

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Prepared by
SIGNE GRIMSTAD
Certified Public Accountant
530 NW 3rd Street
PO Box 1930
Newport, Oregon 97365

**5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA**

BOARD OF DIRECTORS

Ken Dalebout	President
Linda Pierce	Vice President
Brad Wilbert	Secretary
Paul Jarvis	Treasurer
Nancy Allison	Director
Peggy Coon	Director
Pat Cusack	Director
Judith Higgins	Director
Pastor David Hutsko	Director
Chief Jake Miller	Director
Jane Renahan	Director
Amy Taylor	Director
Mike Wooten	Director

STAFF

Janna Nichols	Executive Director
Charlotte Alexander	Director of Operations

ADDRESS

100 S. 4th Street
PO Box 558
Grover Beach, California 93483

**5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA**

Table of Contents

INTRODUCTORY SECTION

Title page
Board of Directors
Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses for Program and Support Services	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-18

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
5Cities Homeless Coalition, Inc.
PO Box 558
Grover Beach, California 93483

I have audited the accompanying financial statements of 5Cities Homeless Coalition, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Members:
AICPA OSCP & OAIA

5Cities Homeless Coalition, Inc.
May 18, 2021

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 5Cities Homeless Coalition, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

GRIMSTAD & ASSOCIATES

Signe Grimstad CPA

Signe Grimstad
Certified Public Accountant

Newport, Oregon
May 18, 2021

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

STATEMENT OF FINANCIAL POSITION
as of December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets			
Cash	\$ 189,159	\$ 7,500	\$ 196,659
Grants receivable	420,666	-	420,666
Prepaid expenses	8,264	-	8,264
Deposits	7,646	-	7,646
Total current assets	625,735	7,500	633,235
Property and equipment			
Property and equipment, at cost	1,004,835	-	1,004,835
Less: Accumulated depreciation	(28,880)	-	(28,880)
Net fixed assets	975,955	-	975,955
Other assets			
Deposits	500	-	500
Total other assets	500	-	500
Total assets	\$ 1,602,190	\$ 7,500	\$ 1,609,690
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 31,022	\$ -	\$ 31,022
Accrued wages	26,285	-	26,285
Accrued paid time off	10,807	-	10,807
Accrued interest	1,983	-	1,983
Deferred revenue	90,711	-	90,711
Notes payable, current portion	55,226	-	55,226
Total current liabilities	216,034	-	216,034
Long-term liabilities			
Notes payable, long-term portion	182,274	-	182,274
Total long-term liabilities	182,274	-	182,274
Total liabilities	398,308	-	398,308
Net assets			
Without donor restrictions	1,203,882	-	1,203,882
With donor restrictions	-	7,500	7,500
Total net assets	1,203,882	7,500	1,211,382
Total liabilities and net assets	\$ 1,602,190	\$ 7,500	\$ 1,609,690

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

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Government grants	\$ 54,089	\$ -	\$ 54,089
Foundation grants	87,944	-	87,944
Contributions, individuals	320,368	-	320,368
Contributions, businesses	59,471	-	59,471
Contributions in-kind	131,957	-	131,957
Total support	653,829	-	653,829
Revenues:			
Government contracts	791,481	-	791,481
Special events	70,622	-	70,622
Bank interest	16	-	16
Realized loss on sale of donated stocks	(78)	-	(78)
Total revenues	862,041	-	862,041
Total support and revenues	1,515,870	-	1,515,870
Expenses:			
Program services:			
Housing support	373,187	-	373,187
Immediate needs	43,667	-	43,667
Homeless youth	83,210	-	83,210
Benefits advocacy	64,925	-	64,925
Warming center	64,703	-	64,703
Outreach and other	347,087	-	347,087
Total program expenses	976,779	-	976,779
Support services:			
Management and general	163,363	-	163,363
Fundraising	133,221	-	133,221
Total expenses	1,273,363	-	1,273,363
Change in net assets	242,507	-	242,507
Net assets at beginning of fiscal year	971,297	7,500	978,797
Prior period adjustment	(9,922)	-	(9,922)
Net assets at beginning of fiscal year, restated	961,375	7,500	968,875
Net assets at end of fiscal year	\$ 1,203,882	\$ 7,500	\$ 1,211,382

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

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES FOR PROGRAM AND SUPPORT SERVICES
For the Year Ended December 31, 2020

	Program Services						Support Services		Total Expenses	
	Housing Support	Immediate Needs	Homeless Youth	Benefits Advocacy	Warming Center	Outreach and Other	Total	Management and General		Fund-raising
Salaries and wages	\$ 75,000	\$ -	\$ 31,000	\$ 51,300	\$ 24,184	\$ 177,335	\$ 358,819	\$ 118,336	\$ 41,945	\$ 519,100
Payroll taxes	6,195	-	2,561	4,237	1,997	14,648	29,638	9,775	3,465	42,878
Health insurance	1,726	-	714	1,181	557	4,083	8,261	2,724	966	11,951
Workers' compensation	396	-	164	271	128	937	1,896	625	221	2,742
Total personnel costs	<u>83,317</u>	<u>-</u>	<u>34,439</u>	<u>56,989</u>	<u>26,866</u>	<u>197,003</u>	<u>398,614</u>	<u>131,460</u>	<u>46,597</u>	<u>576,671</u>
Accounting and auditing	1,003	1,003	1,003	1,003	1,003	1,003	6,018	4,435	1,504	11,957
Bank and merchant fees	-	-	-	-	-	-	-	329	3,251	3,580
Dues and subscriptions	-	-	-	-	-	-	-	330	-	330
Employee recruitment	-	-	-	-	-	4,315	4,315	138	-	4,453
Eviction prevention	154,626	-	2,300	-	-	-	156,926	-	-	156,926
Insurance	2,115	2,115	2,115	2,115	2,115	2,115	12,690	2,644	2,291	17,625
Interest	1,870	221	421	329	318	1,678	4,837	-	-	4,837
Information technology	-	-	-	-	-	4,333	4,333	1,238	619	6,190
Licenses and taxes	-	-	-	-	-	20	20	2,067	-	2,087
Mileage	-	37	25	-	10	52	124	1,008	-	1,132
Miscellaneous	-	-	-	-	-	-	-	516	-	516
Occupancy	1,672	1,672	1,672	1,672	1,672	1,672	10,032	2,091	1,811	13,934
Office supplies	-	-	-	-	-	8,284	8,284	1,788	446	10,518
Payroll service	717	-	297	491	231	1,696	3,432	1,132	402	4,966
Partner contracts	-	-	15,000	-	-	11,800	26,800	-	2,500	29,300
Postage	-	-	-	-	-	19	19	660	508	1,187
Printing and reproduction	-	-	38	-	-	173	211	-	254	465
Rapid rehousing	109,417	-	23,520	-	-	-	132,937	-	-	132,937
Rent	-	-	-	-	6,000	41,914	47,914	3,926	5,093	56,933
Repairs and maintenance	-	-	-	-	-	1,301	1,301	653	-	1,954
Software	-	-	-	-	-	20	20	-	2,499	2,519
Special event direct costs	-	-	-	-	-	-	-	-	8,492	8,492
Staff development	-	-	54	-	-	136	190	30	20	240
Supplies and equipment	16,124	36,293	-	-	18,556	6,958	77,931	3,993	5,801	87,725
Website	200	200	200	200	200	200	1,200	-	1,818	3,018
Subtotal expenses	<u>371,061</u>	<u>41,541</u>	<u>81,084</u>	<u>62,799</u>	<u>56,971</u>	<u>284,692</u>	<u>898,148</u>	<u>158,438</u>	<u>83,906</u>	<u>1,140,492</u>
Contributions in-kind	-	-	-	-	5,606	60,269	65,875	2,267	55,504	123,646
Depreciation	2,126	2,126	2,126	2,126	2,126	2,126	12,756	2,658	2,303	17,717
Less special event direct costs	-	-	-	-	-	-	-	-	(8,492)	(8,492)
Total expenses	<u>\$ 373,187</u>	<u>\$ 43,667</u>	<u>\$ 83,210</u>	<u>\$ 64,925</u>	<u>\$ 64,703</u>	<u>\$ 347,087</u>	<u>\$ 976,779</u>	<u>\$ 163,363</u>	<u>\$ 133,221</u>	<u>\$ 1,273,363</u>
Percent of total expenses	<u>29.31%</u>	<u>3.43%</u>	<u>6.53%</u>	<u>5.10%</u>	<u>5.08%</u>	<u>27.26%</u>	<u>76.71%</u>	<u>12.83%</u>	<u>10.46%</u>	<u>100.00%</u>

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

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Cash flows from operating activities			
Change in net assets	\$ 242,507	\$ -	\$ 242,507
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	17,717	-	17,717
Loss on sale of donated stocks	78	-	78
Donated stocks	(8,311)	-	(8,311)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Grants receivable	(260,798)	-	(260,798)
Prepaid expenses	(3,039)	-	(3,039)
Deposits	(6)	-	(6)
Increase (decrease) in:			
Accounts payable	29,196	-	29,196
Accrued wages	11,297	-	11,297
Accrued vacation	6,305	-	6,305
Accrued interest	1,983	-	1,983
Deferred revenue	52,107	-	52,107
Net cash provided by operating activities	89,036	-	89,036
Cash flows from investing activities			
Purchases of fixed assets	(105,952)	-	(105,952)
Proceeds from sales of donated stocks	8,233	-	8,233
Net cash used by investing activities	(97,719)	-	(97,719)
Cash flows from financing activities			
Bank line of credit proceeds	42,000	-	42,000
Bank line of credit payments	(89,457)	-	(89,457)
Notes payable proceeds	237,500	-	237,500
Notes payable payments	(50,000)	-	(50,000)
Net cash provided by financing activities	140,043	-	140,043
Net increase in cash and equivalents	131,360	-	131,360
Cash and cash equivalents at beginning of year	57,799	7,500	65,299
Cash and cash equivalents at end of year	\$ 189,159	\$ 7,500	\$ 196,659

Supplementary cash flow disclosures

Cash paid for interest	\$ 2,854
Schedule of noncash transactions:	
In-kind contributions of stocks	\$ (8,311)
Noncash investment in stocks	8,311
Net noncash transactions	\$ -

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

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 1 - Description of Organization

Nature of operations

5Cities Homeless Coalition, Inc. (5CHC) is a California nonprofit corporation organized on March 3, 2009. 5CHC works to transform lives in southern San Luis Obispo County, California, from the Cities of Avila Beach to Nipomo. 5CHC mobilizes community resources, fosters hope, and advocates for the homeless and those facing homelessness with the vision of building an engaged community that fully understands the complexities of homelessness and actively shares the responsibility of creating and implementing solutions to reduce it and shelter their neighbors. 5CHC derives its revenue from government and other grants, contracts, contributions and fundraising.

Description of programs

Housing Support

The Housing Support Program serves those who are homeless or at risk of losing housing in San Luis Obispo County. Case management, rental and deposit assistance, information and referral to community services, comprehensive needs assessment, identification of barriers to success, and development of an immediate action plan. Those who visit 5CHC's office are provided access to computer, internet, phone charging, mailing address, food and hygiene supplies. The program also serves veterans who are homeless or at risk of losing housing through a joint effort with Good Samaritan Shelter to provide supportive services for veteran families (SSVF). The United States Department of Veterans Affairs provides funding for this program.

Immediate Needs

Assists homeless and low-income families and individuals who reside in southern San Luis Obispo County with funds to address their immediate needs and move them to self-sufficiency, home stability, and economic improvement. Assistance is used for utilities, fuel, auto repairs, food, clothing, and unpaid bills paid directly to applicable vendors on behalf of program participants.

Homeless Youth

Matches a case manager with unaccompanied youth aged 16-24 to provide education, connection, and services such as immediate needs, housing, and development of an individualized Action Plan to assist them in living independently, maintaining steady employment, and continuing their education.

Benefits Advocacy

Those enrolled in 5CHC's case management are offered additional guidance and advocacy for obtaining and retaining public benefits such as Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI), CalFresh and other assistance. Participants are encouraged to learn financial literacy and budgeting.

Warming Center

Provides an overnight warming center during the winter months when temperature predications are at or below 40 degrees or rain potential of 50% or more from November through April. Those staying at the warming center are provided meals and laundry services and may arrive by 5pm and leave by 7am the next day.

Outreach and Other Programs

Provide coordinated entry into the homelessness support system that begins with conducting a comprehensive assessment of needs, identification of barriers to success, and development of an immediate action plan for each individual or family who requests assistance. 5CHC's staff serves as a source of information on available resources, knowledge of county programs for the homeless, and referral services for those in need.

Management and General

Includes the functions necessary to maintain 5CHC's support program; ensure an adequate working environment; provide coordination and articulation of 5CHC's program strategy through the office of the executive director; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of 5CHC; and manage the financial and budgetary responsibilities of 5CHC.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 1 - Description of Organization (continued)

Fundraising

Includes publicizing and conducting fundraising campaigns; maintaining donor lists; grant writing; conducting special fundraising events; and other activities involved with soliciting contributions and grants from governments, foundations, individuals, businesses, and others.

Note 2 - Significant Accounting Policies

5CHC prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S.GAAP) for nonprofit entities. The significant accounting and reporting policies used by 5CHC are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accruals.

Use of estimates

The preparation of financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, 5CHC's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. 5CHC's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, plus any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions

Net assets with donor restrictions are resources that are restricted by donors for use for specified purposes or in certain future periods. Some donor-imposed restrictions are temporary in nature, and the restrictions expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; 5CHC must continue to use the resources in accordance with the donors' instructions. Restricted support is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

When donors' restrictions are satisfied, either by using the resources in the manner specified by the donors or by the passage of time, the expiration of the restrictions are reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified assets are placed in service by 5CHC, unless the donors provide more specific instructions about the period of the assets' use.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 2 - Significant Accounting Policies (continued)

Classification of transactions

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless any donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions. Net investment gains and losses are recorded as increases or decreases, respectively, of restricted net assets until designated to be spent when they are recorded as unrestricted net assets.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of purchase.

Grants receivable and allowance for doubtful accounts

Receivables are accounted for on the accrual basis and become past due after 60 days. No allowance for uncollectable accounts has been provided, as 5CHC typically collects all outstanding amounts. Grant receivables are written off if all efforts at collection have failed and management determines that collection is unlikely. Receivables older than 90 days totaled \$65,266, at December 31, 2020.

Donations of property and equipment

Donations of property and equipment (long-lived assets) that do not have donor imposed stipulations about how long the property must be used are recorded as unrestricted contributions in the fiscal year received.

Property and equipment

Purchases of fixed assets costing \$2,500 or more are capitalized. Donated fixed assets valued at \$2,500 or more are capitalized and recorded at fair value at the time of receipt. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the fiscal year of disposal. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the assets, that range from 5 to 10 years for furniture and equipment, 10 to 40 years for building and building improvements.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If any long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis or other valuation technique. There was no impairment loss recognized during the year ended December 31, 2020.

Investments

Investments typically consist of donated, publicly traded securities with readily determinable fair values, presented at fair value in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Donated securities are recorded at their fair value on the date of donation which is the closing price per share per published stock market reports. Donated securities are sold upon receipt to ensure the highest value of the security is received as intended by the donor(s).

Accounting for contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 2 - Significant Accounting Policies (continued)

Accounting for contributions (continued)

restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions in-kind

5CHC sometimes receives contributions in a form other than cash. Donated supplies are recorded as contributions at the date of the gift and as expenses when the donated items are placed into service or distributed. If 5CHC receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets 5CHC's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of the gift, and the expense is reported over the term of use.

5CHC benefits from personal services provided by many volunteers. Those volunteers have donated regular amounts of time and services in 5CHC's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. 5CHC records the fair value of contributed services in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills; are provided by persons possessing those skills; and would need to be purchased if they were not donated as required by ASC 958.

Grant revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue for federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, 5CHC's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

Expense recognition and allocation

The cost of providing 5CHC's programs and other activities is summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied, as follows:

Salaries, wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy costs such as utilities, depreciation, and interest are allocated based on the actual costs per square foot for each program.

Insurance, some supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Every 3 years, or more often when new space or programs are added, the bases on which costs are allocated are evaluated.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of 5CHC.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 2 - Significant Accounting Policies (continued)

Expense recognition and allocation (continued)

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. 5CHC generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs are allocated between fundraising and management and general expenses in accordance with U.S. GAAP for costs of activities that include fundraising.

Advertising costs

Advertising costs are recorded as expenses of the applicable program in the period incurred.

Income taxes

5CHC has been determined to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). With few exceptions, 5CHC is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years before January 1, 2016.

The preparation of financial statements in conformity with U.S. GAAP requires 5CHC to report information regarding its exposure to various tax positions taken by 5CHC. 5CHC has determined whether any tax positions have met the recognition threshold and has measured any entity exposure to those tax positions. Management believes that all relevant tax positions have been adequately addressed and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed.

Subsequent events

Management has evaluated subsequent events through May 18, 2021, which was the date the financial statements were available to be issued.

Fair value measurements

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 on the following page.

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that 5CHC has the ability to access.

Level 2. Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets, inputs other than quoted prices that are observable for the asset or liability, and 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 valuation methodology are unobservable and significant to the fair value measurement.

5CHC did not have any assets or liabilities using Level 3 valuation methodology.

The primary uses of fair value measures in 5CHC's financial statements are as follows:

Initial measurement of in-kind contributions including donated public securities.

Change in accounting principles

FASB is the Financial Accounting Standards Board and ASU is Accounting Standards Update.

**5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Change in accounting principles (continued)

5CHC implemented FASB ASU No. 2016-01 - *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* in the current year. This ASU did not have an effect on 5CHC's financial statements since the required disclosures are made annually.

5CHC implemented FASB ASU No. 2016-18 - *Statement of Cash Flows (Topic 230): Restricted Cash* in the current year which added a column on the statement of cash flows for restricted cash activity.

5CHC implemented FASB ASU No. 2014-09 - *Revenue from Contracts With Customers (Topic 606)*. This ASU did not have an effect on 5CHC's financial statements.

5CHC implemented FASB ASU No. 2018-08 - *Revenue Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This ASU did not have an effect on 5CHC's financial statements.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 are:

Financial assets:	Amount
Cash	\$ 196,659
Grants receivable	420,666
Prepaid expenses	8,264
Deposits	7,646
Total financial assets	633,235
Less financial assets held to meet donor-imposed restrictions:	
Restricted cash	7,500
Total restricted financial assets	7,500
Amount available for general expenditures within one year	\$ 625,735

Restricted cash of \$7,500 is not available for general operations, rather it is restricted for a specific purpose. The deposits are rental deposits and will be returned to 5CHC in 2021, and, accordingly are included in the amount available for general expenditures in the next year.

5CHC also has a bank line of credit of \$125,000 for cash flow purposes if grants receivable continue to be collected slowly during the pandemic.

Note 4 - Cash

Cash and money market funds are held in separate bank and investment accounts. All cash deposits were insured by federal depository insurance at December 31, 2020, and consisted of the following:

	Balance per	
	Bank	Books
SESLOC Credit Union money market	\$ 100,016	\$ 100,016
SESLOC Credit Union share account	5	5
Mechanics Bank operations	112,560	95,411
Mechanics Bank programs	1,202	1,027
Petty cash	-	200
Subtotal cash in banks and on hand	213,783	196,659
Less restricted cash	-	7,500
Total operating cash	\$ 213,783	\$ 189,159

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 5 - Concentrations

Concentrations of grants receivable at December 31, 2020 are as follows:

	<u>Amount</u>	<u>% of Total</u>
San Luis Obispo County (all grants)	\$ 364,086	86.55%
City of Grover Beach (CDBG)	42,591	10.12%
All other	13,989	3.33%
Total accounts receivable	<u>\$ 420,666</u>	<u>100.00%</u>

Concentrations of support and revenues for the year ended December 31, 2020 are as follows:

	<u>Amount</u>	<u>% of Total</u>
San Luis Obispo County (all grants)	\$ 580,816	38.32%
City of Grover Beach (all grants)	181,032	11.94%
Other government contracts	29,633	1.95%
Other grants	142,033	9.37%
Contributions (individuals and businesses)	379,839	25.06%
Contributions in-kind	131,957	8.71%
Other	70,560	4.65%
Total support and revenues	<u>\$ 1,515,870</u>	<u>100.00%</u>

Note 6 - Prepaid Expenses and Deposits

Prepaid expenses and deposits consisted of the following at December 31, 2020:

	<u>Amount</u>
Prepaid expenses:	
Prepaid employee benefits	\$ 3,446
Prepaid rent	4,306
Prepaid property taxes	512
Total prepaid expenses	<u>\$ 8,264</u>

Deposits:	
Former office deposit (to be refunded in 2021)	\$ 7,146
Warming Center deposit (to be refunded in 2021)	500
Subtotal current deposits	7,646
WEX Bank, gas credit card deposit (long-term)	500
Total deposits	<u>\$ 8,146</u>

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 7 - Property and Equipment

Property and equipment activity for the fiscal year ended December 31, 2020, is detailed in the following schedule.

Property and equipment:	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 350,000	\$ -	\$ -	\$ 350,000
Building	525,500	-	-	525,500
Improvements	-	97,759	-	97,759
Vehicles	15,248	-	-	15,248
Equipment	8,135	8,193	-	16,328
Fixed assets at cost	898,883	105,952	-	1,004,835
Less: Accumulated depreciation	11,163	17,717	-	28,880
Net fixed assets	<u>\$ 887,720</u>	<u>\$ 88,235</u>	<u>\$ -</u>	<u>\$ 975,955</u>

Note 8 - Investments

Investment activity for the year ended December 31, 2020 is detailed below.

Donated stocks	Cost Basis	Sale Proceeds	Realized Gain(loss)	Fair Value Level
Abbott Labs, 54 shares, 12/2/2020	\$ 5,840	\$ 5,736	\$ (104)	1
Abbott Labs, 23 shares, 12/23/2020	2,471	2,497	26	1
Total	<u>\$ 8,311</u>	<u>\$ 8,233</u>	<u>\$ (78)</u>	

The stocks were held long enough to sell, accordingly, no other investment income was earned. See Note 14 on in-kind contributions. The above stocks are considered fair value level 1 investments. See Note 2 on pages 10-11 for more details. In brief, the stocks were valued for cost basis at the closing stock market price on the dates of donation.

Note 9 - Deferred Revenue

Deferred revenue consists of payments received from area governments for contracts that have not yet been earned. Deferred revenue is moved to contract revenue once the funds are earned. Deferred revenue for the year ended December 31, 2020 consisted of the following:

Deferred revenue Vendor, Program	Program	Amount
City of Arroyo Grande, Warming Center		\$ 444
City of Pismo Beach, operations		15,000
Emergency Food and Shelter National Board Program (EFSP)		
Coronavirus Aid, Relief, and Economic Security (CARES) Act	\$ 188	
EFSP	3,087	3,275
San Luis Obispo County		
Community Based Organization (CBO), Preventive Health Grant		21,411
Bank of the Sierra, COVID-19		4,719
Hoag Foundation, operations		8,750
Community Foundation of San Luis Obispo County (CFSLOCo)		
Eviction Prevention (EP)	9,319	
Adult Health	17,000	
Opportunity to Thrive grant program	4,078	
Community Needs	3,715	34,112
Central Coast Funds for Children grant (CCFC)		3,000
Total deferred revenue		<u>\$ 90,711</u>

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 10 - Bank Line of Credit

5CHC has a \$125,000 line of credit with Mechanics Bank at prime plus 2.75% or 8.25% in 2020. The line of credit matures on July 9, 2020, and is secured by all assets of 5CHC. Interest expense on the line of credit totaled \$1,505 for 2020 including an annual loan fee of \$750. There was no outstanding balance on the credit line at December 31, 2020 and activity for the line during 2020 is as follows:

	Beginning Balance	Borrowed	Repaid	Ending Balance
Bank line of credit activity	\$ 47,457	\$ 42,000	\$ (89,457)	\$ -

Note 11 - Notes Payable

Notes payable consisted of the following at December 31, 2020:

	Amount
Note payable to Mechanics Bank for the Paycheck Protection Program loan sponsored by the U.S. Small Business Administration (SBA), dated April 24, 2020, payments begin in 2021 unless the forgiveness application is successful, matures April 24, 2024, repayable in 18 monthly payments of principal plus interest at 1%, totaling \$4,924, unsecured. See Note 20.	\$ 87,500
Note payable to the SBA for Economic Disaster Injury Loan (EIDL) of \$150,000, dated September 1, 2020, matures September 1, 2050 when all outstanding	
total \$641 and begin on September 1, 2021. Secured by all assets of 5CHC and interest expense includes a \$100 lien filing fee.	150,000
Total notes payable	237,500
Less current portion	55,226
Long-term portion	\$ 182,274

Notes payable maturities are as follows:

Year ending December 31,	Amount
2021	\$ 55,226
2022	33,145
2023	3,637
2024	3,738
2025	3,949
Thereafter	137,805
Total Notes payable	\$ 237,500

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions activity for the year ended December 31, 2020, is as follows:

	Beginning Balance	Received	Released	Ending Balance
Donor and restriction:				
New Life Community Church of the Nazarene for 100 S. 4th Street	\$ 2,500	\$ -	\$ -	\$ 2,500
California Fine Wine for 100 S. 4th Street	5,000	-	-	5,000
Total	\$ 7,500	\$ -	\$ -	\$ 7,500

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 13 - Special Events

5CHC held four special events during 2020 as detailed below. Special event revenue excludes contributions generated by the events which totaled an additional \$10,126, presented in individual contributions on the accompanying statement of activities.

Special events:	Event Revenue	Direct Costs	Net Income
Empty Bowls	\$ 43,570	\$ 6,533	\$ 37,037
Fin's Fiesta and Fin's Giving Tuesday	20,547	806	19,741
Hope for Homeless Golf Tour	14,997	1,153	13,844
Total special events	<u>\$ 79,114</u>	<u>\$ 8,492</u>	<u>\$ 70,622</u>

Note 14 - Contributions In-kind

5CHC received in-kind contributions from many donors during the year ended December 31, 2020 as listed below.

In-kind contribution:	Amount
Special events auction items and supplies	\$ 55,504
Donated stocks (see Note 8 for details)	8,311
Warming Center blankets and other items	5,606
Other program supplies	60,269
Operating supplies	2,267
Total in-kind contributions income	131,957
Less donated stocks capitalized as investments	(8,311)
Total in-kind contributions expense	<u>\$ 123,646</u>

In addition to the above in-kind contributions, 141 volunteers provided 1,750 hours of work valued at \$52,413 for the year ended December 31, 2020. These services did not meet the criteria for recognition in these financial statements as described in Note 2.

Note 15 - Revenue from Contracts

Disaggregation of revenue

5CHC is awarded contracts from local government agencies for provision of services to individuals and families who are homeless, are facing homelessness, or require support to remain housed in south San Luis Obispo County. Support, such as grants and contributions, are received and recorded as income when received since they are not contracts with performance obligations.

Type of income:	Amount	% of Total
Contracts	\$ 791,481	52.21%
Grants and contributions	653,829	43.13%
Other revenue	70,560	4.66%
Total support and revenue	<u>\$ 1,515,870</u>	<u>100.00%</u>

Grant receivables

Grant receivables on the accompanying statement of financial position records amounts owed for contracts that are either not yet completed or not yet paid for in full. Grant receivables for 2020 are as follows:

Grant receivables beginning balance	\$ 159,868
Grant receivables ending balance	420,666
Amount of change	260,798
Percent change	163%

**5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 15 - Revenue from Contracts (continued)

Deferred revenue

All of the revenue deferred received last year for unearned contract revenue was earned in 2020 as follows:

	Beginning Balance	Received	Earned	Ending Balance
Deferred revenue from contracts	\$ 38,604	\$ 90,711	\$ (38,604)	\$ 90,711

See Note 9 for deferred revenue detail.

Performance obligations

Contracts generally run for one fiscal year, some longer. All contracts are invoiced to funders as services are provided and revenue is earned, typically on a monthly basis. Contract revenue that has not been recognized at December 31, 2020 was approximately \$2,123,026. Of these remaining performance obligations, 5CHC expects to recognize revenue of 57% of this balance over the next twelve months and 43% thereafter.

Other revenue and cost of revenue

Other revenue is primarily special events revenue as detailed in Note 13 along with direct costs of special events. The remaining revenue is interest income and investment loss.

Note 16 - Operating Leases

5CHC leases office and Warming Center space under operating leases that mature in 2021. Rent Expense for the year ended December 31, 2020 totaled \$56,933 for these leases as presented in the accompanying statement of functional expenses. Future lease maturities total \$16,306 to be paid for rent in 2021, with \$4,306 due for office rent and \$12,000 for Warming Center rent.

Note 17 - Concentrations of Risk

Amounts held in financial institutions may at times be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits during the year. 5CHC deposits its cash with high quality financial institutions and management believes 5CHC is not exposed to significant credit risk on those amounts.

The majority of 5CHC's grants and contracts are received from governmental agencies and foundations. As such, 5CHC's ability to generate resources via grants and contributions is dependent upon the economic health of the governmental agencies and area foundations. An economic downturn could cause a decrease in grants and contributions that coincides with an increase in demand for 5CHC's services.

Note 18 - Commitments

5CHC has a contract with a construction company for roof, windows, and renovations to its building at 100 S. 4th Street for \$50,134. The contract balance at December 31, 2020 was \$27,145. Of this amount \$12,459 is accrued as accounts payable and \$14,686 will be completed in 2021.

Note 19 - Prior Period Adjustments

Prior period adjustments were necessary to correct the beginning balance of net assets including restricted contributions recorded as restricted net assets and as unrestricted deferred revenue, plus the omission of 2019 accruals such as prepaid health insurance, accrued wages and paid-time off. Adjustments to the beginning balance of net assets for these prior year accruals are detailed in the following schedule:

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 19 - Prior Period Adjustments (continued)

	Net Assets		
	Unrestricted	Restricted	Total
Prior period adjustments:			
Net assets beginning balance at January 1, 2020	\$ 971,297	\$ 7,500	\$ 978,797
Reclass restricted net assets from deferred revenue at year-end 2019	7,500	-	7,500
Record January 2020 health insurance as prepaid expenses at year-end 2019	2,068	-	2,068
Record accrued wages at year-end 2019	(14,988)	-	(14,988)
Record paid time off at year-end 2019	(4,502)	-	(4,502)
Total prior period adjustments	(9,922)	-	(9,922)
Net assets beginning balance, restated	\$ 961,375	\$ 7,500	\$ 968,875

Note 20 - Subsequent Events

Funding

The following grants and contracts were awarded or renewed by 5CHC's current funders for one or more fiscal years beginning after December 31, 2020:

	Amount
Contracts	
CAPSLO for various programs	\$ 507,811
City of Grover Beach, Community Development Block Grant	187,301
San Luis Obispo County, various programs	1,332,003
Good Samaritan, Supportive Services for Veterans Families	31,023
Local Initiatives Support Corp., Emergency Rental Assistance	88,936
Total contracts	2,147,074
Grants	
Bank of America	10,000
Bank of the Sierra, COVID-19	9,719
Central Coast Funds for Children	3,000
Community Foundation of San Luis Obispo County	62,269
City of Arroyo Grande	444
City of Pismo Beach	15,000
San Luis Obispo County	21,411
Emergency Food and Shelter Program	7,739
Hoag Foundation	8,750
Subtotal grants	138,332
Total contracts and grants	\$ 2,285,406

Bank Line of Credit

Mechanics Bank line of credit was renewed in September 2020. The line maximum borrowing amount remains \$125,000, at prime plus 2.75% or 6% initial rate, matures on July 9, 2022 and is secured by all assets of 5CHC.

Notes Payable

The SBA Paycheck Protection Program loan of \$87,500 through Mechanics Bank was forgiven in full on March 24, 2021 including accrued interest totaling \$812. The loan forgiveness changes the notes payable maturity schedule presented in Note 11 to the following amounts for the EIDL loan only. The negative amount due in 2021 occurred because loan payments do not begin until September 2021 while interest accrued from September 2020 and was added to principal (negative net payments).

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 20 - Subsequent Events (continued)

Notes Payable (continued)

Revised notes payable maturities are as follows:

Year ending December 31,	<u>Amount</u>
2021	\$ (2,667)
2022	3,538
2023	3,637
2024	3,738
2025	3,949
Thereafter	<u>137,805</u>
Total Notes payable	<u><u>\$ 150,000</u></u>