

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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DBA HOMEAID ORANGE COUNTY, INC.
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of Shelter Providers of Orange County, Inc. dba HomeAid Orange County, Inc. (the Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Responsibility 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 the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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

Auditors' 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 auditors' 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 the Organization'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 the Organization'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.



CliftonLarsonAllen LLP

Irvine, California
July 20, 2022

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOMEAID ORANGE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 1,637,353	1,435,138
Cash and Cash Equivalents from Pass-Through Funding - Yale Navigation Center	-	8,374,600
Investments	93,724	64,981
Investments from Pass-Through Grant	1,871,474	2,423,000
Receivables:		
Accounts and Other Receivables	29,831	86,317
Contributions Receivable, Net	29,203	109,596
Prepaid Expenses and Other Assets	21,798	27,093
Property and Equipment, Net	3,047,117	3,009,643
 Total Assets	 \$ 6,730,500	 \$ 15,530,368
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 86,457	\$ 70,884
Pass-Through Funding Payable - Yale Navigation Center	-	8,348,942
Pass-Through Grant	1,871,474	2,423,000
Long-Term Debt, Net of Debt Discounts	584,348	597,569
 Total Liabilities	 2,542,279	 11,440,395
 NET ASSETS		
Without Donor Restrictions	4,188,221	4,089,973
 Total Liabilities and Net Assets	 \$ 6,730,500	 \$ 15,530,368

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenues:		
Donated Materials and Services	\$ 784,819	\$ 1,668,412
Contributions	561,010	613,487
Grants	45,000	130,000
Program Service Fees	1,215	-
Investment Income (Loss)	(7,832)	22,771
Rental Income	-	12,621
Consulting Services	172,388	246,790
Subtotal Support and Revenue	<u>1,556,600</u>	<u>2,694,081</u>
Special Events:		
Revenue	381,310	376,140
Direct Expenses	(171,449)	(154,488)
Special Events, Net	<u>209,861</u>	<u>221,652</u>
Total Support and Revenues	<u>1,766,461</u>	<u>2,915,733</u>
 EXPENSES		
Program Services:		
Housing Development	829,291	1,384,307
In the Community	588,537	921,935
Total Program Services	<u>1,417,828</u>	<u>2,306,242</u>
Supporting Services:		
Fundraising	128,635	123,971
Management and Administrative	121,750	206,313
Total Supporting Services	<u>250,385</u>	<u>330,284</u>
Total Expenses	<u>1,668,213</u>	<u>2,636,526</u>
 INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 <u>98,248</u>	 <u>279,207</u>
 CHANGE IN NET ASSETS	 98,248	 279,207
Net Assets - Beginning of Year	<u>4,089,973</u>	<u>3,810,766</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 4,188,221</u></u>	 <u><u>\$ 4,089,973</u></u>

See accompanying Notes to Financial Statements.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOME AID ORANGE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Services		Supporting Services		Total Functional Expenses
	Housing Development	In the Community	Fundraising	Management and Administrative	
Donated Materials and Services	\$ 245,559	\$ 408,988	\$ -	\$ 12,466	\$ 667,013
Shelter Project and Program Expenditures	37,348	3,235	-	-	40,583
Salaries and Related Costs	333,195	139,037	102,720	65,161	640,113
Accounting	-	-	-	20,174	20,174
Advertising	584	1,324	1,003	277	3,188
Audio and visual	-	499	-	-	499
Automobile	2,768	1,223	415	151	4,557
Awards and Recognition	219	528	142	428	1,317
Bank Fees	3,781	1,217	1,451	384	6,833
Computer Expenses	4,963	2,376	4,837	2,507	14,683
Conference and Seminars	3,248	830	1,136	307	5,521
Development, Permits and Fees	5,412	-	-	-	5,412
Insurance	22,603	2,186	1,468	1,165	27,422
Interest	22,983	-	-	-	22,983
Licensing and Fees	1,226	500	774	279	2,779
Meals and Entertainment	5,174	6,913	276	608	12,971
Office Expense	1,347	502	341	645	2,835
Office Supplies	859	2,845	634	484	4,822
Other Costs	1,413	864	220	5,929	8,426
Outside Services	19,412	6,492	4,982	4,023	34,909
Photography and Public Relations Costs	81	36	24	16	157
Postage	188	14	392	18	612
Printing	634	1,057	1,820	15	3,526
Property Tax	40,434	-	-	-	40,434
Rent	14,508	6,097	4,530	2,089	27,224
Rentals	-	-	-	-	-
Storage Facilities	2,227	616	456	296	3,595
Telephone	2,749	1,158	1,014	1,151	6,072
	<u>772,915</u>	<u>588,537</u>	<u>128,635</u>	<u>118,573</u>	<u>1,608,660</u>
Expenses before Depreciation					
Depreciation of Property and Equipment	56,376	-	-	3,177	59,553
	<u>\$ 829,291</u>	<u>\$ 588,537</u>	<u>\$ 128,635</u>	<u>\$ 121,750</u>	<u>\$ 1,668,213</u>
Total Functional Expenses					

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 and Fees	10,865	-	-	-	10,865
Insurance	14,664	1,804	1,337	1,165	18,970
Interest	24,521	-	-	-	24,521
Licensing and Fees	1,074	552	404	356	2,386
Meals and 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
	<u>1,327,931</u>	<u>921,935</u>	<u>123,971</u>	<u>204,039</u>	<u>2,577,876</u>
Expenses before Depreciation					
Depreciation of Property and Equipment	56,376	-	-	2,274	58,650
	<u>\$ 1,384,307</u>	<u>\$ 921,935</u>	<u>\$ 123,971</u>	<u>\$ 206,313</u>	<u>\$ 2,636,526</u>
Total Functional Expenses					

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 98,248	\$ 279,207
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	59,553	58,651
Noncash Contribution	(30,435)	-
Realized and Unrealized Investment Gains (Losses)	1,692	(1,489)
Changes in Net Assets and Liabilities:		
Investments from Pass-Through Grant	551,526	404,554
Accounts and Other Receivables	56,486	29,219
Contribution Receivable	80,393	129,918
Prepaid Expenses and Other Assets	5,295	(4,791)
Accounts Payable and Accrued Liabilities	15,573	(4,846)
Refundable Advance on Conditional Grant	-	(84,146)
Pass-Through Grant	(551,526)	(404,554)
Pass-Through Funding - Yale Navigation Center	(8,348,942)	8,348,942
Net Cash Provided (Used) by Operating Activities	<u>(8,062,137)</u>	<u>8,750,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(97,027)</u>	<u>(3,240)</u>
Net Cash Used by Investing Activities	(97,027)	(3,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Notes Payable	<u>(13,221)</u>	<u>(11,683)</u>
Net Cash Used by Financing Activities	(13,221)	(11,683)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,172,385)	8,735,742
Cash and Cash Equivalents - Beginning of Year	<u>9,809,738</u>	<u>1,073,996</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,637,353</u>	<u>\$ 9,809,738</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Donated Materials and Services	<u>\$ 784,819</u>	<u>\$ 1,733,277</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid	<u>\$ 22,983</u>	<u>\$ 24,521</u>

SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 8).

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.

In 2021, Housing Development projects included the completion of the Yale Navigation Center and the final pre-development work on the FX Residences, slated for construction in the 3rd Quarter of 2022. The Organization has also started the pre-development stages of The House of Ruth Project with Family Promise. The Organization has also started The Bungalows in Costa Mesa with Families Forward, which started demolition in early 2022, and began renovation in July 2022.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOME AID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 ORGANIZATION AND NATURE OF SERVICES (CONTINUED)

HomeAid's In the Community program includes HomeAid Essentials (Essentials), HomeAid CareKits (CareKits), Thanksgiving Meal Drive, advocacy, and various education and volunteer activities. Essentials is a community effort to collect and distribute baby products, such as diapers, wipes, and food, for families experiencing homelessness. CareKits are assembled with critical items, such as water, food, soap, toothpaste, and resource cards, and distributed to families experiencing homelessness and individuals living on the streets. 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.

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).

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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 (the board). Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

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 5 to 7 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, 2021 and 2020, there was no impairment of the value of such assets.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021 and 2020, as stated below.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Exchange Transactions:

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.

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 Accountants 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.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 prorata share of each employee's time spent on the individual programs.

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, 2021 and 2020. 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, 2021 and 2020. The Organization's tax years from 2018 to 2021 are open to review for federal tax purposes, and tax years from 2017 to 2021 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.

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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:

	2021	2020
Cash and Cash Equivalents	\$ 1,167,005	\$ 905,770
Accounts and Other Receivables	29,831	86,317
Total Financial Assets Available to Meet		
General Expenditures Within One Year	\$ 1,196,836	\$ 992,087

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

	2021	2020
Cash and Cash Equivalents	\$ 1,637,353	\$ 1,435,138
Less: Board-Designated Cash and Cash Equivalents	(470,348)	(529,368)
Cash and Cash Equivalents Available for		
General Expenditures within One Year	\$ 1,167,005	\$ 905,770

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.

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 2020 and 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:

	2021	2020
Mutual Funds	\$ 63,289	\$ 64,981
US Treasury Bills	-	1,999,437
Equity Securities	30,435	-
Money Market	1,871,474	423,563
Total Investments	\$ 1,965,198	\$ 2,487,981

NOTE 6 CONTRIBUTIONS RECEIVABLE

The balance of contributions receivable for the years ended December 31, 2021 and December 31, 2020 are due within one year and are recorded as current assets in the accompanying statements of financial position.

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

	2021	2020
Family CareCenter	\$ -	\$ 66,200
General Contributions	29,203	43,396
Contributions Receivable, Net	\$ 29,203	\$ 109,596

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2021	2020
Land	\$ 1,487,361	\$ 1,482,361
Building	261,593	261,593
Building Improvements	1,377,339	1,377,339
Office Equipment	10,952	21,530
Furniture and Fixtures	128,100	104,659
Construction in Process	66,670	-
Total Property and Equipment, at Cost	3,332,015	3,247,482
Less: Accumulated Depreciation	(284,898)	(237,839)
Property and Equipment, Net	\$ 3,047,117	\$ 3,009,643

Depreciation expense for the years ended December 31, 2021 and 2020 was \$59,553 and \$58,651, 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. There were no amounts earned or received for pass-through grant program service fees earned for the years ended December 31, 2021 and 2020.

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:

	<u>2021</u>	<u>2020</u>
Money Market	\$ 1,871,474	\$ 423,563
US Treasury Bills	-	1,999,437
Total	<u>\$ 1,871,474</u>	<u>\$ 2,423,000</u>

Reconciliation of the pass-through grant is as follows:

Cumulative activity from inception of grant in 2013 through December 31, 2021:

Grant Received	\$ 6,250,000
Realized and Unrealized Gains	191,040
Management Fees	(68,075)
Disbursement - Program Service Fees	(336,332)
Disbursement - Passed Through	(4,165,159)
Balance - December 31, 2021	<u>\$ 1,871,474</u>

Activity for the year ended December 31:

Balance - December 31, 2019	\$ 2,827,554
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>
Realized and Unrealized Gains	818
Management Fees	-
Disbursements - Program Service Fees	-
Disbursements - Passed Through	(552,344)
Balance - December 31, 2021	<u>\$ 1,871,474</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 \$16 and \$18 for the years ended December 31, 2021 and 2020, 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, 2021, 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>861,783</u>
Fund Balance - December 31, 2021	<u><u>\$ 1,871,474</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, 2023, 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>
2022	\$ 628,291
2023	331,400
2024	<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. During the years ended December 31, 2021 and 2020, the Organization received \$113,000 and \$234,000, respectively for managing the project. 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 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;
- 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.

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, 2021 and 2020.

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.

Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

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NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

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:

	2021			
	Level 1	Level 2	Level 3	Total
Pass-Through Grant Investments:				
US Treasury Bills	\$ -	\$ -	\$ -	\$ -
Investments:				
Equity Securities	30,435	-	-	30,435
Mutual Funds	63,289	-	-	63,289
	<u>\$ 93,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>93,724</u>
Money Market ⁽¹⁾				1,871,474
Total Investments				<u>\$ 1,965,198</u>
	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>	<u>2,064,418</u>
Money Market ⁽¹⁾				423,563
Total Investments				<u>\$ 2,487,981</u>

⁽¹⁾ Not subject to fair value hierarchy measurements.

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, 2021 and 2020 was \$584,348 and \$597,569, respectively.

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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.

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, 2021 and 2020, totaling \$784,819 and \$1,733,227, 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 statements of functional expenses as depreciation expense over the lives of the related assets. For the year ended December 31, 2021, donated materials of \$23,441 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:

	<u>2021</u>	<u>2020</u>
Donated Materials and Services	\$ 690,454	\$ 1,668,412
Special Events	94,365	64,865
Total	<u>\$ 784,819</u>	<u>\$ 1,733,277</u>

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, 2021:

	<u>2021</u>	<u>2020</u>
Contributions	\$ 209,861	\$ 221,652
Exchange Transactions	171,449	154,488
Special Events Revenue	<u>\$ 381,310</u>	<u>\$ 376,140</u>

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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.

Operating Leases

Prior to August 2020, the Organization leased its office and storage spaces on a month-to-month basis. Rent expense for the years ended December 31, 2021 and 2020 amounted to \$27,224 and \$39,377, respectively. Starting in July 2021, the Organization has exited its Family CareCenter and leases its office space in Tustin.

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, 2021 and 2020 totaling approximately \$57,000 and \$94,000, 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, 2021 and 2020.

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NOTE 18 NET ASSETS

Net assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Net Assets without Donor Restrictions:		
Undesignated	\$ 3,717,873	\$ 3,560,605
Board-Designated for Debt Service	<u>470,348</u>	<u>529,368</u>
Total Net Assets Without Donor Restrictions	<u>\$ 4,188,221</u>	<u>\$ 4,089,973</u>

NOTE 19 RECLASSIFICATIONS

Certain reclassifications have been made to the 2020 financial statements in order to conform with the current year presentation. These reclassifications had no effect on 2020 net income.

NOTE 20 SUBSEQUENT EVENTS

Events occurring after December 31, 2021 have been evaluated for possible adjustment to the financial statements or disclosure as of July 20, 2022, 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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