



MicroEnterprise Collaborative

INLAND SOUTHERN CALIFORNIA

(A Nonprofit Corporation)

**Independent Auditors' Report
and
Financial Statements**

For the Year Ended December 31, 2023



smithmarion

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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Board of Directors
Microenterprise Collaborative of Inland Southern California
Fontana, CA

Independent Auditors' Report

Opinion

We have audited the financial statements of Microenterprise Collaborative of Inland Southern California, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Microenterprise Collaborative of Inland Southern California as of December 31, 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 (GAAS). 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 Microenterprise Collaborative of Inland Southern California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The 2022 financial statements were reviewed by us and our report thereon, dated January 25, 2024, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

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 Microenterprise Collaborative of Inland Southern California's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Microenterprise Collaborative of Inland Southern California'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 Microenterprise Collaborative of Inland Southern California'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.

Smith, Marion & Co.

June 14, 2024
Redlands, CA

Microenterprise Collaborative of Inland Southern California

Statement of Financial Position

December 31, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 684,021
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Total Assets	\$ 684,021
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 403
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Accrued payroll liabilities	11,156
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Total Liabilities	11,559
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Net Assets

Without donor restrictions	331,853
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With donor restrictions	340,609
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Total Net Assets	672,462
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Total Liabilities and Net Assets	\$ 684,021
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Microenterprise Collaborative of Inland Southern California

Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenues</u>			
Grants received	\$ 157,000	\$ 25,000	\$ 182,000
Interest income	5,555	-	5,555
Total Support and Revenues	162,555	25,000	187,555
Net Assets Released from Restrictions	134,391	(134,391)	-
Total Support and Revenues	296,946	(109,391)	187,555
<u>Expenses</u>			
Program services	273,652	-	273,652
Total Program Expenses	273,652	-	273,652
Support services			
Management and general	19,631	-	19,631
Fundraising	-	-	-
Total Support Services	19,631	-	19,631
Total Expenses	293,283	-	293,283
Change in Net Assets	3,663	(109,391)	(105,728)
Beginning Net Assets	328,190	450,000	778,190
Ending Net Assets	\$ 331,853	\$ 340,609	\$ 672,462

Microenterprise Collaborative of Inland Southern California

Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Expenses	Supporting Services		
		Management and		
	General Program	General	Fundraising	Total
Wages and taxes	\$ 109,271	\$ 19,283	\$ -	\$ 128,554
Program services	93,000	-	-	93,000
Insurance	4,013	-	-	4,013
Other program services	60,530	-	-	60,530
Office supplies	1,247	207	-	1,454
Professional service	-	141	-	141
Other expenses	5,591	-	-	5,591
Total Expenses	\$ 273,652	\$ 19,631	\$ -	\$ 293,283

Microenterprise Collaborative of Inland Southern California

Statement of Cash Flows

For the Year Ended December 31, 2023

NET CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ (105,728)

Adjustments to reconcile increase (decrease) in net assets
to net cash provided (used) by operating activities:*Increase (decrease) in:*

Accounts payable 403

Accrued payroll 11,156

CASH USED BY OPERATING ACTIVITIES (94,169)**NET CASH FLOW FROM INVESTING ACTIVITIES****CASH PROVIDED BY INVESTING ACTIVITIES** -**NET CASH FLOW FROM FINANCING ACTIVITIES****CASH USED BY FINANCING ACTIVITIES** -**Net Increase (Decrease) in Cash** (94,169)Beginning cash and cash equivalents 778,190**Ending Cash and Cash Equivalents** \$ 684,021

Note 01 – Nature of Organization

General

Microenterprise Collaborative of Inland Southern California (the Organization) is a non-profit corporation aimed at creating and growing sustainable small business and job development by supporting micro-business development agencies. The Organization partners with several other organizations to connect small businesses with the assistance they need.

Note 02 – Summary of Significant Accounting Policies

Accounting Basis

The accounting records are maintained on the accrual basis of accounting, whereby revenues are recorded when earned and expenditures are recorded when the liability is incurred in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

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

Disclosure About Fair Value of Assets and Liabilities

The Organization adopted the standard for Fair Value Measurements. The accounting principle for fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

The Organization defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards three levels of inputs that may be used to measure fair value:

- Level 1: Observable prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Income Tax Status

The Organization is a not-for-profit corporation that is exempt from federal income taxes under *Internal Revenue Code Section 501(c)(3)*, and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as “other than a private foundation”. The Organization may be subject to tax on income from any unrelated business operations. The Organization does not currently have any unrelated business operations.

In accordance with accounting standards, which provides accounting and disclosure guidance about uncertain tax positions taken by an organization, management believes that all of the positions taken by the Organization in its federal and state income tax returns are more likely than not to be sustained upon examination. The Organization files returns in the U.S. Federal Jurisdiction and the State of California.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Microenterprise Collaborative of Inland Southern California

Notes to Financial Statements
For the Year Ended December 31, 2023

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The following provides an explanation of net assets categories included in the accompanying financial statements:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenue Sources

Revenues are received primarily through grants from various entities and foundations. Other revenues are from other sources such as donations.

Revenue Recognition

Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Functional Allocation of Expenses

The costs of the program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expense is allocated based upon a reasonable basis that is consistently applied using estimates of time and effort not a direct expense.

Note 03 – Liquidity and Availability

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

Cash and cash equivalents	\$ 684,021
Less: net assets with donor restrictions	<u>(340,609)</u>
Financial assets available for general expenditures over the next 12 months	<u><u>\$ 343,412</u></u>

As part of the liquidity management, the Organization closely monitors and manages its financial resources to ensure that adequate funds are available to meet obligations. The goal is to maintain liquid financial assets sufficient to cover 90 days of regular operating expenses at all times.

Microenterprise Collaborative of Inland Southern California

Notes to Financial Statements
For the Year Ended December 31, 2023

Note 04 – Donor Restricted Net Assets

Donor restricted net assets consist of the following amounts:

	<u>12/31/2022</u>	<u>Contributions</u>	<u>Expenses</u>	<u>12/31/2023</u>
James Irvine Foundation	\$ 450,000	\$ -	\$ (133,891)	\$ 316,109
AHEAD	-	25,000	(500)	24,500
Total	<u>\$ 450,000</u>	<u>\$ 25,000</u>	<u>\$ (134,391)</u>	<u>\$ 340,609</u>

Note 05 – Subsequent Events

The Organization evaluated all potential subsequent events as of June 14, 2024, when the financial statements were authorized and available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

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