EVICTION DEFENSE COLLABORATIVE

SAN FRANCISCO, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

O'CONNOR & COMPANY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eviction Defense Collaborative
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eviction Defense Collaborative (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eviction Defense Collaborative as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eviction Defense Collaborative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Implementation of New Accounting Standards

As discussed in Note 10 to the financial statements, Eviction Defense Collaborative implemented FASB issued ASU 2016-02, *Leases (Topic 842),* which became effective for the year ended June 30, 2023 and had material effects on the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eviction Defense Collaborative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eviction Defense Collaborative's ability to continue as a going concern for a reasonable period of time.

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

<u>Other Reporting Required by Government Auditing Standards</u>
In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2024, on our consideration of Eviction Defense Collaborative'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 solely 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 Eviction Defense Collaborative'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 Eviction Defense Collaborative's internal control over financial reporting and compliance.

O'Connor & Company

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Novato, California
July 15, 2024

Eviction Defense Collaborative

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS		
Current assets:		
Cash and cash equivalents	$	1,217,701
Grant receivables		4,094,019
Prepaids and deposits		41,423
Total current assets		5,353,143
Noncurrent assets:		
Restricted cash		197,124
Rental deposit		85,000
Right to use operating assets, net of accumulated amortization		2,035,383
Total noncurrent assets		2,317,507
Total assets	$	7,670,650
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$	821,840
Accrued payroll		247,464
Accrued vacation		501,534
Deferred revenue		68,750
Grant advances		1,006,560
Operating lease liability (current portion)		515,807
Total current liabilities		3,161,955
Noncurrent liabilities		
Operating lease liability		1,549,763
Credit line		1,150,000
Client trust liability		197,124
Total noncurrent liabilities		2,896,887
Total liabilities		6,058,842
Net assets:		
Net assets with donor restrictions		79,583
Net assets without donor restrictions		1,532,225
Total net assets		1,611,808
Total liabilities and net assets	$	7,670,650

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

Eviction Defense Collaborative
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants	$ 21,715,771	$ 105,000	$ 21,820,771
Contributions	72,387	-	72,387
Litigation and attorney fees	3,115	-	3,115
Net assets released from restrictions	246,665	(246,665)	-
Total revenue	22,037,938	(141,665)	21,896,273
Expenses:			
Program services			
Legal services	7,478,492	-	7,478,492
Case management and rental assistance	12,456,439	-	12,456,439
Shelter advocates	657,055	-	657,055
Total program services	20,591,986	-	20,591,986
Support services			
Management and general	1,555,049	-	1,555,049
Fundraising	40,537	-	40,537
Total support services	1,595,586	-	1,595,586
Total expenses	22,187,572	-	22,187,572
Change in net assets	(149,634)	(141,665)	(291,299)
Net assets, beginning of period	1,388,760	221,248	1,610,008
Prior period adjustment	293,099	-	293,099
Net assets, beginning of period restated	1,681,859	221,248	1,903,107
Net assets, end of period	$ 1,532,225	$ 79,583	$ 1,611,808

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

Eviction Defense Collaborative
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Legal Services	Case Management & Rental Assistance	Shelter Advocates	Total Program	Management and General	Fundraising	Total
Expenses:							
Salaries & wages	$ 3,450,996	$ 2,575,121	$ 447,273	$ 6,473,390	$ 632,423	$ 23,194	$ 7,129,007
Employee benefits	850,247	685,831	114,113	1,650,191	160,411	5,910	1,816,512
Rental and client assistance	29,841	8,365,450	-	8,395,291	-	-	8,395,291
Subcontractor	1,489,691	28,112	4,014	1,521,817	238,480	3,386	1,763,683
Occupancy	303,785	212,225	22,881	538,891	84,655	1,202	624,748
Insurance	16,474	13,505	1,943	31,922	7,264	103	39,289
Professional services	227,495	101,120	5,111	333,726	189,904	4,185	527,815
Supplies	95,348	56,490	6,558	158,396	17,620	253	176,269
Equipment maintenance	7,543	5,992	469	14,004	19,915	46	33,965
IT & telecommunications	704,770	191,110	34,449	930,329	66,347	942	997,618
Professional license fees	17,398	3,230	440	21,068	26,484	376	47,928
Staff training & reference materials	217,454	163,838	10,021	391,313	33,812	490	425,615
Interest & bank fees	3,101	2,527	318	5,946	50,441	64	56,451
Outreach & recruiting	465	-	1,642	2,107	44	-	2,151
Utilities	63,884	51,888	7,823	123,595	27,249	386	151,230
Total expenses	$ 7,478,492	$12,456,439	$ 657,055	$20,591,986	$ 1,555,049	$ 40,537	$22,187,572

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

Eviction Defense Collaborative

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	$ (291,299)
Adjustments to reconcile change in net assets to cash used by operating activities:	
Amortization	530,970
Loss on disposal of equipment	16,740
Changes in certain assets and liabilities:	
Grants receivable	(397,005)
Prepaid items	139,464
Deposits	(85,000)
Accounts payable	(190,211)
Accrued payroll	(967,121)
Accrued vacation	501,535
Refundable advance	(95,800)
Client trust liability	197,124
Deferred revenue	68,750
Operating lease payments	(500,784)
Net cash used by operating activities	(1,072,637)
Cash flows from financing activities:	
Proceeds on line of credit	1,150,000
Net cash flows used by financing activities	1,150,000
Net increase (decrease) in cash during the period	77,363
Cash balance, beginning of period	1,337,462
Cash balance, end of period	$ 1,414,825
Reconciliation of cash equivalents and restricted cash:	
Cash and cash equivalents	$ 1,217,701
Restricted cash	197,124
Total cash and restricted cash	$ 1,414,825
Supplemental disclosures of cash flow information:	
Interest paid	$ 56,451
Supplemental Disclosures	
Noncash investing and financing transactions:	
Acquisition of right to use assets	$ 2,566,353
Incurred lease obligation	2,566,353

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Eviction Defense Collaboration Mission and Strategies

Eviction Defense Collaborative (EDC) is a is a nonprofit corporation organized in 1999 in the State of California. Located in San Francisco, California, EDC's mission is to prevent homelessness, preserve affordable housing, and protect diversity in San Francisco through the provision of high-quality, free legal services and referrals to tenants, advocacy to shelter clients, and emergency rental assistance. EDC was one of the first housing organizations to combine services for shelter clients, tenants in publicly owned housing, and tenants in privately owned housing in one organization, breaking traditional silos in the housing movement, to build a broad, intersectional approach to regional housing stability.

EDC is the principal partner with the City of San Francisco for the implementation of Tenant Right to Counsel (TRC) program and oversees the work of 9 legal service organizations across the city. The core strategy at EDC begins with ensuring San Francisco tenants have daily access to emergency eviction prevention services. EDC operates walk-in clinics to San Francisco tenants navigating the eviction process. EDC's clinic functions as an intake and referral clinic for all tenant legal services providers in San Francisco through which clients can access legal services and/or emergency rental assistance. EDC's legal services include full scope legal representation, emergency pro per assistance, and pairing tenants with full scope representation within the TRC system. Working collaboratively with all the TRC eviction defense attorneys in San Francisco, EDC's Rental Assistance Disbursement Component (RADCo) provides one-time rental assistance to individuals and families facing eviction in all stages of the eviction process, and has recently added two subsidy programs to EDC's wrap around Homelessness Prevention service model. Historically, EDC provided emergency pro per eviction prevention legal services to unrepresented tenants. EDC restructured its programs to better align with its role as lead partner with the City and County of San Francisco for the implementation of the Tenant Right to Counsel program (also known as Prop F or the No Eviction Without Representation Act).

B. Basis of Accounting

The accompanying financial statements are presented using the accrual method of accounting.

C. Financial Statement Presentation

In accordance with U.S. Generally Accepted Accounting Principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles 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.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and checking accounts with financial institutions.

F. Revenue Recognition

All contributions are considered available unless specifically restricted by the donor. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services performed, or expenditures are incurred.

G. Receivables

No allowance for doubtful accounts is made since management believes that all receivables are collectible.

H. Furniture and Equipment

All acquisitions of furniture and equipment more than $2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and equipment is carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from five to seven years.

I. 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. Income Taxes

EDC is exempt from Federal income and California franchise taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively. However, tax-exempt organizations are still subject to Federal income and California franchise taxes for unrelated business income.

Management has considered this issue and believes that all of the positions taken in the federal and state tax returns are more likely than not to be sustained upon examination. The federal and state taxing authorities generally can examine the tax returns for three years and four years after they are filed or the due date of the return, whichever is later, respectively.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

K. Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined on financial statement elements that are required to be measured at fair value. There are three levels to the fair value hierarchy based on the degree of objectivity of inputs used with each level:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the organization's own data.

EDC had no assets or liabilities recorded at fair value on June 30, 2023.

L. Risk Management

EDC is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters for which the EDC carries commercial insurance.

M. Recent Accounting Pronouncements

ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions,* for entities other than public business entities, effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. EDC is currently evaluating the impact of this statement on its financial statements.

ASU 2022-04, *Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations,* effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the roll forward requirement, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. EDC is currently evaluating the impact of this statement on its financial statements.

ASU 2022-05, *Financial Services-Insurance (Topic 944): Transition for Sold Contracts,* effective date is for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025, which is consistent with ASU 2020-11. EDC is currently evaluating the impact of this statement on its financial statements.

ASU 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force),* for entities other than public business entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods in such years. EDC is currently evaluating the impact of this statement on its financial statements.

ASU 2023-05, *Business Combinations-Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement,* effective prospectively for joint venture formations dated on or after January 1, 2025. EDC is currently evaluating the impact of this statement on its financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK

EDC maintains its cash and cash equivalents at a financial institution. Federal Deposit Insurance Corporation (FDIC) provides insurance for $250,000 per depositor, per insured bank.

On June 30, 2023, the bank balances exceeded the FDIC insurance limit by $2,282,811. Management believes the EDC is not exposed to any significant credit risk to cash.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable are as follows as of June 30, 2023:

DAS Subsidy	$ 184,101
HSH General Fund	255,856
Proposition C	86,667
HSH SCA	96,803
TRCX	524,017
MOHCD AD Subsidy	226,613
LERAP	726,322
MOHCD Expansion Prop C	243,970
MOHCD TRC	1,308,857
COVID CV3	50,747
CARES CV3	15,494
CARES Other	25,586
CAL BAR HP4	180,551
CAL BAR HP-RFP3	160,000
Other	8,435
Total	$ 4,094,019

NOTE 4 - FURNITURE AND EQUIPMENT

Fixed assets balances and activity were as follows:

Property and Equipment	Balance 6/30/22	Additions	Disposals	Balance 6/30/23
Furniture	$ 75,991	$ -	$ 16,740	$ 59,251
Leasehold improvements	20,473	-	-	20,473
Subtotal	96,464	-	16,740	79,724
Less accumulated depreciation	(79,724)	-	-	(79,724)
Total fixed assets	$ 16,740	$ -	$ 16,740	$ -

Right to Use Assets	
Office space lease	$ 2,566,353
Less accumulated amortization	(530,970)
Total right to use assets, net	$ 2,035,383

NOTE 5 - ACCRUED VACATION

Employees of EDC are entitled to paid vacation based on length of service and other factors. Employees gain a vested right to accumulate vacation. As of June 30, 2023, the value of accumulated vacation was $501,534.

Sick leave benefits are accumulated for each employee, but employees do not gain a vested right to the accumulated sick leave benefits. Sick leave benefits are therefore not recognized as a liability by EDC, and sick leave benefits are recorded as expenditures in period taken.

NOTE 6 - DEFERRED REVENUE

EDC uses government contracts and Foundation grants to provide rental assistance loans to tenants in the San Francisco area. These contracts do not require that these funds be returned to the Government entity, but must be used for the rental assistance program. Payments for future years are reported as deferred revenue. As of June 30, 2023, the balance of rental assistance funds deferred was $68,750
.

NOTE 7 - GRANT ADVANCE

As of June 30, 2023, grant advance consists of the following:

EDC received from the Mayor’s Office of Housing and Community Development grant advances in the amount of $1,006,560 from the State Bar of California as of June 30, 2023.

NOTE 8 - LINE OF CREDIT

EDC has a line of credit at Bank of the West with an available credit balance of $25,000 and an interest rate of 15% on advance. As of June 30, 2023, the line of credit balance was $1,150,000.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions were as follows:

San Francisco Foundation	$ 68,750
State Bar of CA	10,833
Total	$ 79,583

NOTE 10 - LEASES

On December 2, 2021, EDC entered into a 60-month lease agreement for its office space at 972 Mission Street, San Francisco, commencing on May 1, 2022, and ending on April 30, 2027. The lease required a security deposit of $85,000, and the 60-month term includes monthly rents of $43,775 to increase each year to reach a maximum of $47,834. EDC uses the estimated incremental borrowing rate of 4%. EDC has recorded a right to use assets with a value of $2,566,353.

EDC also leases three copiers/printers for 60 months. The monthly lease payment for the first, which commenced in October 2019, is $170, the second, which commenced in April 2021, is $216 and the third, commenced in February 22 is $154.

EDC has elected to not present assets and liabilities related to leases of a period of twelve months or less.

Lease payments for the fiscal year ended June 30, 2023, amounted to $531,780. Future minimum lease payments are as follows:

Office Space - Year Ending June 30	Principal	Interest	Total
2024	$ 515,807	$ 9,493	$ 525,300
2025	531,290	9,778	541,068
2026	547,221	10,071	557,292
2027	471,252	7,088	478,340
Total	$ 2,065,570	$ 36,430	$ 2,102,000

NOTE 10 - LEASES (concluded)

Copier - Year Ending June 30	
2024	$ 6,480
2025	5,120
2026	4,008
2027	1,232
Total	$ 16,840

NOTE 11 - LIQUIDITY AND AVAILABILITY

As part of EDC's liquidity management, its goal is to maintain cash and short-term investments on hand to meet 120 days of normal operating expense, which on average is $660,000. In addition, any cash in excess of the daily requirements is invested in short-term investments and money market funds.

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

Financial assets	2023
Cash and cash equivalents	$ 1,217,701
Grants receivable	4,094,019
Financial assets	5,311,720
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(79,583)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,232,137

NOTE 12 - RETIREMENT PLAN

EDC has adopted a Safe Harbor 401(k)-retirement plan. Eligible employees may elect to defer a portion of their annual compensation up to the maximum allowed by the Internal Revenue Code. Substantially all employees are eligible to participate. EDC is required to contribute 3% of the employee's annual salary to the plan. Employer contributions of $21,298 were made to the plan during the year ended June 30, 2023.

NOTE 13 - CONTINGENCIES

EDC receives funds from various government sources that are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, EDC has no provision for the possible disallowance of program costs in their financial statements.

NOTE 14 - PRIOR PERIOD ADJUSTMENT

To correct the recording of deferred rental assistance received in prior years in the amount of $293,099.

NOTE 15 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Such events have been evaluated through the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' 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*

Board of Directors
Eviction Defense Collaborative
San Francisco, California

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 Eviction Defense Collaborative (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated July 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eviction Defense Collaborative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eviction Defense Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of Eviction Defense Collaborative'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 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. We identified certain deficiencies in internal control that we consider to be material weaknesses, described in the schedule of findings and recommendations number 2023-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eviction Defense Collaborative'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 financial statements. 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*.

<u>Purpose of this Report</u>

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor & Company

O'Connor & Company

Novato, California
July 15, 2024

Finding 2023-001: Reporting Deferred Revenue

Criteria:

Rental assistance loans were deferred by the Eviction Defense Collaborative in prior years and not properly analyzed and recorded as revenue when earned.

Condition:

Eviction Defense Collaborative's Director of Finance position has experienced high turnover in the prior year.

Context:

The accounting records are maintained using a QuickBooks (QB) general ledger accounting system. However, QB accounts were not updated for deferred revenue as required by generally accepted accounting principles for nonprofits using the accrual basis of accounting. There were also some relatively minor unexplained cash balances in the general ledger control accounts.

Effect:

The effect was that the organization did not have controls and procedures in place to permit the normal analysis of deferred revenue accounts in accordance with generally accepted governmental accounting practices. The impact was that some account balances were not accurate and reliable and hindered the timely preparation of both internal and external financial reports.

Cause:

The cause, in the auditor's judgment, was turnover of the financial management staff with adequate skill, knowledge and experience to maintain the organization's general ledger accounting system, that did not allow the appropriate staff to reconcile the account balances on a regular basis and prepare its annual financial statements.

Recommendation:

We recommend Eviction Defense Collaborative reconcile all assets, liability, and net asset accounts to supporting schedules and documentation each month. The Eviction Defense Collaborative has hired the accounting firm Scrub.net to assist with this process.

Views of Responsible Officials and Corrective Actions:

Eviction Defense Collaborative has retained an accounting firm Scrub.net to review and revise our accounting system to better conform to current accounting practices.