

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOMEAID ORANGE COUNTY, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



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**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOMEAID ORANGE COUNTY, INC.
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Shelter Providers of Orange County, Inc.
dba HomeAid Orange County, Inc.
Orange, California

We have audited the accompanying financial statements of Shelter Providers of Orange County, Inc. dba: HomeAid Orange County, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Shelter Providers of Orange County, Inc.
dba HomeAid Orange County, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Organization as of December 31, 2020, 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.

Other Matter

The financial statements as of December 31, 2019 were audited by White Nelson Diehl Evans LLP, whose partners and professional staff joined CliftonLarsonAllen LLP as of November 1, 2020, and has subsequently ceased operations. White Nelson Diehl Evans LLP's report dated September 11, 2020, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
August 27, 2021

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 1,435,138	\$ 1,073,996
Cash and Cash Equivalents from Pass-Through Funding - Yale Navigation Center	8,374,600	-
Investments	64,981	63,492
Investments from Pass-Through Grant	2,423,000	2,827,554
Receivables:		
Accounts and Other Receivables	-	29,219
Contributions Receivable, Net	195,913	325,831
Prepaid Expenses and Other Assets	27,093	22,302
Property and Equipment, Net	3,009,643	3,065,054
Total Assets	\$ 15,530,368	\$ 7,407,448
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 70,884	\$ 75,730
Pass-Through Funding Payable - Yale Navigation Center	8,348,942	-
Refundable Advance on Conditional Grant	-	84,146
Pass-Through Grant	2,423,000	2,827,554
Long-Term Debt, Net of Debt Discounts	597,569	609,252
Total Liabilities	11,440,395	3,596,682
NET ASSETS		
Without Donor Restrictions	4,089,973	3,810,766
Total Liabilities and Net Assets	\$ 15,530,368	\$ 7,407,448

See accompanying Notes to Financial Statements.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenues:		
Donated Materials and Services	\$ 1,668,412	\$ 873,473
Contributions	613,487	532,080
Grants	130,000	133,354
Program Service Fees	-	23,070
Investment Income	22,771	6,780
Rental Income	12,621	11,483
Consulting Services	246,790	62,903
Net Assets Released from Restrictions	-	109,144
Subtotal Support and Revenue	<u>2,694,081</u>	<u>1,752,287</u>
Special Events:		
Revenue	376,140	636,824
Direct Expenses	<u>(154,488)</u>	<u>(201,220)</u>
Special Events, Net	<u>221,652</u>	<u>435,604</u>
 Total Support and Revenues	 2,915,733	 2,187,891
EXPENSES		
Program Services:		
Housing Development	1,384,307	935,860
In the Community	<u>921,935</u>	<u>646,823</u>
Total Program Services	<u>2,306,242</u>	<u>1,582,683</u>
Supporting Services:		
Fundraising	123,971	174,670
Management and Administrative	<u>206,313</u>	<u>342,531</u>
Total Supporting Services	<u>330,284</u>	<u>517,201</u>
 Total Expenses	 <u>2,636,526</u>	 <u>2,099,884</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 279,207	 88,007
NET ASSETS WITH DONOR RESTRICTIONS		
Net Assets released from Restrictions	<u>-</u>	<u>(109,144)</u>
CHANGE IN NET ASSETS	 279,207	 (21,137)
Net Assets - Beginning of Year	<u>3,810,766</u>	<u>3,831,903</u>
NET ASSETS - END OF YEAR	<u><u>\$ 4,089,973</u></u>	<u><u>\$ 3,810,766</u></u>

See accompanying Notes to Financial Statements.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services		Supporting Services		Total Functional Expenses
	Housing Development	In the Community	Fundraising	Management and Administrative	
Donated Materials and Services	\$ 922,485	\$ 739,228	\$ -	\$ 6,698	\$ 1,668,411
Shelter Project and Program Expenditures	42,764	26,954	-	-	69,718
Salaries and Related Costs	247,646	127,490	92,969	81,123	549,228
Accounting				87,073	87,073
Advertising	3,109	1,924	3,976	1,499	10,508
Automobile	1,683	1,164	192	654	3,693
Awards and Recognition	2,332	319	184	111	2,946
Bank Fees	738	337	2,372	354	3,801
Computer Expenses	7,037	3,720	9,135	2,680	22,572
Conference and Seminars	128	71	91	1,088	1,378
Development, Permits & Fees	10,865	-	-	-	10,865
Insurance	14,664	1,804	1,337	1,165	18,970
Interest	24,521	-	-	-	24,521
Licensing & Fees	1,074	552	404	356	2,386
Meals & Entertainment	609	459	151	661	1,880
Office Expense	1,527	754	598	533	3,412
Office Supplies	319	362	239	85	1,005
Other Costs	10,051	714	553	4,361	15,679
Outside Services	8,933	3,899	2,397	6,210	21,439
Photography and Public Relations Costs	204	460	68	41	773
Postage	478	382	462	553	1,875
Printing	2,781	433	725	294	4,233
Property Tax	2,573	-	-	-	2,573
Rent	17,215	8,132	6,764	7,266	39,377
Rentals	-	840	-	-	840
Storage Facilities	1,593	640	476	421	3,130
Telephone	2,602	1,297	878	813	5,590
Expenses before Depreciation	1,327,931	921,935	123,971	204,039	2,577,876
Depreciation of Property and Equipment	56,376	-	-	2,274	58,650
Total Functional Expenses	\$ 1,384,307	\$ 921,935	\$ 123,971	\$ 206,313	\$ 2,636,526

See accompanying Notes to Financial Statements.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services		Supporting Services		Total Functional Expenses
	Housing Development	In the Community	Fundraising	Management and Administrative	
Donated Materials and Services	\$ 400,364	\$ 405,401	\$ -	\$ 60,228	\$ 865,993
Shelter Project and Program Expenditures	13,908	54,102	-	-	68,010
Salaries and Related Costs	272,961	121,323	131,170	125,500	650,954
Accounting	-	-	-	103,075	103,075
Advertising	18,137	9,485	9,516	8,826	45,964
Automobile Expense	3,331	1,982	443	2,664	8,420
Awards and Recognition	2,966	855	1,491	2,307	7,619
Bad Debt Expense	7,500	-	-	-	7,500
Bank Fees	1,551	2,955	479	2,210	7,195
Licensing and Fees	1,563	-	1,276	180	3,019
Development, Permits, and Fees	43,697	-	-	-	43,697
Computer Expenses	5,398	3,316	8,877	5,314	22,905
Conferences and Seminars	1,942	798	355	5,630	8,725
Insurance	8,823	807	1,008	1,103	11,741
Interest	35,049	-	-	(37)	35,012
Meals and Entertainment	1,317	8,378	203	2,559	12,457
Office Expenses	4,102	2,103	2,293	2,056	10,554
Office Supplies	288	4,257	2,292	928	7,765
Outside Services	27,062	-	-	2,490	29,552
Photography and Public Relation Costs	737	-	-	-	737
Postage	735	107	168	197	1,207
Printing	-	3,095	-	619	3,714
Property Taxes	2,406	233	496	765	3,900
Rent	20,769	10,491	11,563	11,461	54,284
Rentals	620	2,800	-	-	3,420
Storage Facilities	1,825	742	941	1,078	4,586
Telephone	2,308	1,058	977	1,661	6,004
Other Costs	29	11,689	194	686	12,598
Expenses before Depreciation	<u>879,388</u>	<u>645,977</u>	<u>173,742</u>	<u>341,500</u>	<u>2,040,607</u>
Depreciation of Property and Equipment	<u>56,472</u>	<u>846</u>	<u>928</u>	<u>1,031</u>	<u>59,277</u>
Total Functional Expenses	<u><u>\$ 935,860</u></u>	<u><u>\$ 646,823</u></u>	<u><u>\$ 174,670</u></u>	<u><u>\$ 342,531</u></u>	<u><u>\$ 2,099,884</u></u>

See accompanying Notes to Financial Statements.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 279,207	\$ (21,137)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	58,651	59,277
Allowance for Doubtful Contributions	-	(33,735)
Amortization of Deferred Financing Costs	-	9,145
Loss (Gain) on Disposal of Property and Equipment	-	1,106
Realized and Unrealized Investment Gains	(1,489)	-
Changes in Net Assets and Liabilities:		
Investments from Pass-Through Grant	404,554	611,585
Accounts and Other Receivables	29,219	36,669
Grants Receivable	-	27,970
Contribution Receivable	129,918	193,277
Prepaid Expenses and Other Assets	(4,791)	(8,069)
Accounts Payable and Accrued Liabilities	(4,846)	(6,234)
Refundable Advance on Conditional Grant	(84,146)	84,146
Pass-Through Grant	(404,554)	(611,585)
Pass-Through Funding - Yale Navigation Center	8,348,942	-
Net Cash Provided by Operating Activities	<u>8,750,665</u>	<u>342,415</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale (Purchase) of Investments	-	97,690
Purchase of Property and Equipment	(3,240)	(23,607)
Net Cash Provided (Used) by Investing Activities	<u>(3,240)</u>	<u>74,083</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Notes Payable	(11,683)	(310,300)
Net Cash Used by Financing Activities	<u>(11,683)</u>	<u>(310,300)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,735,742	106,198
Cash and Cash Equivalents - Beginning of Year	<u>1,073,996</u>	<u>967,798</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,809,738</u>	<u>\$ 1,073,996</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Donated Materials and Services	<u>\$ 1,733,277</u>	<u>\$ 934,797</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid	<u>\$ 24,521</u>	<u>\$ 25,867</u>

See accompanying Notes to Financial Statements.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 ORGANIZATION AND NATURE OF SERVICES

Shelter Providers of Orange County, Inc. dba: HomeAid Orange County, Inc. (the "Organization" or "HomeAid") was incorporated in 1989 for the purpose of ending homelessness through housing development, community service, and advocacy. The Organization is an Internal Revenue Code (IRC) Section 501(c)(3) charitable, public benefit nonprofit organization.

HomeAid's housing development program (Housing Development) involved the building and renovation of emergency shelters, transitional/interim/bridge housing, and permanent housing with supportive services (the projects). HomeAid serves as the developer for each project, primarily in partnership with other nonprofit organizations. The projects are identified and selected based on the housing gaps within the Orange County community to serve families and individuals experiencing homelessness. HomeAid's model is to bring in-kind contributions of labor and materials from the building industry to decrease the cost for each project, significantly lowering the cost of each development.

In 2015, HomeAid embarked on the development of its own emergency shelter facility to be open 365 days a year to serve Orange County families and operate as an entry point and resource to other nonprofit organizations serving homeless families. The HomeAid Family CareCenter (the Family CareCenter) supports the needs of over 120 Orange County families with young children annually (an estimated 500 people). Fifty-six beds are available to families with at least one parent and one or more children under the age of 18. The Family CareCenter was completed and began operations in 2017. The Family CareCenter is operated by Mercy House, an independent IRC Section 501(c)(3) organization under contract with HomeAid. Mercy House has a separate operating budget for the Family CareCenter, of which a portion is provided by a pass-through grant from the Children and Families Commission (see Note 7).

In 2019, Housing Development projects included Orangewood Children's Foundation, Precious Life Shelter, FX Residences, Samueli Academy, Family Promise and the Yale Navigation Center.

In 2020, Housing Development projects included the completion of the Samueli Academy Residential Hall in partnership with the Orangewood Foundation, the Yale Navigation Center and the final pre-development work on the FX Residences, slated for construction in the 1st Quarter of 2022. The Organization has also started the pre-development stages of The House of Ruth Project with Family Promise.

HomeAid's In the Community program includes HomeAid Essentials (Essentials), HomeAid CareKits (CareKits), advocacy, and various education and volunteer activities. Essentials is a community effort to collect and distribute baby products, such as diapers, for homeless mothers and babies. CareKits are assembled with critical items, such as water, food, soap, toothpaste, and resource cards, and distributed to homeless families and individuals living on the street. In addition, HomeAid leads various community initiatives in November during National Homelessness Awareness Month to advocate for the homeless and raise awareness in the community. HomeAid has worked directly with the Orange County Commission to End Homelessness and has assisted in the development of a 10-year plan to end homelessness.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 ORGANIZATION AND NATURE OF SERVICES (CONTINUED)

Nature of Operations

The Organization receives its financial support through philanthropic means. The bulk of the Organization's revenue and support comes from five key sources: donated materials and services, contributions, grants, program service fees, and special events. Donated materials and services include construction materials and services used in Housing Development projects, items for Essentials, and hygiene items for CareKits. Contributions are from individuals and corporations. Program service fees are for services provided. Grant income is generated through private and corporate foundations for general operating and/or the building and renovating of projects. Special events income includes, among other things, event sponsorships, ticket sales, auction sales, and individual solicitations. The financial condition of the Organization depends significantly on its ability to receive donated materials and services and raise funds from contributors. A significant reduction in the level of support could affect the Organization's programs and activities. Management of the Organization believes it will continue to have adequate funding sources to maintain the present level of operations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting to conform to generally accepted accounting principles in the United States of America (U.S. GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the accounts of the Organization and changes therein have been classified and are reported as follows:

Net Assets without Donor Restrictions – Net assets of the Organization that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets with Donor Restrictions – Net assets of the Organization that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition or construction of long-lived assets are released when the assets are placed in service. 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.

Board-Designated Net Assets – Net assets without donor restrictions subject to self-imposed limits by action of the Organization's board of directors (board). Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include petty cash funds, bank checking accounts used for operating purposes, and investments with maturities of three months or less from the original purchase dates. The Organization has elected to exclude pass-through grant investments with maturities of three months or less from the original purchase from cash equivalents.

Investments

Investments in mutual funds and treasury bills are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in investment income in the Organization's accompanying statements of activities and changes in net assets.

Property and Equipment

Property and equipment are stated at cost when purchased or at the estimated fair value when donated. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years for office equipment and furniture and fixtures and 34 to 39 years for building and improvements.

Long-Lived Assets

The Organization accounts for long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. For the years ended December 31, 2020 and 2019, there was no impairment of the value of such assets.

Donated Materials and Services

Donated materials and services are reflected in the accompanying financial statements at their estimated fair market value at the date of receipt.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteer services that do not meet these criteria are not recognized in the financial statements, as there is no objective basis of deriving their value.

SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions:

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of the donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met or the donor has explicitly released the restriction.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Amounts received from nonreciprocal grants and contracts are not reported as revenue until the resources are expended for the purpose specified or until a stipulated time restriction ends. The amount received in excess of amounts spent is reported as a refundable advance on conditional grant.

Exchange Transactions:

The Organization recognizes revenue from contracts in accordance with FASB ASC 606, which applies to exchange transactions that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records exchange transaction revenue in its statements of activities and changes in net assets for the years ended December 31, 2020 and 2019, as stated below.

Foundation Grant Assistance – For foundation grant assistance, the performance obligation is the delivery of services or the incurring of qualified expenses on programs. The transaction price is established by contract with the foundation. Foundation assistance revenue is recognized over time, which is when the performance obligation has been met. Foundation grants are limited in scope with each individual grant including its own single performance obligation.

Programs Services – For program services, which consist of community-based programs, the performance obligation is the delivery of community programs to program participants. Revenue is recognized over time as programs are held. The transaction price is established by the Organization. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Exchange Transactions (Continued):

Consulting Services – The Organization provides consulting services to municipalities for the building or renovations of emergency shelters. Revenue is recognized over time as services are performed. These services are not separately priced and are therefore considered to be one performance obligation.

Special Fundraising Event Revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statements of activities and changes in net assets. The performance obligation is the holding of the event, which is usually accompanied by a presentation. The event fees are set by the Organization.

FASB ASC 606 requires allocation of the transaction price to the performance obligation. Accordingly, the Organization separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Organization in advance of the events are initially recognized as liabilities (deferred income) and are recognized as special event revenue after the event. For special event fees received before year-end, for an event to occur after year-end, the Organization follows the American Institute of Certified Public Accounting guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Expenses are allocated as follows: marketing and direct costs incurred, such as printing, insurance, computer expenses, postage, utilities, and promotion, are pooled. The pooled costs are then allocated to programs based on a pro rata share of the total amount of time each employee attributes to each program. Also allocated are salaries and other employee expenses for program leadership, which are allocated on a pro rata share of each employee's time spent on the individual programs.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The process of preparing financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and gains, and expenses and losses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income Taxes

The Organization is recognized as tax exempt under Section 501(c)(3) of the IRC and the corresponding state code as a charitable organization whereby only unrelated business income is subject to income tax. The Organization had no unrelated business income during the years ended December 31, 2020 and 2019. Accordingly, there is no provision for income taxes in the accompanying financial statements.

In accordance with FASB ASC 740-10-25, *Income Taxes*, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not that the position will be sustained. The Organization does not believe that there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties at December 31, 2020 and 2019. The Organization's tax years from 2017 to 2020 are open to review for federal tax purposes, and tax years from 2016 to 2020 are open to review for state income tax purposes.

Recent Accounting Pronouncements – Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in 2018 to 2020. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

NOTE 3 LIQUIDITY AND AVAILABILITY

The Organization's financial assets available for general expenditure within one year of the statement of financial position date, are as follows as of December 31:

	2020	2019
Cash and Cash Equivalents	\$ 905,770	\$ 525,302
Accounts and Other Receivables	-	29,219
Total Financial Assets Available to Meet General Expenditures within One Year	\$ 905,770	\$ 554,521

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NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

The following is a reconciliation of cash and cash equivalents that are available to meet general expenditures within one year:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,435,138	\$ 1,073,996
Less: Board Designated Cash and Cash Equivalents	<u>529,368</u>	<u>548,694</u>
Cash and Cash Equivalents Available for General Expenditures within One Year	<u>\$ 905,770</u>	<u>\$ 525,302</u>

The board has designated a portion of available cash and cash equivalents for servicing the debt that was obtained to purchase property for the Family CareCenter. The board also designated the Family CareCenter contributions receivable for debt service. See Note 11 for information related to the Family CareCenter debt.

NOTE 4 CONCENTRATIONS, RISKS, AND UNCERTAINTIES

The Organization maintains cash and cash equivalent balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Throughout the course of the year, the Organization regularly maintains cash balances in excess of federally insured limits.

The Organization also has investments and cash equivalents held at financial institutions that are not FDIC insured. These investments are insured by the Securities Investor Protection Corporation (SIPC) for up to a maximum of \$500,000 per eligible account. Throughout the course of the year, the Organization regularly maintains investment balances in excess of SIPC insured limits.

The Organization received approximately 8% and 14% of its support from a single source during the years ended December 31, 2020 and 2019. Support received from these sources for the years ended December 31, 2020 and 2019, aggregated approximately \$234,000 and \$110,000, respectively. Amounts due from the sources, which are included in contributions receivable at December 31, 2020 and 2019 were approximately \$-0- and \$100,000, respectively.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to loss of revenues, additional bad debts, and costs for increased use of technology. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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NOTE 5 INVESTMENTS

Investments are as follows at December 31:

	2020	2019
Mutual Funds	\$ 64,981	\$ 63,492
US Treasury Bills	1,999,437	1,917,107
Money Market	423,563	910,447
Total Investments	<u>\$ 2,487,981</u>	<u>\$ 2,891,046</u>

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31:

	2020	2019
Family CareCenter	\$ 66,200	\$ 167,100
General Contributions	129,713	173,463
Less: Allowance for Doubtful Contributions	-	(10,000)
Less: Discount for Present Value of Contributions Receivable	-	(4,732)
Contributions Receivable, Net	<u>\$ 195,913</u>	<u>\$ 325,831</u>

Contributions receivable before discounts and allowance are as follows at December 31:

	2020	2019
Less than One Year	\$ 195,913	\$ 278,863
One to Five Years	-	61,700
Total	<u>\$ 195,913</u>	<u>\$ 340,563</u>

The discount risk-adjusted interest rate used to calculate the present value of long-term contributions receivable was 4.75% as of December 31, 2020 and 2019.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2020	2019
Land	\$ 1,482,361	\$ 1,482,361
Building	261,593	261,593
Building Improvements	1,377,339	1,377,339
Office Equipment	21,530	18,290
Furniture and Fixtures	104,659	104,659
Total Property and Equipment, at Cost	<u>3,247,482</u>	<u>3,244,242</u>
Less: Accumulated Depreciation	237,839	179,188
Property and Equipment, Net	<u>\$ 3,009,643</u>	<u>\$ 3,065,054</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$58,651 and \$59,277, respectively.

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NOTE 8 PASS-THROUGH GRANT

The Organization received a designated grant from the First 5 Orange County, Children and Families Commission in the amount of \$6,250,000 at the end of 2013. This grant is administered by the Organization and passed to other nonprofit organizations to support the construction and operation of emergency shelters to assist homeless families with children ages zero to five over a five-year period. The Organization receives program service fees on a project-by-project basis. Pass-through grant program service fees earned for the years ended December 31, 2020 and 2019 were \$-0- and \$18,857, respectively. The amount of program service fees received during 2020 and 2019 was \$-0- and \$47,885, respectively. Program service fees earned but not received are included in grants receivable in the Organization's accompanying statements of financial position.

The Organization maintains the pass-through grant in separate investment accounts.

Investments and accrued interest from the pass-through grant consist of the following at December 31:

	2020	2019
Money Market	\$ 423,563	\$ 910,447
US Treasury Bills	1,999,437	1,917,107
Total	<u>\$ 2,423,000</u>	<u>\$ 2,827,554</u>

Reconciliation of the pass-through grant is as follows:

Cumulative activity from inception of grant in 2013 through December 31, 2020:

Grant Received	\$ 6,250,000
Realized and Unrealized Gains	190,222
Management Fees	(68,075)
Disbursement - Program Service Fees	(336,332)
Disbursement - Passed Through	(3,612,815)
Balance - December 31, 2020	<u>\$ 2,423,000</u>

Activity for the years ended December 31:

Balance - December 31, 2018	\$ 3,439,139
Realized and Unrealized Gains	61,079
Management Fees	(9,375)
Disbursements - Program Service Fees	(47,885)
Disbursements - Passed Through	(615,404)
Balance - December 31, 2019	<u>2,827,554</u>
Realized and Unrealized Gains	12,859
Management Fees	(7,850)
Disbursements - Program Service Fees	-
Disbursements - Passed Through	(409,563)
Balance - December 31, 2020	<u>\$ 2,423,000</u>

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NOTE 8 PASS-THROUGH GRANT (CONTINUED)

All the investment activity, including earned interest, unrealized losses, and accrued interest, in the amounts of \$18 and \$281 for the years ended December 31, 2020 and 2019, respectively, that occurred related to the pass-through grant account has been reflected in the pass-through grant liability in the accompanying statements of financial position, as the Organization is acting as an agent for these funds.

As of December 31, 2020, the Organization has committed a portion of the remaining grant balance to projects overseen by outside service providers. The following is a summary of the committed and uncommitted balances:

Pathways of Hope	\$ 263,873
Mercy House	635,909
Family Assistance Ministries	<u>109,909</u>
Total Committed Balance	1,009,691
Uncommitted Balance	<u>1,413,309</u>
Fund Balance - December 31, 2020	<u><u>\$ 2,423,000</u></u>

In accordance with the grant, the Organization may be required to refund all uncommitted balances at the end of the extended grant period on June 30, 2021, if the grant is not renewed. The following is a summary of the future committed disbursements under the grant:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 628,291
2022	331,400
2023	<u>50,000</u>
Total	<u><u>\$ 1,009,691</u></u>

NOTE 9 PASS-THROUGH FUNDING – YALE NAVIGATION CENTER

In November 2019, the Organization partnered with the County of Orange (the “County”) to develop an emergency homeless center (the “Yale Navigation Center”). The County provided the Organization with approximately \$27.8 million for the construction and furnishing. The Organization received \$330,141 of the funding for managing the project. During the years ended December 31, 2020 and 2019, the Organization received \$234,000 and \$-0-, respectively. As of December 31, 2020, the project was substantially completed and received temporary occupancy on December 29, 2020; subsequently, the Certificate of Occupancy was issued on July 27, 2021.

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NOTE 9 PASS-THROUGH FUNDING – YALE NAVIGATION CENTER (CONTINUED)

The Organization maintains the pass-through fund in separate checking accounts. As of December 31, 2020, the following are the remaining cash balance maintains by the Organization, as well as the outstanding balance due to various vendors for the construction:

Cash and Cash Equivalents from Pass-Through Funding	\$ 8,374,600
Pass-Through Funding Payable	<u>8,348,942</u>
Net Cash Available for Yale Navigation Center	<u><u>\$ 25,658</u></u>

NOTE 10 FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

US Treasury Bills: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables provide fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31:

	2020			
	Level 1	Level 2	Level 3	Total
Pass-Through Grant Investments:				
US Treasury Bills	\$ -	\$ 1,999,437	\$ -	\$ 1,999,437
Investments:				
Mutual Funds	64,981	-	-	64,981
	<u>\$ 64,981</u>	<u>\$ 1,999,437</u>	<u>\$ -</u>	2,064,418
Money Market ⁽¹⁾				<u>423,563</u>
Total Investments				<u>\$ 2,487,981</u>
	2019			
	Level 1	Level 2	Level 3	Total
Pass-Through Grant Investments:				
US Treasury Bills	\$ -	\$ 1,917,107	\$ -	\$ 1,917,107
Investments:				
Mutual Funds	63,492	-	-	63,492
	<u>\$ 63,492</u>	<u>\$ 1,917,107</u>	<u>\$ -</u>	1,980,599
Money Market ⁽¹⁾				<u>910,447</u>
Total Investments				<u>\$ 2,891,046</u>

⁽¹⁾ Not subject to fair value hierarchy measurements.

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NOTE 11 LONG-TERM DEBT

On September 23, 2015, the Organization obtained a line of credit from a bank in the amount of \$1,980,000. The Organization used this line of credit to purchase property in Orange, California, for the Family CareCenter. The Organization refinanced the outstanding balance on the line of credit with a note payable on January 19, 2018. The note payable accrues interest at 4% and has a monthly payment of \$3,017, plus a balloon payment due at maturity on December 23, 2022. The line of credit is collateralized by the land and building. The balance on the line of credit at December 31, 2020 and 2019 was \$597,569 and \$609,252, respectively.

On September 23, 2015, the Organization obtained a note payable related to the above-mentioned property in the amount of \$300,000. The note bears no interest and is due in full with one balloon payment due on September 23, 2019, and is collateralized by the land and building. In accordance with U.S. GAAP, the note payable has been discounted to reflect a market interest rate of 4.75%. The discount was recorded as a contribution with donor restrictions and will be accreted into interest expense in future periods to reflect market interest rate conditions. The discounted balance of the note payable at December 31, 2019, was \$290,856. The note was paid in full in 2019.

The following table represents the maturities of long-term debt for the succeeding years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 12,831
2022	584,738
2023	-
Total	<u>\$ 597,569</u>

NOTE 12 PAYCHECK PROTECTION PROGRAM

On April 22, 2020, the Organization obtained a loan in the amount of \$115,000 through the Paycheck Protection Program administrated by the U.S. Small Business Administration which is part of the Coronavirus Aid Relief and Economic Security Act. The loan bears interest rate at 1% per annum and matures in April 2022. Under certain requirements, the loan may be forgiven in whole or in part.

In November 2020, the Organization has received full forgiveness of all principal and interest under the loan.

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NOTE 13 DONATED MATERIALS AND SERVICES

The Organization recognizes contribution revenues for certain services received at the fair value of those services. Donors and sponsors make contributions of materials and services to develop and renovate the Organization's shelter project, as well as donate items for special events. Donated materials and services included in the Organization's statements of activities and changes in net assets for the years ended December 31, 2020 and 2019, totaling \$1,733,227 and \$934,797, respectively, are based on management's and donors' estimates of the fair value of the materials and services provided. The capitalized property and equipment will be reflected in the statement of functional expenses as depreciation expense over the lives of the related assets. For the year ended December 31, 2019, donated materials of \$7,480 were capitalized to property and equipment.

The breakdown of donated materials and services reflected in the statements of activities and changes in net assets is as follows for the years ended December 31:

	2020	2019
Donated Materials and Services	\$ 1,668,412	\$ 873,473
Special Events	64,865	61,324
Total	\$ 1,733,277	\$ 934,797

NOTE 14 SPECIAL EVENTS REVENUE

Gross receipts from special events consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09 effective on January 1, 2019, the Organization is required to separately present the components of this revenue. The following are contribution and exchange transaction revenues from special events for the year ended December 31, 2020:

	2020	2019
Contributions	\$ 221,652	\$ 435,604
Exchange Transactions	154,488	201,220
Special Events Revenue	\$ 376,140	\$ 636,824

NOTE 15 COMMITMENTS AND CONTINGENCIES

Contingencies

Financial assistance from federal, state, and local governmental entities in the form of grants is subject to audit. Such audits could result in claims against the Organization for disallowance costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise for such audits since the amounts, if any, cannot be determined at this date.

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NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

The Organization leases its office and storage spaces on a month-to-month basis. Rent expense for the years ended December 31, 2020 and 2019 amounted to \$39,377 and \$54,284, respectively. Subsequent to year-end, the Organization has exited its office lease and moved to the Family CareCenter.

NOTE 16 RELATED-PARTY TRANSACTIONS

Certain members of the board and their affiliated companies have made cash and in-kind contributions to the Organization during years ended December 31, 2020 and 2019 totaling approximately \$94,000 and \$101,000, respectively, which have been included in contributions and donated materials and services in the Organization's statements of activities and changes in net assets.

NOTE 17 403(B) PLAN

The Organization sponsors a 403(b) retirement savings plan covering all full-time employees who have attained the age of 21 and have completed 90 days of service with the Organization. The Organization may make discretionary matching contributions of up to 50% of employee contributions, which are subject to the approval of the executive committee. The Organization did not make any contributions to the plan during the years ended December 31, 2020 and 2019.

NOTE 18 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses thereby satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2020	2019
Expiration of Time Restrictions	\$ -	\$ 9,144
Satisfaction of Purpose Restrictions:		
FX Project	-	100,000
Total Satisfaction of Purpose Restrictions	-	100,000
Total Net Assets Released from Restrictions	\$ -	\$ 109,144

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NOTE 19 NET ASSETS

Net assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Net Assets without Donor Restrictions:		
Undesignated	\$ 3,560,605	\$ 3,198,580
Board Designated for Debt Service	529,368	612,186
Total Net Assets without Donor Restrictions	<u>\$ 4,089,973</u>	<u>\$ 3,810,766</u>

NOTE 20 SUBSEQUENT EVENTS

Events occurring after December 31, 2020 have been evaluated for possible adjustment to the financial statements or disclosure as of August 27, 2021, which is the date the financial statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.

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