THE ILLUMINATION FOUNDATION

CERTIFIED PUBLIC ACCOUNTANT'S
CONSOLIDATED AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

THE ILLUMINATION FOUNDATION

Table of Contents

Stephens, Reidinger & Beller LLP
Certified Public Accountants

1301 Dove St., Suite 890
Newport Beach, CA 92660
Telephone 949 752 7400
Facsimile 949 752 1883
www.srbcpa.com

Independent Auditor's Report

To the Board of Directors
The Illumination Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Illumination Foundation, (a nonprofit organization) and its wholly-owned limited liability company, Home4Health Broadway LLC, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 Audit 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 risk 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Illumination Foundation and Home4Health Broadway LLC as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 December 16, 2019 on our consideration of The Illumination Foundation'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 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 The Illumination Foundation's internal control over financial reporting and compliance.

Stephens, Reidinger + Beller LLP

Newport Beach, California
December 16, 2019

THE ILLUMINATION FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current Assets		
Cash and cash equivalents	$	1,192,374
Accounts receivable		2,557,451
Prepaid expenses		114,706
Total current assets		3,864,531
Property and Equipment		
Buildings, furniture, equipment, improvements & land, net of accumulated depreciation of $ 939,898		5,662,068
Deposits		87,650
Total assets	$	9,614,249

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	$	972,093
Accrued liabilities		627,285
Current maturities of notes payable		3,894,845
Current portion of service obligation		50,898
Deferred revenue		159,895
Total current liabilities		5,705,016
Long Term Liabilities		
Notes payable - net of current maturities		372,742
Service obligation- net of current portion		375,593
Line of credit		500,000
Total liabilities		6,953,351
Net assets		
Without donor restrictions		2,231,161
With donor restrictions		429,737
Total net assets		2,660,898
Total liabilities and net assets	$	9,614,249

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

THE ILLUMINATION FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Program service fees	$ 14,197,008	$ -	$ 14,197,008
Federal grants	2,535,723	-	2,535,723
Contributions	306,049	1,807,619	2,113,668
Special events, net of direct expenses of $295,854	953,165	-	953,165
In-kind contributions	1,100,534	-	1,100,534
Other income	105,224	-	105,224
Net assets released from restrictions	1,775,381	(1,775,381)	-
Total revenue and other support	20,973,084	32,238	21,005,322
Expenses			
Program services	18,448,731	-	18,448,731
Management & general	1,644,343	-	1,644,343
Fundraising	455,216	-	455,216
Total expenses	20,548,290	-	20,548,290
Increase in net assets	424,794	32,238	457,032
Net assets at beginning of year	1,806,367	397,499	2,203,866
Net assets at end of year	$ 2,231,161	$ 429,737	$ 2,660,898

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

THE ILLUMINATION FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services	Management & General	Fundraising	Total
Advertising	$ 120	$ -	$ 6,490	$ 6,610
Conference, convention & meetings	1,700	10,598	806	13,104
Depreciation	213,556	21,069	-	234,625
Direct client care	4,948,007	-	-	4,948,007
Donated services, materials and facilities	1,008,767	11,767	9,229	1,029,763
Dues, fees & subscriptions	26,402	33,809	5,947	66,158
Employee benefits	1,034,992	70,700	11,621	1,117,313
Equipment rental and maintenance	389,102	32,733	3,610	425,445
Insurance	472,706	31,814	4,709	509,229
Interest expense	40,309	39,159	-	79,468
License, permits and taxes	14,546	4,738	375	19,659
Miscellaneous	4,472	11,339	1,430	17,241
Office expense	6,224	7,311	6,714	20,249
Payroll taxes	580,489	76,762	9,525	666,776
Professional services	906,512	264,904	241,968	1,413,384
Salaries	6,993,859	780,019	116,142	7,890,020
Rent, parking and other occupancy	658,899	82,272	3,386	744,557
Repairs and maintenance	261,926	23,594	14,296	299,816
Staff development and recruiting	19,326	39,616	-	58,942
Supplies	273,976	28,458	6,271	308,705
Telephone	120,068	6,458	98	126,624
Temporary help	197,895	3,063	9,174	210,132
Travel	98,920	54,617	3,425	156,962
Utilities	175,958	9,543	-	185,501
Total Expenses	$ 18,448,731	$ 1,644,343	$ 455,216	$ 20,548,290

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

THE ILLUMINATION FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

Cash flows from operating activities		
Increase in net assets	$	457,032
Adjustments to reconcile change in net assets		
Depreciation		234,625
Amortization of service contract		(56,252)
(Increase) decrease in operating assets		
Accounts receivable		(765,739)
Prepaid expenses		(21,550)
Deposits		(4,477)
Increase (decrease) in operating liabilities		
Accounts payable		35,378
Accrued liabilities		49,161
Deferred revenue		24,363
Net cash used in operating activities		(47,459)
Cash flows from investing activities		
Acquisition of property and equipment		(357,857)
Net cash used in investing activities		(357,857)
Cash flows from financing activities		
Proceeds from line of credit		500,000
Repayment of note payable		(33,511)
Proceeds from notes payable		300,000
Net cash provided from financing activities		766,489
Net increase in cash and cash equivalents		361,173
Cash and cash equivalents at beginning of year		831,201
Cash and cash equivalents at end of year	$	1,192,374
Supplemental disclosures		
Cash paid during the year for interest	$	35,557
Noncash investing and financing activities		
Purchase of buildings and vehicles	$	3,806,619
Less amount financed		(3,571,639)
Cash paid for purchases	$	234,980

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

THE ILLUMINATION FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 1: NATURE OF ORGANIZATION

The Illumination Foundation ("IF") is a non-profit organization established to provide housing and social services to homeless individuals and families. The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701 of the California Revenue and Taxation Code.

IF combines housing and social services with healthcare and behavioral mental health services to reduce the impacts of homelessness and people's vulnerability to future homelessness.

On April 25, 2019, The Illumination Foundation formed Home4Health Broadway LLC (Home4Health), a wholly-owned California limited liability company. Home4Health is organized and operated exclusively for charitable purposes and is engaged in the acquisition, construction, rehabilitation, operations, and/or disposition of real and personal property for the provision of health care services, recuperative care, and affordable housing for low income individuals and families.

The accompanying consolidated financial statements present the consolidated accounts of The Illumination Foundation and Home4Health. All intercompany accounts and transactions have been eliminated. The Illumination Foundation and Home4Health are referred collectively as the "Organization."

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

New Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958).* ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires both quantitative and qualitative disclosures about liquidity and availability of financial resources among other provisions. ASU 2016-14 became effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management elected to adopt ASU 2016-14 as of and for the year ending June 30, 2019.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or nonexistence of restrictions on use that are placed by its donors. The two classes of net assets are as follows:

> Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support the Organization's operations. The only limits on the use of these net assets, if any, are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
>
> Support that is restricted by a donor is reported as an increase in net assets without donor restrictions if the restriction expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.
>
> Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a specified purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature and the Organization must continue to use these resources in accordance with donor's restrictions.
>
> The Organization's unspent contributions are included in this class if the donor has limited their use. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resource for a specified purpose or for a future period. All expenses are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

The Organization places its cash deposits with high-credit quality financial institutions. At times, balances in the organization's cash accounts may exceed the Federal Deposit Insurance Corporation's (FDIC) insurance limit. The Organization has not incurred losses related to carrying cash balances in excess of the FDIC insurance limit.

Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts and other circumstances, which may affect the collectability of the various accounts receivables. In the opinion of management, all receivables for the year ended June 30, 2019 are collectable. Therefore, no allowance for doubtful accounts has been provided.

Property and Equipment

Property and equipment purchased by the Organization are carried at cost. Major renewals and betterments are capitalized. The Organization's capitalization threshold is $1,000. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses are credited or charged to income.

Contributed property and equipment are reported as support and carried at fair value at the time of donation. Assets donated with restrictions regarding their use and contributions of cash that must be used for property or equipment are reported as restricted support. Absent donor stipulations regarding how long their donated assets must be maintained, the Organization reports expirations of restrictions when the donated or acquired assets are placed into service.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the related assets as follows: computer and equipment for 3 to 5 years; furniture and fixtures for 5 years; vehicles for 3 to 5 years; leasehold improvements for 2 years; and building and improvements for 7 to 25 years.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from Federal and California income tax under Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701 of the California Revenue and Taxation Code. Therefore no provision for income taxes has been included in the accompanying financial statements.

Compensated Absences

Vacation benefits are allowed to accumulate and upon an employee's termination or retirement are paid out at the individual's regular payroll rate. The balance of accumulated vacation benefits at June 30, 2019 was $221,618 and is included in accrued liabilities in the statement of financial position.

Deferred Revenue

Funds received in advance of program services or activities to be performed or delivered in future periods are recorded as deferred revenue in the accompanying statement of financial position. Revenues relating to such advance payments are recognized as the required services or activities are performed and the related exchange transaction is completed. Deferred revenue as of June 30, 2019 totaled $159,895.

Donated Services and Material and Facilities

Donated noncash assets are recorded at estimated fair values at the date received. Donated materials and noncash assets received totaled $498,070 during the year ended June 30, 2019. Donated services are recognized when a nonfinancial asset is created or specialized skills are required and the Organization would otherwise need to purchase the services. Donated services for the housing, recuperative care, children's and healthcare outreach programs totaling $330,664 were received and recognized during the year ended June 30, 2019. In addition, the Organization received $228,401 in contributed services that were not recognized in the statement of activities during the year ended June 30, 2019. Donated facilities are reported as support income and rental expense. The total of donated facilities was $271,800 during the year ended June 30, 2019.

Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Contributions are reported as increases in net assets without donor restrictions unless use of the contributions is restricted by the donor. Amounts received that are restricted by the donor for a specific purpose or to be used in future periods are reported as increases in net assets with donor restrictions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or service are charged directly to the program or service. Costs common to multiple functions have been allocated among various functions benefited using a reasonable allocation method that is consistently applied. The expenses that are allocated are as follows:

- The time and effort method is used to allocate salaries and benefits, professional services, temporary help and travel costs.
- Staffing, or the number of employees per department or program, is the method used to allocate costs for depreciation, rent, repair and maintenance, insurance, office expense, supplies, telephone and utilities.

Management and general expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising expenses are expensed as incurred and are charged to the respective fundraising cost center. When the Organization incurs shared costs that are both fundraising and management and general, the costs are allocated based on the methods described above.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2019 was $6,610.

Subsequent Events

Management has evaluated subsequent events through December 16, 2019, the date when the financial statements were available for issue.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 is comprised of the following:

Buildings & leasehold improvements	$	4,039,319
Furniture & fixtures		354,767
Computers & equipment		333,206
Vehicles		155,807
Construction in progress		23,867
Accumulated depreciation		(939,898)
Subtotal		3,967,068
Land		1,695,000
Total	$	5,662,068

Depreciation expense for the year ended June 30, 2019 was $234,625.

NOTE 4: RETIREMENT PLAN

The Organization has established a voluntary defined contribution 401(k) retirement plan for its employees under which it matches participant salary deferrals up to 3.5% of the employee's salary. During the year ended June 30, 2019, the Organization contributed $143,013 to the plan and had a related accrual of $17,027 which is included in current liabilities in the statement of financial position.

NOTE 5: LIQUIDITY AND AVAILABILITY

Financial assets without donor restrictions limiting their use within one year of June 30, 2019, which are available for general expenditures are as follows:

Financial assets:		
Cash and cash equivalents	$	1,192,374
Accounts receivable		2,557,451
Prepaid expenses		114,706
Total financial assets		3,864,531
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted net assets		(429,737)
Amount available for general expenditures within one year	$	3,434,794

NOTE 5: LIQUIDITY AND AVAILABILITY (continued)

Based on the table above, the Organization has $3,434,794 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. The Organization's financial assets have been reduced by $429,737, which was not available for general use because of donor imposed restrictions as of June 30, 2019, however, the restrictions are expected to be released within one year of the balance sheet date.

In addition to cash-on-hand, the Organization is able to meet its liquidity needs through effective management of accounts receivables. For the fiscal year ended June 30, 2019, the Organization's accounts receivable turnover ratio was relatively high at 8.70, which indicates that accounts receivables are collected quickly to positively impact liquidity and cash flows.

NOTE 6: LINE OF CREDIT

During December 2017, the Organization entered into a line of credit agreement with a board member's private foundation providing for borrowings of up to $500,000 through December 1, 2027. The outstanding balance of the line of credit accrues annual interest at 5% with principal and interest becoming due on December 1, 2027. As of June 30, 2019, the outstanding balance on the line of credit was $500,000.

NOTE 7: NOTES PAYABLE

During December 2017, the Organization refinanced an existing line of credit of $450,000 with the proceeds of a term note payable in the amount of $450,000 from a board member's private foundation. The note will be amortized over a ten-year period with payments of principal and interest at 5% due monthly and a final maturity of November 30, 2027. The outstanding balance of the note as of June 30, 2019 was $395,948, of which $41,632 is included in current liabilities.

On May 21, 2019, the Organization obtained two six month notes payable to assist with the purchase of a property for temporary emergency shelter programs in the city of Anaheim, CA. The first note in the amount of $500,000 was obtained from a member of the Organization's board of directors and the second note in the amount of $250,000 was obtained from an unrelated party. Both notes accrue interest at 5% per annum and were due on November 20, 2019. These notes were extended to December 31, 2019, which is the date that the pending re-financing on the related property is expected to close. The outstanding balances on these notes payable as of June 30, 2019 was $500,000 and $250,000, respectively.

During May 2019, the Organization obtained two short term notes payable from two members of the Organization's board of directors for the financing of the purchase of land and building in the city of Anaheim, CA for the Organization's charitable purposes. The first note was in the amount of $2,000,000 and the second note was for $800,000. Subsequently, on June 11, 2019, the

NOTE 7: NOTES PAYABLE (continued)

Organization obtained a third note payable from a board member in the amount of $300,000 for the same cause. All three notes incur interest at 5% per annum and had an original due date of October 31, 2019. The property purchased with these funds is in the process of being re-financed with a third party and therefore the three notes were amended with a new maturity date of January 15, 2020, which is the date that the pending re-finance is expected to close.

During the year, the Organization financed the purchase of a vehicle over a 6 year period with monthly payment of $387 including interest at 7.09% per annum. The outstanding balance of this note as of June 30, 2019 was $21,639, of which $3,213 is included in current maturities.

Maturities of notes payables are as follows:

Year ended June 30,	
2020	$ 3,894,845
2021	43,931
2022	46,254
2023	48,703
2024	51,281
Thereafter	182,573
Total	$ 4,267,587

NOTE 8: LONG-TERM SERVICE OBLIGATION

During December of 2016, the Organization completed the construction of a shelter located in Stanton, CA with the proceeds of a $544,000 advance for future services from Children and Families Commission of Orange County (CFCOC) and in-kind contributions of $616,163. Under the agreement with CFCOC, the Organization is obligated to provide emergency shelter and other support services valued at $544,000 to meet basic needs of homeless families with children ages 0-5 through December 31, 2031.

This service obligation, which is collateralized by a deed of trust on the property, is being amortized as services are provided with an imputed interest rate of 3.25%. During the year, the Organization provided $56,252 of services related to this obligation, resulting in an unamortized service obligation of $426,491 as of June 30, 2019, of which $50,898 is included in current liabilities in the statement of financial position.

NOTE 9: LEASES

The Organization leases various facilities for its programs with terms ranging from monthly to five years. On July 1, 2018, the Organization relocated its main office to Orange, CA and signed a five

NOTE 9: LEASES (continued)

year lease with payments due monthly in the amount of $7,002 and adjusted periodically for the cost of living. The lease expires on June 30, 2023.

During the year ended June 30, 2017, the Organization entered into four lease agreements for housing facilities in Los Angeles County, CA. The facilities are utilized for homeless patients being discharged from hospitals under the recuperative care program. One of the facilities was occupied in November 2016 and the lease was subsequently renewed on May 1, 2018, with payments due monthly in the amount of $18,486, adjusted annually for CPI, with an expiration date of April 30, 2021. The second facility was occupied in January 2017 and the Organization renewed the lease on January 1, 2019 with monthly payments in the amount of $12,000 and an expiration date of December 31, 2020. The third facility was occupied in April 2017 and the lease was also renewed on April 1, 2019 with payments due monthly in the amount of $10,000 and with an expiration date of March 31, 2020. The fourth facility was occupied in November 2016 and provides for current monthly payments of $14,525 through November 2019. The Organization exercised the first option of two options offered to extend the lease through November 2020.

Lease and rental facilities expense for the year ended June 30, 2019 was $740,643.

Minimum future lease obligations for all facilities are as follows:

Year Ending June 30,	Amount
2020	$ 739,309
2021	451,560
2022	113,252
2023	116,905
Total	$ 1,421,026

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 consists of the following and were restricted for the following purposes:

Program	Amount
Children's Recuperative Care	$ 120,000
Change a Life Foundation	46,767
LA Homelessness Challenge	50,000
Emergency Family Shelter	212,970
	$ 429,737

NOTE 11: FUNDING SOURCES

The Organization is funded through government, corporate, foundation and individual grants and contributions and fees for services from hospitals discharging homeless patients. Program service fees included in the accompanying financial statements for the year ended June 30, 2019 consist of the following:

Recuperative Care Program	
Brilliant Corners - Greater Los Angeles Area	$ 4,250,425
County of Orange - Whole Person Care Program	2,764,620
Inland Empire HP	1,250,875
Various Southern California hospitals	597,688
Total Recuperative Care Program	8,863,608
County of Orange	
California Work Opportunity & Responsibility to Kids	968,399
Health Care Agency - Supportive Housing Services for the Homeless	2,465,702
Total County of Orange	3,434,101
City of Anaheim Emergency Shelter	1,543,529
Children & Families Commission of Orange County	125,000
Integrated Community Healthcare Services	56,618
Other Sources	174,152
Total Program Service Fees	$ 14,197,008

NOTE 12: RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the Organization provided services to Integrated Community Healthcare Services (ICHS), a related party non-profit, and recognized program service fee income of $56,618. One of the three members of the community clinic's board of directors is also a member of the Organization's board of directors.

During the year ended June 30, 2019, the Organization paid rent to three organizations affiliated with board members totaling $270,899. In the opinion of management, these rent payments, which are included in rental assistance expense, are at or below prevailing market rates.

NOTE 12: RELATED PARTY TRANSACTIONS (continued)

The organization obtained a line of credit and a note payable from one of the Organization's board member's foundation and are described in Note 6 and Note 7.

In addition, during May and June of 2019, the Organization obtained four short-term notes payables from members of the Organization's board of directors which are also described in Note 7.

NOTE 13: RETROSPECTIVE CHANGE IN NET ASSET CLASSIFICATION

The Organization has adopted FASB ASU No. 2016-14 in the current year and has applied the changes retrospectively. The new standard changed the net asset classifications as follows:

- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed to net assets without donor restrictions.

The adoption of ASU No. 2016-14 has the following effect on net assets at June 30, 2018:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted	$ 1,806,367	$ -
Temporarily restricted	397,499	-
Net assets without donor restrictions	-	1,806,367
Net assets with donor restrictions	-	397,499
Net assets at beginning of year	$ 2,203,866	$ 2,203,866

THE ILLUMINATION FOUNDATION

Single Audit Report on Federal Awards

For the Year Ended June 30, 2019

Stephens, Reidinger & Beller LLP
Certified Public Accountants

1301 Dove St., Suite 890
Newport Beach, CA 92660
Telephone 949 752 7400
Facsimile 949 752 1883
www.srbcpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Illumination Foundation

We have audited, 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, the consolidated financial statements of The Illumination Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Illumination Foundation'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 The Illumination Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The Illumination Foundation'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Illumination Foundation's consolidated financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephens, Reidinger + Beller LLP

Newport Beach, California
December 16, 2019

Stephens, Reidinger & Beller LLP
Certified Public Accountants

1301 Dove St., Suite 890
Newport Beach, CA 92660
Telephone 949 752 7400
Facsimile 949 752 1883
www.srbcpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
The Illumination Foundation

Report on Compliance for Each Major Federal Program

We have audited The Illumination Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Illumination Foundation's major federal programs for the year ended June 30, 2019. The Illumination Foundation's major federal programs are identified in the summary of auditors' 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Illumination Foundation's major federal programs 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; and 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 The Illumination Foundation'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 each major federal program. However, our audit does not provide a legal determination of The Illumination Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, The Illumination Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of The Illumination Foundation 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 The Illumination Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 The Illumination Foundation'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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Stephens, Reidinger + Beller LLP

Newport Beach, California
December 16, 2019

THE ILLUMINATION FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Fiscal Year Ended June 30, 2019

Name of Federal Agency or Department/ Name of Program	CFDA No.	Name of Pass-through Entity	Name of Grant and Identifying Number	Awards Expended
U.S. Department of Housing and Urban Development				
Community Development Block Grant/Entitlement Grants				
CDBG	14.218	City of Santa Ana, CA	B-17-MC-06-0508	$ 48,559
Total Community Development Block Grants				48,559
Emergency Solutions Grant				
Emergency Solutions Grant	14.231	City of Santa Ana, CA	E-17-MC-06-0501	144,602
Emergency Solutions Grant	14.231	City of Anaheim, CA	E-17-MC-06-0501	95,898
Emergency Solutions Grant	14.231	Orange County, CA	16-22-0041-ESG	59,319
Total Emergency Solutions Grant				299,819
Home Investment Partnerships Program				
HOME-TBRA	14.239	City of Anaheim, CA	M-17-MC-06-0502	546,688
Total Home Investment Partnership Program				546,688
Continuum of Care				
Continuum of Care	14.267		Stanton Service Center CA1121L9D021604	341,891
Continuum of Care	14.267		Street2Home CA1512L9D021601	1,298,766
Total Continuum of Care				1,640,657
Total U.S. Department of Housing and Urban Development				$ 2,535,723
Total Expenditures of Federal Awards				$ 2,535,723

THE ILLUMINATION FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Illumination Foundation under programs of federal government for the year ended June 30, 2019. 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 The Illumination Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Illumination Foundation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

Scope of Presentation

The accompanying schedule presents the expenses incurred by The Illumination Foundation that are reimbursable under federal programs of federal financial assistance.

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The Illumination Foundation has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

THE ILLUMINATION FOUNDATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2019

PRIOR PERIOD AUDIT REPORT

There were no audit findings in the previous year.

THE ILLUMINATION FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

SUMMARY OF AUDITOR'S RESULTS

1. An unmodified report was issued by the auditors on the consolidated financial statements of the auditee.

2. There were no material weaknesses in internal control nor were there any significant deficiencies based upon our audit of the consolidated financial statements of the auditee.

3. The audit disclosed no noncompliance which is material to the consolidated financial statements of the auditee.

4. There were no material weaknesses nor were there any significant deficiencies in internal control over major programs of the auditee.

5. An unmodified report was issued by the auditors on compliance for major programs.

6. The audit disclosed no audit findings required by the auditor's to be reported in accordance with 2 CFR Section 200.516(a).

7. The major program of the auditee was the HOME Investment Partnership Program, CFDA #14.239 from the U.S. Department of Housing and Urban Development.

8. The dollar threshold used to distinguish Type A and Type B programs was $750,000.

9. The auditee met the requirements of a low risk auditee for the year ended June 30, 2019 for purposes of major program determination.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

There were no auditor's findings required to be reported in accordance with GAGAS.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no auditor's findings or questioned costs to be reported in accordance with 2 CFR Section 200.516(a).