

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021



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**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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HOMEAID ORANGE COUNTY
DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED DEC 31, 2022

Mission Statement

The mission of HomeAid Orange County (HAOC | HomeAid) is to help people experiencing or at risk of homelessness build new lives through construction, community engagement, and education. Our unique model, rooted in in-kind donations of labor and materials from our building industry partners, saves a significant cost on each HomeAid-built housing project.

Projects

In 2022, HomeAid's housing projects that will assist people experiencing or at risk of homelessness include:

- Completed the construction of The Bungalows, an 8-unit affordable housing project for families in the City of Costa Mesa.
- Completed the predevelopment of FX Residences, a 16-unit permanent supportive housing project for adults experiencing chronic homelessness in the City of Santa Ana. Construction started in July of 2023, with completion and occupancy anticipated early in 2024.
- Continued development of La Veta Village, a 6-unit affordable housing community for families and seniors in the City of Orange.
- Broke ground on House of Ruth, a 7-unit multi-family apartment building in Tustin, that will serve as interim housing for families experiencing homelessness, with occupancy anticipated in late 2023.

Community

In order to provide immediate assistance to individuals experiencing homelessness, HAOC has two annual donation drives: the Diaper Drive and the Thanksgiving Meal drive. These two drives bring in donations of essential goods from the community to be redistributed back to individuals experiencing or at risk of homelessness. The 2022 Diaper Drive brought in a total of 623,329 essential items including diapers, wipes, and baby food. The 2022 Thanksgiving Meal Drive brought in a total of 9,164 pounds of nonperishable food, which volunteers assembled to create 437 meal boxes, each with the ability to feed four individuals during the holidays.

Family CareCenter

The Family CareCenter is the first shelter owned by HAOC, with direct operations performed by our contracted human service provider partner. On July 22nd, 2022, HomeAid celebrated the 5th anniversary of the CareCenter. Since its opening in 2017, the CareCenter has served 356 families experiencing

homelessness. CareCenter guests receive housing navigation assistance through on-site case managers, and 91% of those who stayed at the CareCenter were placed into their next housing option upon exit.

Volunteers

Throughout 2022, volunteers delivered a value of over \$88k (*this value was not recorded in the financial statements*), with a total of 2,361 hours of volunteer work towards HAOC programs. This included the building of various projects, collecting, counting, and sorting donations during our two annual donation drives, and work to beautify the exterior of the CareCenter, as well as serving food to its residents.

Financial Statement Overview

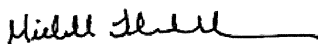
HomeAid's 2022 Statement of Activities reflects our typical revenue sources of traditional philanthropic revenue from individuals, corporations, foundations and grants. We received over \$600K in donor restricted contributions toward our LaVeta Village Project (*slated for construction on 2024*) and over \$200K in grants and restricted donations for various 2023 community activities and supplemental operating support of our Family CareCenter.

HomeAid's net assets total \$7.5M in 2022, an increase of 10% versus the prior year. That increase is primarily due to the donor restricted contributions received in 2022, restricted for future program and project development. Our total liabilities of \$2.4M decreased just over 5%, which is related to our CareCenter loan refinance, and the continued contract disbursements from our pass-through grant from First 5 Orange County Children and Families Commission.

Key highlights for 2022 included our ability to secure over \$5.5M in funding necessary to build FX Residences and our fundraising campaign to remodel 3 historic homes and add 3 additional dwelling units (ADUs) to our property, LaVeta Village. Total revenue, excluding the restricted funds, and total functional expenses were consistent with previous years, with just over a 10% increase, respectively, from 2021.

Our in-kind donations of services and materials (*the core basis of our operating model*) more than doubled from the prior year. The increase is related to the active development and construction of our various housing projects, as well as an increase in the essential items collected during our two annual drives.

Our team of dedicated nonprofit staff, Board and Committee Members and other partner organizations, made 2022 a year of continued growth of our mission impact and financial sustainability.



Michelle Thrakulchavee
Board President



Gina R. Cunningham
Executive Director



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, 2022 and 2021, 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, 2022 and 2021, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, on January 1, 2022, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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.

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

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.

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.

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

Management Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The letter from the Board President and Executive Director, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
August 29, 2023

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

ASSETS	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 2,189,027	\$ 1,637,353
Investments	59,249	93,724
Investments from Pass-Through Grant	1,344,601	1,871,474
Receivables:		
Accounts and Other Receivables	68,952	29,831
Contributions Receivable, Net	159,474	29,203
Prepaid Expenses and Other Assets	34,093	21,798
Property and Equipment, Net	3,124,541	3,047,117
Operating Right-of-Use Asset	527,351	-
	<u>\$ 7,507,288</u>	<u>\$ 6,730,500</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 103,741	\$ 86,457
Short-Term Lease Liability - Operating	41,309	-
Pass-Through Grant	1,344,601	1,871,474
Long-Term Debt, Net of Debt Discounts	424,236	584,348
Long-Term Lease Liability - Operating	502,582	-
Total Liabilities	<u>2,416,469</u>	<u>2,542,279</u>
NET ASSETS		
Without Donor Restrictions	4,228,744	4,188,221
With Donor Restrictions	862,075	-
Total Net Assets	<u>5,090,819</u>	<u>4,188,221</u>
	<u>\$ 7,507,288</u>	<u>\$ 6,730,500</u>

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, 2022 AND 2021**

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenues:		
Contributed Nonfinancial Assets	\$ 1,627,316	\$ 784,819
Contributions	606,392	561,010
Grants	52,815	45,000
Program Service Fees	1,418	1,215
Investment Income (Loss)	(495)	(7,832)
Consulting Services	162,180	172,388
Subtotal Support and Revenues	2,449,626	1,556,600
Special Events:		
Revenue	560,221	381,310
Direct Expenses	(288,964)	(171,449)
Special Events, Net	271,257	209,861
 Total Support and Revenues without Donor Restrictions	 2,720,883	 1,766,461
 EXPENSES		
Program Services:		
Housing Development	1,876,817	829,291
In the Community	565,118	588,537
Total Program Services	2,441,935	1,417,828
Supporting Services:		
Fundraising	146,213	128,635
Management and Administrative	92,212	121,750
Total Supporting Services	238,425	250,385
 Total Expenses	 2,680,360	 1,668,213
 INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 40,523	 98,248
 NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	282,075	-
Grants	580,000	-
Total Net Assets with Donor Restrictions	862,075	-
 INCREASE IN TOTAL NET ASSETS	 902,598	 98,248
Total Net Assets - Beginning of Year	4,188,221	4,089,973
 TOTAL NET ASSETS - END OF YEAR	 \$ 5,090,819	 \$ 4,188,221

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, 2022**

	Program Services		Supporting Services		Total Functional Expenses
	Housing Development	In the Community	Fundraising	Management and Administrative	
Donated Materials and Services	\$ 1,261,187	\$ 291,857	\$ -	\$ 5,117	\$ 1,558,161
Shelter Project and Program Expenditures	26,431	26,443	-	-	52,874
Salaries and Related Costs	352,344	190,194	115,310	43,201	701,049
Accounting		-	-	26,521	26,521
Advertising	3,590	4,882	3,102	105	11,679
Automobile	3,996	1,558	1,102	220	6,876
Awards and Recognition	576	332	44	11	963
Bank Fees	4,574	587	872	1,308	7,341
Computer Expenses	3,536	2,773	2,417	478	9,204
Conference and Seminars	6,359	1,561	1,117	207	9,244
Insurance	26,115	958	417	189	27,679
Interest	21,721	-	-	-	21,721
Licensing and Fees	2,458	713	407	371	3,949
Meals and Entertainment	3,790	1,694	971	270	6,725
Office Expense	3,375	3,077	937	368	7,757
Office Supplies	1,571	3,733	555	143	6,002
Other Costs	2,135	3,237	228	40	5,640
Outside Services	27,225	7,598	6,425	2,437	43,685
Photography and Public Relations Costs	550	471	12	6	1,039
Postage	1,010	501	238	143	1,892
Printing	3,779	1,196	883	189	6,047
Property Tax	13,839	-	-	252	14,091
Rent	40,264	16,809	9,541	3,866	70,480
Rentals	4,641	1,907	-	355	6,903
Storage Facilities	2,584	1,421	840	317	5,162
Telephone	2,791	1,616	795	315	5,517
Expenses Before Depreciation	<u>1,820,441</u>	<u>565,118</u>	<u>146,213</u>	<u>86,429</u>	<u>2,618,201</u>
Depreciation of Property and Equipment	56,376	-	-	5,783	62,159
Total Functional Expenses	<u><u>\$ 1,876,817</u></u>	<u><u>\$ 565,118</u></u>	<u><u>\$ 146,213</u></u>	<u><u>\$ 92,212</u></u>	<u><u>\$ 2,680,360</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, 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
Storage Facilities	2,227	616	456	296	3,595
Telephone	2,749	1,158	1,014	1,151	6,072
Expenses Before Depreciation	<u>772,915</u>	<u>588,537</u>	<u>128,635</u>	<u>118,573</u>	<u>1,608,660</u>
Depreciation of Property and Equipment	<u>56,376</u>	<u>-</u>	<u>-</u>	<u>3,177</u>	<u>59,553</u>
Total Functional Expenses	<u>\$ 829,291</u>	<u>\$ 588,537</u>	<u>\$ 128,635</u>	<u>\$ 121,750</u>	<u>\$ 1,668,213</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, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 902,598	\$ 98,248
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	62,159	59,553
Noncash Contribution	-	(30,435)
Realized and Unrealized Investment Gains (Losses)	34,475	1,692
Noncash Lease Expense	(24,769)	-
Changes in Net Assets and Liabilities:		
Investments from Pass-Through Grant	526,873	551,526
Accounts and Other Receivables	(39,121)	56,486
Contribution Receivable	(130,271)	80,393
Prepaid Expenses and Other Assets	(12,295)	5,295
Accounts Payable and Accrued Liabilities	17,284	15,573
Pass-Through Grant	(526,873)	(551,526)
Pass-Through Funding - Yale Navigation Center	41,309	(8,348,942)
Net Cash Provided (Used) by Operating Activities	851,369	(8,062,137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(139,583)	(97,027)
Net Cash Used by Investing Activities	(139,583)	(97,027)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Notes Payable	(160,112)	(13,221)
Net Cash Used by Financing Activities	(160,112)	(13,221)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	551,674	(8,172,385)
Cash and Cash Equivalents - Beginning of Year	1,637,353	9,809,738
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,189,027	\$ 1,637,353
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Donated Materials and Services	\$ 1,627,316	\$ 784,819
SUPPLEMENTAL DISCLOSURE		
Interest Paid	\$ 21,721	\$ 22,893

See accompanying Notes to Financial Statements.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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 2021, Housing Development projects included the completion of the Yale Navigation Center and the final pre-development work on the FX Residences, slated for start of construction in the 3rd Quarter of 2023. The Organization also completed the pre-development stages of The House of Ruth Project with Family Promise.

In 2022, Housing Development projects included the start of construction for the House of Ruth located in Tustin, in partnership with Family Promise. In July of 2022, remodel and construction of The Bungalows located in Costa Mesa with Families Forward. The FX Residences recorded all funding sources and the entitlement process was completed, and construction of the project began in July of 2023.

**SHELTER PROVIDERS OF ORANGE COUNTY, INC.
DBA: HOMEAID ORANGE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2022 AND 2021

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, 2022 and 2021, there was no impairment of the value of such assets.

SHELTER PROVIDERS OF ORANGE COUNTY, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets

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, 2022 and 2021, as stated below.

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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.

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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, 2022 and 2021. 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, 2022 and 2021. The Organization's tax years from 2019 to 2022 are open to review for federal tax purposes, and tax years from 2018 to 2022 are open to review for state income tax purposes.

Recent Accounting Pronouncement – Adopted

In September 2020, the FASB issued ASU 2020-27, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets*. This new standard improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendments do not change the recognition and measurement of nonfinancial assets.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncement – Adopted (Continued)

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. This adoption allows the Organization to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized, on January 1, 2022, a lease liability of \$581,983, which represents the present value of the remaining operating lease payments of approximately \$712,073, discounted using the Organization's incremental borrowing rate of 4.00%, and a right of use asset of \$577,243.

The standard had a material impact on the balance sheets but did not have an impact on the statement of activities nor cash flows. The most significant impact was the recognition of ROU asset and lease liability for operating leases on the balance sheet.

Leases

The Organization leases its facilities and equipment under noncancelable lease arrangements. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating lease ROU assets and operating lease liabilities on the accompanying consolidated statements of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization has elected to use its incremental borrowing rate of 4.00% for computing the present value of lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the accompanying consolidated statements of financial position.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Additionally, the individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use its incremental borrowing rate for computing the present value of the lease liabilities.

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:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 487,519	\$ 1,167,005
Accounts and Other Receivables	68,952	29,831
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 556,471</u>	<u>\$ 1,196,836</u>

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,189,027	\$ 1,637,353
Less: Net Assets with Donor Restrictions	(862,075)	-
Less: Board-Designated Cash and Cash Equivalents	<u>(839,433)</u>	<u>(470,348)</u>
Cash and Cash Equivalents Available for General Expenditures within One Year	<u>\$ 487,519</u>	<u>\$ 1,167,005</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 and for project expenses for LaVeta Village and FX Residences.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 INVESTMENTS

Investments are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Mutual Funds	\$ 59,249	\$ 63,289
Equity Securities	-	30,435
Money Market	1,344,601	1,871,474
Total Investments	<u>\$ 1,403,850</u>	<u>\$ 1,965,198</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,487,361	\$ 1,487,361
Building	261,593	261,593
Building Improvements	1,377,339	1,377,339
Office Equipment	12,498	10,952
Furniture and Fixtures	128,100	128,100
Construction in Process	204,706	66,670
Total Property and Equipment, at Cost	<u>3,471,597</u>	<u>3,332,015</u>
Less: Accumulated Depreciation	<u>(347,056)</u>	<u>(284,898)</u>
Property and Equipment, Net	<u>\$ 3,124,541</u>	<u>\$ 3,047,117</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$62,159 and \$59,553, respectively.

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NOTE 5 LEASES – ASC 842

The Organization leases office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2031. In the normal course of operations, it is expected that these leases will be renewed or replaced by similar leases. The agreements generally require the Organization to pay insurance and repairs.

The following table provides quantitative information concerning the Organization's leases:

<u>Lease Costs</u>	
Operating Lease Costs	\$ 70,480
Total Lease Costs	<u>\$ 70,480</u>
<u>Other Information</u>	
Operating Cash Flows from Operating Leases	\$ 60,259
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	577,243
Weighted-Average Remaining Lease Term - Operating Leases	8.8 Years
Weighted-Average Discount Rate - Operating Leases	4.00%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 62,019
2024	63,832
2025	65,700
2026	72,939
2027	74,326
Thereafter	312,999
Total	<u>651,815</u>
Less: Interest	<u>(107,924)</u>
Present Value of Lease Liabilities	<u>\$ 543,891</u>
Short-Term Operating Lease Liabilities	\$ 41,309
Long-Term Operating Lease Liabilities	<u>502,582</u>
Present Value of Operating Lease Liabilities	<u>\$ 543,891</u>

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NOTE 6 LEASES – ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior guidance in FASB ASC 840.

Rent expense for the year ended December 31, 2021 amounted to \$27,224. Starting in July 2021, the Organization has exited its Family CareCenter and leases its office space in Tustin.

NOTE 7 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, 2022 and 2021.

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

Investments and accrued interest from the pass-through grant are held in a money market at December 31, 2022 and 2021.

Reconciliation of the pass-through grant is as follows:

Cumulative activity from inception of grant in 2013 through December 31, 2022:

Grant Received	\$ 6,250,000
Realized and Unrealized Gains	198,953
Management Fees	(68,196)
Disbursement - Program Service Fees	(336,332)
Disbursement - Passed Through	(4,699,824)
Balance - December 31, 2022	<u>\$ 1,344,601</u>

Activity for the year ended December 31:

Balance - December 31, 2020	\$ 2,423,000
Realized and Unrealized Gains	818
Disbursements - Passed Through	(552,344)
Balance - December 31, 2021	1,871,474
Realized and Unrealized Gains	7,913
Management Fees	(121)
Disbursements - Passed Through	(534,665)
Balance - December 31, 2022	<u>\$ 1,344,601</u>

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NOTE 7 PASS-THROUGH GRANT (CONTINUED)

All the investment activity, including earned interest, unrealized losses, and accrued interest, in the amounts of \$908 and \$16 for the years ended December 31, 2022 and 2021, 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, 2022, 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	\$ 87,500
Mercy House	37,500
Family Assistance Ministries	<u>205,000</u>
Total Committed Balance	330,000
Uncommitted Balance	<u>1,014,601</u>
Fund Balance - December 31, 2021	<u><u>\$ 1,344,601</u></u>

The Organization has future committed disbursements under the grant of \$75,000 for the year ended December 31, 2023. 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. The grant was not renewed and the uncommitted balances were refunded in May 2023.

NOTE 8 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 year ended December 31, 2021, the Organization received \$113,000, 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.

NOTE 9 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:

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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2022 and 2021.

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.

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.

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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual Funds	\$ 59,249	\$ -	\$ -	\$ 59,249
Total	\$ 59,249	\$ -	\$ -	59,249
Money Market ⁽¹⁾				1,344,601
Total Investments				\$ 1,403,850
	2021			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Securities	\$ 30,435	\$ -	\$ -	\$ 30,435
Mutual Funds	63,289	-	-	63,289
Total	\$ 93,724	\$ -	\$ -	93,724
Money Market ⁽¹⁾				1,871,474
Total Investments				\$ 1,965,198

⁽¹⁾ Not subject to fair value hierarchy measurements.

NOTE 10 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 Organization refinanced the outstanding balance on the note payable on August 17, 2022. The note payable accrues interest at 5.5% and matures August 17, 2029. The note payable is collateralized by the land and building. The balance on the note payable at December 31, 2022 and 2021 was \$424,236 and \$584,348, respectively.

NOTE 11 CONTRIBUTED NONFINANCIAL ASSETS

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 total net assets for the years ended December 31, 2022 and 2021, totaling \$1,627,316 and \$784,819, respectively, are based on management's and donors' estimates of the fair value of the materials and services provided.

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NOTE 11 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

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:

	2022	2021
Contributed Materials	\$ 1,033,218	\$ 579,815
Contributed Services	524,943	110,639
Special Events	69,155	94,365
Total Contributed Nonfinancial Assets	\$ 1,627,316	\$ 784,819

The contributed nonfinancial assets were primarily utilized in the Housing Development and In the Community programs. The remaining contributed nonfinancial assets are utilized in supporting services.

NOTE 12 SPECIAL EVENTS REVENUE

Gross receipts from special events consist of exchange transaction revenue and contribution revenue. The following are contribution and exchange transaction revenues from special events for the year ended December 31, 2022:

	2022	2021
Contributions	\$ 602,096	\$ 381,310
Exchange Transactions - Direct Benefits to Donors	(41,875)	-
Special Events Revenue	\$ 560,221	\$ 381,310

NOTE 13 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 14 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, 2022 and 2021 totaling approximately \$193,000 and \$57,000, 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 15 403(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, 2022 and 2021.

NOTE 16 NET ASSETS

Net assets consist of the following at December 31:

	2022	2021
Net Assets without Donor Restrictions:		
Undesignated	\$ 3,389,311	\$ 3,717,873
Board-Designated for Debt Service	148,572	470,348
Board-Designated for FX Residences Project	126,107	-
Board-Designated for LaVeta Village	564,754	-
Total Net Assets Without Donor Restrictions	4,228,744	4,188,221
Net Assets with Donor Restrictions:		
Subject to Expenditures for Specific Purposes:		
La Veta Village	607,075	-
Subject to Passage of Time:		
Contributions	255,000	-
Total Net Assets with Donor Restrictions	862,075	-
Total Net Assets	\$ 5,090,819	\$ 4,188,221

NOTE 17 RECLASSIFICATIONS

Certain reclassifications have been made to the 2021 financial statements in order to conform with the current year presentation. These reclassifications had no effect on 2021 change in total net assets.

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NOTE 18 SUBSEQUENT EVENTS

Events occurring after December 31, 2022 have been evaluated for possible adjustment to the financial statements or disclosure as of August 29, 2023, which is the date the financial statements were able to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.



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