Project Application and supporting the homeless service providers. Cost reimbursement, reported as revenue, is recorded pro-rata as expenses are incurred. Funding from the various cities often comes in the form of the U.S. Department of Housing and Urban Development's Community Development Block Grant Program (CDBG), federal funds issued to various local governments, which are then awarded to local nonprofit organizations and vendors.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of RTFH have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of RTFH and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations requiring that they be maintained permanently by RTFH. The income from these assets is available for either general operations or specific programs as specified by the donor.

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). RTFH had no financial instruments at June 30, 2018 and 2017.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful account and other receivables totaled \$5,000 and \$-0- at June 30, 2018 and 2017, respectively.

Capitalization and Depreciation

RTFH capitalizes all expenditures in excess of \$1,000 for equipment at cost, while donations of equipment are recorded at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, RTFH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RTFH reclassifies temporarily restricted net assets to unrestricted net assets at that time. Equipment is depreciated using the straight-line method over the estimated useful asset lives of three years. Depreciation totaled \$-0- and \$417 for the years ended June 30, 2018 and 2017, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and may resultant gain or loss is charged to earnings.

Compensated Absences

Accumulated unpaid vacation totaling \$36,307 and \$45,249 at June 30, 2018 and 2017, respectively, is accrued when incurred and included in accrued payroll and related liabilities.

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

Contracts

Contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the contract. Accounts receivable are recorded when revenue earned under a contract exceeds the cash received. Deferred revenue is recorded when cash received under a contract exceeds the revenue earned.

RTFH receives its grant support through direct and subgrantee awards from federal contracts. RTFH receives advances or is reimbursed for direct costs incurred in the conduct of its research and receives reimbursement for indirect costs on its research grants based on a fixed rate applied to direct costs. Direct and indirect costs incurred by RTFH and reimbursed by agencies of the United States Government are subject to audit by such agencies. Management believes the results of such audits will not have a material adverse effect on the financial position or results of operations of RTFH.

Contributions

Contributions are recognized when the donor makes a promise to give to RTFH that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Service Point Annual Support Fees

Service point annual support fees are received in advance. Revenue is recognized on a pro-rated basis over the period of service. Deferred revenue totaled \$55,683 and \$23,618 at June 30, 2018 and 2017, respectively.

Donated Services and Support

RTFH utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2018 and 2017 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Allocated Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes

RTFH is a public charity and 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. RTFH 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. RTFH is not a private foundation.

RTFH's Return of Organization Exempt from Income Tax for the years ended June 30, 2018, 2017, 2016 and 2015 are subject to examination by the Internal Revenue Service and State taxing authorities, generally the three to four years after the returns were filed.

Concentrations

Credit Risk

RTFH maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. RTFH has not experienced any losses in such accounts. RTFH believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Revenue

RTFH receives a substantial portion of its funding from Federal government agencies through direct and subgrantee grants. Contract revenue related to Federal government grants through direct and subgrantee funding represented 92% and 95% of total revenue and support for the years ended June 30, 2018 and 2017, respectively. Accounts receivable from those contracts represented 71% and 44% of the total accounts receivable June 30, 2018 and 2017, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, RTFH considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, RTFH has evaluated events and transactions for potential recognition or disclosure through October 11, 2018, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.

REGIONAL TASK FORCE ON THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 3 - Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of contributions received with time or purpose restrictions and consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Staff positions - COO and Development	\$ 248,476	\$ -
Phase Two of the Strategic Community Action Plan	190,300	-
Point in time count	8,471	11,000
Total Temporarily Restricted Net Assets	<u>\$ 447,247</u>	<u>\$ 11,000</u>

Net assets in the amount of \$85,253 and \$7,621 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2018 and 2017, respectively.

Note 4 - Commitments:

Office

RTFH entered into an operating lease agreement for facilities. The agreement requires RTFH to pay monthly rent of \$4,994 through December 31, 2018. Rent expenses totaled \$59,929 and \$52,621 for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule of estimated future minimum lease payments under the lease:

<u>Years Ended</u> <u>June 30</u>	
2019	<u>\$ 29,965</u>

Retirement Plan

RTFH has a retirement benefit plan (the “Plan”) for eligible employees. The Plan allows for employee contributions up to the maximum amount allowed by the Internal Revenue Code. RTFH makes an annual contribution to the Plan up to 3% of eligible participant contributions. RTFH’s contribution to totaled \$34,560 and \$21,795 for the years ended June 30, 2018 and 2017, respectively.

Contracts for Services

RTFH contracts annually a Service Point License and Service Agreement which provides software maintenance and enhancement, customer support, dedicated hosting, and custom programming and implementation. Fees totaled \$119,759 and \$78,345 under this contract for the years ended June 30, 2018 and 2017, respectively. RTFH contracts annually a Training and Consulting agreement for Service Point Fees under this contract totaled \$-0- and \$153,750 for the years ended June 30, 2018 and 2017, respectively.

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Term	Pass Through to Subrecipient	Federal Expenditures	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>						
Direct Programs:						
Continuum of Care Program	14.267	CA0702L9D011508	11/1/16-10/31/17	\$ -	\$ 305,587	\$ 305,587
		CA0702L9D011609	11/1/17-10/31/18	-	414,273	414,273
		CA1511L9D011500	9/1/16-8/31/17	-	288,130	288,130
		CA1599L9D011600	7/01/17-6/30/18	-	520,918	520,918
		CA1511L9D011601	11/1/17-10/31/18	-	310,765	310,765
Total Direct Program				<u>-</u>	<u>1,839,673</u>	<u>1,839,673</u>
Pass-Through Programs From:						
Emergency Solutions Grants Program	14.231					
City of Chula Vista:						
South Bay Community Services		N/A		-	16,495	16,495
Total Emergency Solutions Grants Program				<u>-</u>	<u>16,495</u>	<u>16,495</u>
Total Pass-Through Programs				<u>-</u>	<u>16,495</u>	<u>16,495</u>
Total U.S. Department of Housing and Urban Development				<u>-</u>	<u>1,856,168</u>	<u>1,856,168</u>
Total Expenditures of Federal Awards				<u>\$ -</u>	<u>\$ 1,856,168</u>	<u>\$ 1,856,168</u>

REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of RTFH under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of RTFH it is not intended to and does not present the financial position, changes in net assets, or cash flows of RTFH.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available.

RTFH has not elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Directors
Regional Task Force on the Homeless, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Regional Task Force on the Homeless, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional Task Force on the Homeless, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional Task Force on the Homeless, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Regional Task Force on the Homeless, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as item 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional Task Force on the Homeless, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

Regional Task Force on the Homeless, Inc.'s Response to Findings

Regional Task Force on the Homeless, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Regional Task Force on the Homeless, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Regional Task Force on the Homeless, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional Task Force on the Homeless, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
October 11, 2018



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Compliance
for the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Regional Task Force on the Homeless, Inc.

Report on Compliance for the Major Federal Program

We have audited Regional Task Force on the Homeless, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Regional Task Force on the Homeless, Inc.'s major federal program for the year ended June 30, 2018. Regional Task Force on the Homeless, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Regional Task Force on the Homeless, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional Task Force on the Homeless, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Regional Task Force on the Homeless, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Regional Task Force on the Homeless, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the major federal program is not modified with respect to these matters.

Regional Task Force on the Homeless, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Regional Task Force on the Homeless, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Regional Task Force on the Homeless, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional Task Force on the Homeless, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional Task Force on the Homeless, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2018-001, that we consider to be significant deficiencies.

Regional Task Force on the Homeless, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Regional Task Force on the Homeless, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
October 11, 2018

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____	X	None reported
Significant deficiencies identified not considered to be material weaknesses?	_____	X	Yes	_____	None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditor's report issued on compliance for major program: Unmodified

Internal control over major program:

Material weaknesses identified?	_____	Yes	_____	X	None reported
Significant deficiencies identified?	_____	X	Yes	_____	None reported

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a) _____ X Yes _____ No

Identification of major program:

<u>C DFA Number</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings:

Finding 2018-001: Internal Controls Over Payroll

Condition

Review of sampled employee time sheets did not have required signatures of both employee and supervisor in accordance with Regulation 2 CFR Part 200.302 Financial Management (b)(3) and Regulation 2 CFR Part 200.303 Internal Controls (a)(e).

Criteria

Employee time sheets should be properly approved to ensure that they are correctly coded to grants and contracts.

Cause

Internal control systems were not in place to ensure that the review and approval of time sheets was completed.

Effect

The lack of review and approval of time sheets could result in an error in the recording of employee time to specific grants and contracts which could result in questioned or disallowed costs.

Recommendation

RTFH should improve their time sheet review and approval process and implement internal controls to ensure that the review and approval is completed.

Views of Responsible Officials and Planned Corrective Actions

Regional Task Force on the Homeless was made aware of this condition during a monitoring meeting with the U.S. Department of Housing and Urban Development's Los Angeles Field Office on July 31, 2018. Prior to this meeting hourly employee timecards were not required to have both an employee and supervisor signature and salaried employees were not required to complete a timecard. In August 2018, management decided to create and implement a comprehensive time reporting and tracking process. This process will require the completion of timesheets for all staff with the inclusion of signatures for both supervisor and employee. This new time reporting system will be implemented companywide on or before November 1, 2018 and will satisfy the condition referenced above. Prior to the implementation date of this new process and immediately following the discovery of this control weakness, Regional Task Force on the Homeless has required all hourly employees to print, sign and obtain their supervisor's signature on every timecard. For salaried employees, an employee summary report will be generated from our payroll system, reviewed and signed by each employee and forwarded to their supervisor for review and signature.

**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section III - Federal Award Findings and Questioned Costs:

Finding 2018-001: Allowable Costs - U.S. Department of Housing and Urban Development – Continuum of Care Program - CFDA 14.267

Condition

Review of sampled employee time sheets did not have required signatures of both employee and supervisor in accordance with Regulation 2 CFR Part 200.302 Financial Management (b)(3) and Regulation 2 CFR Part 200.303 Internal Controls (a)(e).

Criteria

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**REGIONAL TASK FORCE ON THE HOMELESS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2017-001: Cash Management - U.S. Department of Housing and Urban Development - Continuum of Care Program - CFDA 14.267

Condition

During the performance of cash management control and compliance test work, the prior auditor found that reimbursement requests were based on estimated expenses for the period, not actual expenses paid. As a result, they found that several requests were made in excess of expenses for the applicable period.

Recommendation

RTFH should implement a process to perform a reconciliation of expenditures for the period prior to requesting reimbursement. Additionally, RTFH should revise its written policies over cash management to incorporate specific requirements per the Uniform Guidance.

Status

Finding was corrected during 2018, no similar findings in 2018.



CORRECTIVE ACTION PLAN

The Regional Task Force on the Homeless respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm: Leaf & Cole, LLP
2810 Camino Del Rio South, Suite 200
San Diego, California 92108

Audit period: June 30, 2018

The findings from the June 30, 2018 comments are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule of Findings and Questions Cost (“Schedule”).

Section II - Financial Statement Findings:

Finding 2018-001: Internal Controls Over Payroll

Condition

Review of sampled employee time sheets did not have required signatures of both employee and supervisor in accordance with Regulation 2 CFR Part 200.302 Financial Management (b)(3) and Regulation 2 CFR Part 200.303 Internal Controls (a)(e).

Criteria

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Recommendation

RTFH should improve their time sheet review and approval process and implement internal controls to ensure that the review and approval is completed.



Section II - Financial Statement Findings:

Finding 2018-001: Internal Controls Over Payroll

Views of Responsible Officials and Planned Corrective Actions

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Section III - Federal Award Findings and Questioned Costs:

Finding 2018-001: Allowable Costs - U.S. Department of Housing and Urban Development – Continuum of Care Program - CFDA 14.267

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Recommendation

RTFH should improve their time sheet review and approval process and implement internal controls to ensure that the review and approval is completed.



Section III - Federal Award Findings and Questioned Costs:

Finding 2018-001: Allowable Costs - U.S. Department of Housing and Urban Development – Continuum of Care Program - CFDA 14.267

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Respectively submitted,

Gordon Walker
CEO
Regional Task Force on the Homeless