

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

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
Mariam Shah	Vice President
Brad Wilbert	Secretary
Paul Jarvis	Treasurer
Nancy Allison	Director
Peggy Coon	Director
Pat Cusack	Director
Kassi Dee	Director
Michael Martinez	Director
Donna Milne	Director
Lisa Murdoch	Director
Jane Renahan	Director
Adam Verdin	Director
Michael Wooten	Director

STAFF

Janna Nichols	Executive Director
Devon McQuade	Associate Director

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	7-20

SUPPLEMENTARY INFORMATION SECTION

SINGLE AUDIT REPORTS

Schedule of Expenditures of Federal Awards	21
Notes to the Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23
Schedule of Prior Year Findings and Questioned Costs	24
Schedule of Findings and Questioned Costs - Sections II and III	25
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	26-28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	29-30

GRIMSTAD & ASSOCIATE

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of 5Cities Homeless Coalition (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses for program and support services, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of 5Cities Homeless Coalition as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of 5Cities Homeless Coalition and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 5Cities Homeless Coalition's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 5Cities Homeless Coalition'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 5Cities Homeless Coalition's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 5, 2024, on my consideration of 5Cities Homeless Coalition's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 5Cities Homeless Coalition's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 5Cities Homeless Coalition's internal control over financial reporting and compliance.

GRIMSTAD & ASSOCIATE



Signe Grimstad
Certified Public Accountant, Newport, Oregon
February 5, 2024

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

STATEMENT OF FINANCIAL POSITION
as of June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets			
Cash	\$ 152,551	\$ -	\$ 152,551
Bank certificate of deposit	40,629	-	40,629
Grants and contracts receivable	548,100	310,875	858,975
Prepaid expenses	19,106	-	19,106
Total current assets	760,386	310,875	1,071,261
Property and equipment			
Property and equipment, at cost	3,091,717	-	3,091,717
Less: Accumulated depreciation	(236,982)	-	(236,982)
Net fixed assets	2,854,735	-	2,854,735
Total assets	\$ 3,615,121	\$ 310,875	\$ 3,925,996
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 47,369	\$ -	\$ 47,369
Accrued wages	55,529	-	55,529
Accrued paid time off	35,743	-	35,743
Accrued interest	3,787	-	3,787
Deferred revenue	-	310,875	310,875
Bank line of credit	225,000	-	225,000
Notes payable, current portion	8,098	-	8,098
Total current liabilities	375,526	310,875	686,401
Long-term liabilities			
Notes payable, long-term portion	321,902	-	321,902
Total long-term liabilities	321,902	-	321,902
Total liabilities	697,428	310,875	1,008,303
Net assets			
Without donor restrictions	2,869,693	-	2,869,693
Designated reserve	48,000	-	48,000
With donor restrictions	-	-	-
Total net assets	2,917,693	-	2,917,693
Total liabilities and net assets	\$ 3,615,121	\$ 310,875	\$ 3,925,996

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 June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Government grants	\$ 270,556	\$ 70,668	\$ 341,224
Other grants	365,933	26,017	391,950
Contributions, individuals	323,947	4,799	328,746
Contributions, businesses	46,884	18,489	65,373
Contributions in-kind	134,485	-	134,485
Total support	1,141,805	119,973	1,261,778
Revenue:			
Government contracts	4,124,467	-	4,124,467
Special events	60,569	-	60,569
Miscellaneous	23	-	23
Bank interest	675	-	675
Total revenues	4,185,734	-	4,185,734
Total support and revenues	5,327,539	119,973	5,447,512
Reclassifications:			
Net assets with donor restrictions released from restrictions	279,461	(279,461)	-
Total support, revenues and reclassifications	5,607,000	(159,488)	5,447,512
Expenses:			
Program services:			
Housing support	1,820,675	-	1,820,675
Immediate needs	81,956	-	81,956
Homeless youth	55,307	-	55,307
Benefits advocacy	61,231	-	61,231
Warming center	217,868	-	217,868
Outreach and other	1,492,707	-	1,492,707
Total program expenses	3,729,744	-	3,729,744
Support services:			
Management and general	458,483	-	458,483
Fundraising	148,006	-	148,006
Total expenses	4,336,233	-	4,336,233
Change in net assets	1,270,767	(159,488)	1,111,279
Net assets at beginning of fiscal year	1,646,926	159,488	1,806,414
Net assets at end of fiscal year	\$ 2,917,693	\$ -	\$ 2,917,693

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 June 30, 2023

	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	\$ 264,654	\$ -	\$ 35,113	\$ 45,308	\$ 52,279	\$ 723,453	\$ 1,120,807	\$ 327,606	\$ 76,048	\$ 1,524,461
Payroll taxes	21,258	-	2,821	3,639	4,199	58,110	90,027	26,314	6,109	122,450
Health insurance	12,453	-	1,652	2,132	2,460	34,040	52,737	15,415	3,578	71,730
Workers' compensation	1,422	-	189	243	281	3,889	6,024	1,761	409	8,194
Total personnel costs	<u>299,787</u>	<u>-</u>	<u>39,775</u>	<u>51,322</u>	<u>59,219</u>	<u>819,492</u>	<u>1,269,595</u>	<u>371,096</u>	<u>86,144</u>	<u>1,726,835</u>
Accounting and auditing	3,625	-	588	980	2,057	21,064	28,314	9,186	1,225	38,725
Bank and merchant fees	38	-	6	10	21	380	455	924	7,318	8,697
Dues and subscriptions	99	-	16	27	56	619	817	135	33	985
Employee recruitment	984	-	160	266	558	6,963	8,931	1,999	332	11,262
Homeless prevention	854,296	-	5,730	-	-	-	860,026	-	-	860,026
Insurance	2,231	-	362	603	1,266	14,023	18,485	5,580	753	24,818
Interest	1,712	-	278	463	972	10,787	14,212	13,033	578	27,823
Immediate needs	132	73,762	20	-	170	2,263	76,347	-	-	76,347
Information technology, website	2,410	-	188	313	658	7,141	10,710	919	392	12,021
Licenses and taxes	76	-	12	21	43	479	631	105	26	762
Miscellaneous	-	-	-	-	-	146	146	296	-	442
Occupancy	3,204	-	485	808	1,696	36,472	42,665	4,406	1,392	48,463
Office supplies, equipment	2,552	-	372	621	1,303	22,003	26,851	2,868	5,234	34,953
Payroll service	1,536	-	204	263	304	4,199	6,506	1,902	441	8,849
Partner contracts	-	-	-	-	-	121,197	121,197	-	-	121,197
Printing and copying	2,722	-	-	-	-	825	3,547	-	1,071	4,618
Professional services	500	-	81	135	284	34,489	35,489	926	169	36,584
Rapid rehousing	626,650	2,532	2,275	-	-	-	631,457	-	-	631,457
Special event direct costs	-	-	-	-	-	-	-	-	5,624	5,624
Staff development, volunteers	1,196	-	194	323	679	48,126	50,518	2,132	1,476	54,126
Program meals	-	-	-	-	1,788	45,354	47,142	-	-	47,142
Program rent	-	-	-	-	132,436	343	132,779	-	-	132,779
Supplies, software, equipment	5,837	950	957	2,027	3,722	97,070	110,563	9,070	-	119,633
Transportation	-	-	-	-	6,478	-	6,478	-	-	6,478
Subtotal expenses	<u>1,809,587</u>	<u>77,244</u>	<u>51,703</u>	<u>58,182</u>	<u>213,710</u>	<u>1,293,435</u>	<u>3,503,861</u>	<u>424,577</u>	<u>112,208</u>	<u>4,040,646</u>
Contributions in-kind	-	-	-	-	-	87,986	87,986	7,849	38,650	134,485
Depreciation	11,088	4,712	3,604	3,049	4,158	111,286	137,897	26,057	2,772	166,726
Less special event direct costs	-	-	-	-	-	-	-	-	(5,624)	(5,624)
Total expenses	<u>\$ 1,820,675</u>	<u>\$ 81,956</u>	<u>\$ 55,307</u>	<u>\$ 61,231</u>	<u>\$217,868</u>	<u>\$ 1,492,707</u>	<u>\$ 3,729,744</u>	<u>\$ 458,483</u>	<u>\$ 148,006</u>	<u>\$ 4,336,233</u>
Percent of total expenses	<u>41.99%</u>	<u>1.89%</u>	<u>1.28%</u>	<u>1.41%</u>	<u>5.03%</u>	<u>34.42%</u>	<u>86.02%</u>	<u>10.57%</u>	<u>3.41%</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 June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Cash flows from operating activities			
Change in net assets	\$1,270,767	\$ (159,488)	\$ 1,111,279
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	166,726	-	166,726
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Grants and contracts receivable	(220,151)	(310,875)	(531,026)
Prepaid expenses	(15,792)	-	(15,792)
Increase (decrease) in:			
Accounts payable	(445,384)	-	(445,384)
Accrued wages	16,332	-	16,332
Accrued vacation	25,200	-	25,200
Accrued interest	(1,932)	-	(1,932)
Deferred revenue	(568,707)	266,242	(302,465)
Net cash provided (used) by operating activities	227,059	(204,121)	22,938
Cash flows from investing activities			
Purchases of property and equipment	(853,747)	-	(853,747)
Investment in bank certificate of deposit	(544)	-	(544)
Net cash used by investing activities	(854,291)	-	(854,291)
Cash flows from financing activities			
Bank line of credit proceeds	640,000	-	640,000
Bank line of credit payments	(415,000)	-	(415,000)
Net cash provided by financing activities	225,000	-	225,000
Net increase (decrease) in cash and equivalents	(402,232)	(204,121)	(606,353)
Cash and cash equivalents at beginning of year	554,783	204,121	758,904
Cash and cash equivalents at end of year	\$ 152,551	\$ -	\$ 152,551
Supplementary cash flow disclosures			
Cash paid for interest	\$ 29,755		

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 June 30, 2023

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 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 predictions are at or below 38 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 5:30pm 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.

Transitional housing for homeless people is a new program in 2023 with the completion of Cabins for Change in the City of Grover Beach. Twenty 10' x 10' cabins, bathrooms, community area, staff office space opened in December 2022 for homeless people who applied and were approved to move into the cabins. The majority of cabin residents transitioned to jobs and their own homes within the year. Another similar cabin project is in development on a site leased for installation of 30 more cabins in Grover Beach that will be called, Balay Ko on Barca once completed.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 1 - Description of Organization (continued)

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.

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.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 2 - Significant Accounting Policies (continued)

Net assets with donor restrictions (continued)

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.

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 and contracts 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 and contract receivables are written off if all efforts at collection have failed and management determines that collection is unlikely. There were no receivables older than 90 days at June 30, 2023.

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 period 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 June 30, 2023.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 2 - Significant Accounting Policies (continued)

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). Currently, investments consists of a bank certificate of deposit.

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 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.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 2 - Significant Accounting Policies (continued)

Expense recognition and allocation (continued)

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.

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 July 1, 2018.

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 February 5, 2024, 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.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 2 - Significant Accounting Policies (continued)

Fair value measurements (continued)

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 (if any), and land leases.

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 June 30, 2023 are:

Financial assets:	Amount
Cash	\$ 152,551
Bank certificate of deposit	40,629
Grants and contracts receivable	858,975
Prepaid expenses	19,106
Total financial assets	1,071,261
Less financial assets held to meet board designations and donor-imposed restrictions:	
Designated reserve	48,000
Restricted cash	310,875
Bank certificate of deposit	40,629
Total restricted financial assets	399,504
Amount available for general expenditures within one year	\$ 671,757

Restricted cash is not available for general operations, rather it is restricted for a specific purpose. Cash designated as a reserve by the board of directors is available to be used for operations if the board of directors approves redirection of the designated reserve. The bank CD matures in January 2024, when it will be available for use unless reinvested for another future period.

5CHC also has a bank line of credit of \$300,000 for cash flow purposes as necessary.

Note 4 - Cash

Cash and money market funds are held in separate bank and investment accounts. All cash deposits in banks were insured by federal depository insurance at June 30, 2023. Cash consisted of the following at fiscal year-end:

	Balance per		Bank Balances	
	Books	Banks	Insured	Uninsured
SESLOC Credit Union money market	\$ 5,278	\$ 5,278	\$ 5,278	\$ -
SESLOC Credit Union CD	40,629	40,629	40,629	-
SESLOC Credit Union share account	5	5	5	-
Mechanics Bank operations	146,216	192,739	192,739	-
Mechanics Bank programs	852	928	928	-
Petty cash	200	-	-	-
Subtotal cash in banks and on hand	193,180	239,579	239,579	-
Less bank certificate of deposit	40,629	-	-	-
Total operating cash	\$ 152,551	\$ 239,579	\$ 239,579	\$ -

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 5 - Concentrations

Concentrations of grants and contracts receivable at June 30, 2023 are as follows:

	<u>Amount</u>	<u>% of Total</u>
San Luis Obispo County (SLOC, all grants/contracts)	\$ 640,940	116.94%
Community Action Partnership of SLOC	99,790	18.20%
City of Grover Beach	50,189	9.16%
All other	<u>(242,819)</u>	<u>-44.30%</u>
Total accounts receivable	<u>\$ 548,100</u>	<u>100.00%</u>

Concentrations of support and revenue for the year ended June 30, 2023 are as follows:

	<u>Amount</u>	<u>% of Total</u>
San Luis Obispo County (all grants)	\$ 3,984,859	73.15%
Other government contracts	139,608	2.56%
Other grants	733,174	13.46%
Contributions (individuals and businesses)	394,119	7.24%
Contributions in-kind	134,485	2.47%
Other	<u>61,267</u>	<u>1.12%</u>
Total support and revenues	<u>\$ 5,447,512</u>	<u>100.00%</u>

Note 6 - Prepaid Expenses

Prepaid expenses and deposits consisted of the following at June 30, 2023:

	<u>Amount</u>
Prepaid expenses:	
Prepaid employee benefits	\$ 15,247
Prepaid insurance	2,783
Prepaid property taxes	<u>1,076</u>
Total prepaid expenses	<u>\$ 19,106</u>

Note 7 - Property and Equipment

Property and equipment activity for the year ended June 30, 2023, is detailed in the following schedule.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfer</u>	<u>Ending Balance</u>
Property and equipment:				
Land	\$ 350,000	\$ -	\$ -	\$ 350,000
Construction in progress (CIP) Cabins	895,750	685,154	(1,580,904)	-
Building	525,500	-	-	525,500
Improvements	321,303	106,717	1,536,518	1,964,538
Vehicles	121,052	49,361	-	170,413
Equipment	<u>24,365</u>	<u>12,515</u>	<u>44,386</u>	<u>81,266</u>
Fixed assets at cost	2,237,970	853,747	-	3,091,717
Less: Accumulated depreciation	<u>70,256</u>	<u>166,726</u>	<u>-</u>	<u>236,982</u>
Net fixed assets	<u>\$ 2,167,714</u>	<u>\$ 687,021</u>	<u>\$ -</u>	<u>\$ 2,854,735</u>

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 8 - Deferred Revenue

Deferred revenue consists of payments received from grantors and contractors that have not yet been earned. Deferred revenue is moved to grant or contract revenue once the funds are earned. Deferred revenue for the year ended June 30, 2023 consisted of the following:

Deferred revenue	<u>Program</u>	<u>Amount</u>
Vendor, Program		
Bank of America		\$ 44,011
Central Coast Star (laundry facilities for planned Barca project)		50,000
Emergency Food and Shelter National Board Program (EFSP)		4,893
Cencal Health		190,017
City of San Luis Obispo		2,570
Community Foundation of San Luis Obispo County (CFSLOCo)		
Youth	264	
Thrive	4,384	
General	<u>7,601</u>	12,249
Central Coast Funds for Children grant (CCFC)		1,087
Other donors		<u>6,048</u>
Total deferred revenue		<u><u>\$ 310,875</u></u>

Note 9 - Bank Line of Credit

5CHC has a \$300,000 line of credit with Mechanics Bank at prime plus 2.75% or 5.75% initial rate beginning August 2021, increasing to 9.75% in 2023. The credit line matures on July 9, 2024, and is secured by all assets of 5CHC. Interest expense totaled \$14,880 for the credit line for the year ended June 30, 2023. The annual loan fee for the line of credit was \$1,500. The outstanding balance on the credit line at June 30, 2023, was \$225,000, and interest increased to 10% on July 27, 2023.

Note 10 - Note Payable

The note payable consisted of the following at June 30, 2023:

	<u>Amount</u>
Note payable to the SBA for Economic Disaster Injury Loan (EIDL) of \$330,000, dated September 1, 2020, matures September 1, 2050 when all outstanding principal and interest are due. Monthly payments of principal plus interest at 2.75% total \$1,426 and began on September 1, 2022. Secured by all assets of 5CHC.	<u>330,000</u>
Total notes payable	330,000
Less current portion	<u>8,098</u>
Long-term portion	<u><u>\$ 321,902</u></u>

Note payable maturities are as follows:

Year ending June 30,	<u>Amount</u>
2024	\$ 8,098
2025	8,323
2026	8,555
2027	8,794
2028	9,038
Thereafter	<u>287,192</u>
Total Notes payable	<u><u>\$ 330,000</u></u>

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 11 - Net Assets Without Donor Restrictions - Designated Reserve

The 5CHC board of directors designated funds of \$25,000 transferred from operating funds to begin a reserve for future needs in July 2021, as well as monthly transfers to the reserve of \$1,000, until the reserve increases to \$100,000. Activity for the reserve during the year ended June 30, 2023 is as follows:

	Beginning Balance	Received	Spent	Ending Balance
Designated reserve	\$ 36,000	\$ 12,000	\$ -	\$ 48,000

Note 12 - Net Assets With Donor Restrictions

Activity for net assets with donor restrictions for the year ended June 30, 2023 is as follows:

Donor and restriction:	Beginning Balance	Received	Released	Ending Balance
Bank of America, rental assistance, housing	\$ 8,003	\$ 50,000	\$ (13,992)	\$ 44,011
Bank of the Sierra, COVID-19	-	6,000	(6,000)	-
Union Pacific Bank	-	6,500	(6,500)	-
Central Coast Funds for Children	1,167	3,500	(3,580)	1,087
Cencal Health, HHIP program	-	200,000	(9,983)	190,017
Community Foundation of San Luis Obispo County (CFSLOC), adult health	15,274	-	(15,274)	-
CFSLOC, disaster recovery	-	4,500	(4,500)	-
CFSLOC, community needs	-	8,700	(4,316)	4,384
CFSLOC, general	-	15,000	(7,399)	7,601
CFSLOC, homeless youth	1,525	8,500	(9,761)	264
City of Pismo Beach, Pismo residents relief	25,000	25,000	(50,000)	-
City of San Luis Obispo, Rapid Rehousing, and Homeless Prevention programs	-	10,000	(7,430)	2,570
Eastern Star LLC, Barca laundry facility	50,000	-	-	50,000
Emergency Food and Shelter Program (EFSP), COVID-19 assistance	3,467	10,323	(13,790)	-
EFSP, American Rescue Plan Act (ARPA)	22,538	63,075	(85,613)	-
EFSP, Phase 40, homeless assistance	-	9,750	(4,857)	4,893
George Hoag Family Foundation, HESG	20,000	-	(20,000)	-
Kiwanis, 100 S. 4th Street	847	-	-	847
Michael Miner, HEARTH ESG	6,667	10,000	(11,466)	5,201
PG&E, COVID-19 and homeless recovery	5,000	-	(5,000)	-
Total	<u>\$ 159,488</u>	<u>430,848</u>	<u>\$ (279,461)</u>	<u>310,875</u>
Less unearned revenue deferred to future years (Note 8)		<u>(310,875)</u>		<u>(310,875)</u>
Total net assets with donor restrictions		<u>\$ 119,973</u>		<u>\$ -</u>

Note 13 - Special Events

5CHC held special events during the year ended June 30, 2023, as detailed below. Special event revenue excludes contributions generated by the events which totaled an additional \$6,718, presented in individual contributions on the accompanying statement of activities.

	Revenue	Direct Costs	Net Income
Empty Bowls	\$ 29,193	\$ 1,710	\$ 27,483
Fin's Fiesta and Fin's Giving Tuesday	24,034	2,190	21,844
Hope for Homeless Golf Tour	12,966	1,724	11,242
Total special events	<u>\$ 66,193</u>	<u>\$ 5,624</u>	<u>\$ 60,569</u>

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 14 - Contributions In-kind

5CHC received in-kind contributions from many donors during the year ended June 30, 2023 as listed below.

In-kind contribution:	<u>Amount</u>
Special events auction items and soup bowls	\$ 10,220
Special events venues and meals	26,625
Fundraising supplies, wine, digital sign, other	1,805
Cabins vinyl wrap, names, numbers discount	11,973
Clothing and supplies for clients	10,101
Food and meals for clients	9,112
Supplies and household goods for clients	23,280
Hair cuts, bicycle assembly, legal services for clients	656
Toiletries for clients	2,864
City of Grover Beach site leases for cabins, future cabins	30,000
Legal services	7,560
Operating supplies	289
Total in-kind contributions	<u><u>\$ 134,485</u></u>

In addition to the above in-kind contributions, 118 volunteers provided 2,021 hours of work valued at \$64,268 for the year ended June 30, 2023. 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:	<u>Amount</u>	<u>% of Total</u>
Contracts	\$ 4,124,467	75.71%
Grants and contributions	1,261,778	23.16%
Other revenue	61,267	1.13%
Total support and revenue	<u><u>\$ 5,447,512</u></u>	<u><u>100.00%</u></u>

Grants and contracts receivable

Receivables on the accompanying statement of financial position records amounts owed for grants and contracts that are either not yet completed or not yet paid for in full. Receivables at June 30, 2022 follows:

Grants and contracts receivable beginning balance	\$ 327,949
Grants and contracts receivable ending balance	858,975
Amount of change	531,026
Percent change	162%

Deferred revenue

All of the deferred revenue received last year for unearned grants and contracts was earned during the year ended June 30, 2023 as follows:

	<u>Beginning Balance</u>	<u>Received</u>	<u>Earned</u>	<u>Ending Balance</u>
Deferred revenue from grants and contracts	<u>\$ 613,340</u>	<u>\$ 310,875</u>	<u>\$(613,340)</u>	<u>\$ 310,875</u>

See Note 8 for deferred revenue detail.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 15 - Revenue from Contracts (continued)

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 June 30, 2023 was approximately \$3,662,082 (see Note 20). Of these remaining performance obligations, 5CHC expects to recognize revenue of 80% of this balance over the next twelve months and 20% 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 miscellaneous.

Note 16 - Operating Leases

5CHC leased Warming Center space under an operating lease that began on November 1, 2022 through March 31, 2023, dependent on the weather. Storage space was also rented for the warming center. Rent expense for the year ended June 30, 2023 totaled \$132,779 for these leases as presented in the accompanying statement of functional expenses as program rent. All operating leases matured by June 30, 2023, resulting in no future lease obligations for the leases described in this paragraph.

5CHC entered into a use permit with San Luis Obispo County for the building site of the Cabins for Change project in Grover Beach on SLOC property at 16th Street and Longbranch. SLOC waived any rent payments, and the rents were valued at \$15,000 for the fiscal year (see Note 14). 955 S. 4th Street, Grover Beach was leased for \$1, with an estimated value of \$15,000. The Balay Ko on Barca or Barca project will be the site for installation of 30 more cabins sheltering homeless people and their pets as they transition to permanent housing.

Note 17 - Retirement Plan

5CHC established a retirement plan for its employees called a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Accounts or SIMPLE IRAs, effective March 26, 2023. Eligible employees are those who are reasonably expected to receive at least \$5,000 in compensation during a calendar year. Employees may contribute to their SIMPLE IRAs via Salary Reduction Agreements that may be terminated at any time, however, employees who terminate their agreements may not resume making contributions during the calendar year. 5CHC will contribute matching contributions up to 3% of employees' calendar year compensation.

Note 18 - 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 19 - Commitments

5CHC is committed to completion of any open funding contracts for 22/23 as well as the funding contracts for 23/24 listed in Note 20 on the following page.

The County of San Luis Obispo (SLOC) committed to providing the Boss Cubez dwelling units (cabins) for the planned Balay Ko on Barca shelter currently being developed. SLOC is working with their funder, HUD (the U.S. Department of Housing and Urban Development) whose funds were used to purchase the dwelling units to determine an allowable method of transferring the units to 5CHC; either as an in-kind contribution valued at \$582,695, or by creating another agreement, or lease. See Note 20 for more information on the Barca project.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 20 - Subsequent Events

Funding

The following grants and contracts were awarded, renewed, or extended by 5CHC's current funders for one or more fiscal years with the following spendable balances for work performed after June 30, 2023:

Contracts:	Amount
California Emergency Solutions and Housing	
CAPSLO, HUD Community Services Block Grant (CSBG)	93,751
CAPSLO, California Emergency Solutions and Housing (CESH)	135,035
CAPSLO, Coordinated Entry (CE) program	29,000
City of Arroyo Grande, American Rescue Plan Act (ARPA) funds	100,000
City of Grover Beach, HUD CDBG	1,042,929
San Luis Obispo County (SLOC), HUD CDBG COVID-19	148,511
SLOC, HUD HEARTH Emergency Solutions Grant (HESG)	144,346
SLOC, HUD Emergency Solutions Grant (ESG) COVID-19	189,982
SLOC, federal American Rescue Plan Act (ARPA) funds	535,936
SLOC, General Fund Support (GFS)	106,421
SLOC, Homeless Housing, Assistance, and Prevention (HHAP)	404,305
SLOC, HHAP, Youth Continuum of Care (CoC)	135,258
SLOC, HHAP, CoC, Homeless Prevention (HP)	260,926
SLOC, HHAP, CoC, Cabins	141,974
SLOC, Permanent Local Housing Allocation (PLHA)	59,514
Good Samaritan, Supportive Services for Veterans Families (SSVF)	55,194
Local Initiatives Support Corporation (LISC)	80,000
Subtotal contracts	3,663,082
 Grants:	
Balay Ko Foundation, Winter Warming Shelter	100,000
Bank of America	44,011
Central Coast Funds for Children, youth programs	4,587
State of California, CenCal, HHIP	928,460
CFSLOC, Thrive and general	16,985
CFSLOC, Knight Youth Fund	4,264
City of San Luis Obispo	12,570
City of Pismo Beach, Immediate Needs Program	25,000
Community Based Organization, preventive health grant	5,000
Emergency Food and Shelter Program (EFSP), grant no. 40	14,643
Kiwanis Service Club	847
Michael Miner	5,201
Order of the Eastern Star California - 97 Central Coast Star, Barca laundry	50,000
Womenade	2,000
Subtotal grants	1,213,568
Total contracts and grants	\$ 4,876,650

Bank Line of Credit

Mechanics Bank line of credit was renewed in August 2023. The line maximum borrowing amount remains \$300,000, while the interest rate changed to prime plus 1.50%, with a minimum rate of 9.75% at June 30, 2023. The rate increased to 10% on July 27, 2023. The note matures on July 9, 2024, and is secured by all assets of 5CHC.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 20 - Subsequent Events (continued)

New Leases

Leased parcel description

On May 23, 2023, 5CHC entered into a ground lease with a private owner for a parcel at 943 S. 4th Street, next to the Balay Ko on Barca site at 955 S. 4th Street, in the City of Grover Beach, where the next cabin transitional shelter for homeless people is planned for construction during the 23/24 fiscal year. The site will be used as a construction staging area for the Barca project, is 9,583 square feet (sf) in size, and contains a 1,200 sf building. Per terms of the lease agreement, the building may be renovated at 5CHC's expense, or removed after July 1, 2028 with 60 days notice to the owner. Possible uses for the building currently under consideration include a homeless services office, a warming shelter, or other potential alternatives to assist the homeless.

Basic terms of the lease

The 15-year lease began on July 1, 2023, matures on June 30, 2038, with a security deposit of \$1,400, and monthly rent of \$1,400, increasing each July 1 by the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for urban consumers in the Los Angeles area (CPI), to a maximum annual increase of 3% per year. The lease contains two five-year extension options with written notification provided to the owner six to nine months in advance. 5CHC has a right to cancel the lease agreement in writing during the period of July 1-15, 2024 with payment of rent through July 31, 2024.

Parcel purchase option

The lease contains an option to purchase the property. 5CHC exercises this option by providing written notice to the owner including a cashier's check for \$1,400. Within ten days of exercising this purchase option, the escrow company must receive the executed sales agreement and a deposit of \$10,000. 5CHC also has the option to purchase the property within one year of notification of the death of the owner. The sales price during fiscal year 23/24 is \$400,000, increasing each July 1 by the CPI described above, to a maximum of 3%. The sale is to be completed within 120 days of delivery of the sales agreement and deposit to the escrow company. The sales commission is 5% of the selling price and will be paid by the seller, as well as recording fees, transfer taxes, title insurance, and half of the escrow fees. 5CHC has 60 days to clear any purchase contingencies. If the sale is canceled by 5CHC, the seller retains the \$10,000 deposit to cover any damages incurred.

Related party new lease basic terms

On September 6, 2023, 5CHC leased an 1,800 sf building on a 9,686 sf lot at 1023 E. Grand Ave in Arroyo Grande California, for two outreach offices and a warming shelter, under an operating lease agreement to begin on January 1, 2024 or when certificate of occupancy is issued upon completion of agreed upon renovations by the lessor. Monthly rent is \$3,150 increasing annually per the CPI to a maximum of 5%. The lease contains one five-year extension option with rent reestablished at fair value agreed upon by both lessor and 5CHC. The new monthly rent must be a minimum of 93% and a maximum of 105% of the December 2028 rent. The lessor is a member of 5CHC's board of directors who engaged a third party real estate broker to negotiate lease terms with 5CHC.

The lease maturity schedule for the above new leases is as follows:

Year ending June 30,	<u>Amount</u>
2024	\$ 35,700
2025	56,052
2026	58,509
2027	61,078
2028	41,883
Thereafter	<u>246,242</u>
Total	<u>\$ 499,464</u>

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 20 - Subsequent Events (continued)

Balay Ko on Barca

SLOC purchased cabins for \$582,695 for a homeless shelter project but was unable to locate a site for them, and plans to provide the cabins to 5CHC via lease or in-kind contribution to be determined. 5CHC will install the cabins on their leased site at 955 S. 4th Street in Grover Beach (see Notes 14, 16, and "new leases" disclosure on the preceding page).

Balay Ko Foundation committed to funding the Barca project construction per a grant agreement totaling \$2,675,533. Balay Ko Foundation engaged Dignity Moves as the project developer and pays Dignity Moves and their subcontractors directly for construction costs. Balay Ko Foundation also agreed to provide operating funds for the shelter for calendar year 2024. The groundbreaking ceremony for the Barca project took place on November 6, 2023, and the shelter is scheduled for completion and inhabitation by mid-March 2024. 5CHC will operate the shelter once it opens and applicants selected to reside there move in. 5CHC is currently hiring and training new staff who will work at the shelter.

Pismo Terrace

Pismo Terrace is a new 50-unit affordable housing development being constructed by Peoples Self-Help Housing with 25 units set aside for the homeless, and five of these units for transitional-age homeless youth. 5CHC will provide case management services for occupants of the youth homeless units.

Winter Warming Center

The previous location for the warming center operated by 5CHC staff was not available for use after March of 2023. Accordingly, 5CHC located a building at 1023 E. Grand Ave. in Grover Beach as the permanent site for the warming center. See the lease description on the previous page under "Related party new lease basic terms." The building is being renovated and is not yet usable for the warming center. Since mid-December the warming center was opened at St. John's Lutheran Church on cold and rainy nights. The City of Arroyo Grande issued a temporary use permit for the warming center at the church between December 1, 2023 and January 31, 2024 when forecasted temperatures are expected to be 38 degrees or less or when there is a 50% or greater chance of rain overnight.

Balay Ko Foundation granted 5CHC \$100,000 for the Winter Warming Center, and the City of Arroyo Grande also awarded \$100,000 from their federal American Rescue Plan Act (COVID-19) funds to support support warming center operations.

Supplementary Information

Single Audit Reports

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal ASL Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Department of Housing and Urban Development				
Passed through Community Action Partnership of San Luis Obispo County (CAPSLO)				
COVID-19, CDBG Grants/Entitlement Grants	* 14.218	B-O-UW-06-0508	\$ 15,920	\$ 213,213
Passed through the City of Grover Beach			-	
CDBG Grants/Entitlement Grants (GB CDBG 19-21)	* 14.218	17-CDBG-12027	-	7,649
CDBG Grants/Entitlement Grants (GB CDBG 21-23)	* 14.218	21-CDBG-12027	-	84,159
COVID-19, CDBG Grants/Entitlement Grants (GB CDBG CV1)	* 14.218	20-CDBG-CV1-00022	11,986	16,738
COVID-19, CDBG Grants/Entitlement Grants (GB CDBG CV2/3)	* 14.218	20-CDBG-CV2-3-00077	-	127,686
Passed through San Luis Obispo County				
CDBG Grants/Entitlement Grants	* 14.218	B-22-UC-06-0508	-	48,292
COVID-19, CDBG Grants/Entitlement Grants	* 14.218	B-20-UW-06-0508	-	69,954
<i>Subtotal CFDA 14.218</i>			<u>27,906</u>	<u>567,691</u>
Passed through San Luis Obispo County				
COVID-19, Emergency Solutions Grants (ESG-CV2 B)	* 14.231	E-20-UW-06-0508	-	640,672
COVID-19, Emergency Solutions Grants (ESG-CV1)	* 14.231	E-20-UW-06-0508	8,829	13,714
COVID-19, Emergency Solutions Grants (ESG-CV 2 A)	* 14.231	E-20-UW-06-0508	-	613,962
COVID-19, Emergency Solutions Grants (CA-ESG CV1)	* 14.231	20-ESGCV1-0030	33,955	107,546
COVID-19, Emergency Solutions Grants (CA-ESG CV2)	* 14.231	20-ESGCV1-0030	-	1,359,195
Emergency Solutions Grants	* 14.231	20-ESG-15561	45,000	146,740
Emergency Solutions Grants	* 14.231	E-21-UC-06-0508	-	58,993
Emergency Solutions Grants	* 14.231	E-22-UC-06-0508	-	58,129
<i>Subtotal CFDA 14.231</i>			<u>87,784</u>	<u>2,998,951</u>
Passed through CAPSLO				
Continuum of Care Program	14.267	UNKNOWN	-	29,000
<i>Total Department of Housing and Urban Development</i>			<u>115,690</u>	<u>3,595,642</u>
Department of the Treasury				
Passed through Local Initiatives Support Corporation				
Emergency Rental Assistance Program	21.023	52511-0001	-	48,000
Passed through San Luis Obispo County				
COVID-19, Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act (ARPA)	21.027	Co-SLO Admin ARPA	-	139,064
<i>Total Department of the Treasury</i>			<u>-</u>	<u>187,064</u>
Department of Veterans Affairs				
Passed through Good Samaritan				
Supportive Services for Veterans Families	64.033	21-CA-359	-	13,004
Supportive Services for Veterans Families	64.033	22-CA-359	-	30,266
<i>Total Department of Veterans Affairs</i>			<u>-</u>	<u>43,270</u>
Department of Homeland Security				
Passed through United Way Worldwide				
COVID-19, Emergency Food & Shelter Program, ARPA	97.024	086400-037	-	65,173
Emergency Food & Shelter Program (Phase 39-40)	97.024	086400-037	-	13,485
<i>Total Department of Homeland Security</i>			<u>-</u>	<u>78,658</u>
<i>Total Federal Expenditures</i>			<u>\$ 115,690</u>	<u>\$ 3,904,634</u>

* Major federal program

The accompanying notes are an integral part of this schedule.

5CITIES HOMELESS COALITION, INC.
GROVER BEACH, CALIFORNIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of 5Cities Homeless Coalition (5CHC) under programs of the federal government for the year ended June 30, 2023. The information in the SEFA is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of 5CHC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of 5CHC.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 5CHC has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Findings and Recommendations

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

Identification of major federal programs:

ASL Number(s):	Name of Federal Program or Cluster:
14.218	CDBG Grants/Entitlement Grants
14.231	Emergency Solutions Grants Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low risk auditee under 2 CFR Section 200.520? yes no

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

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

Identification of major federal programs:

ASL Number(s):	Name of Federal Program or Cluster:
14.231	Emergency Solutions Grants Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low risk auditee under 2 CFR Section 200.520? yes no

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

GRIMSTAD & ASSOCIATE

Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors and Management of
5Cities Homeless Coalition
PO Box 558
Grover Beach, California 93483

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited 5Cities Homeless Coalition's (5CHC's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of 5CHC's major federal programs for the year ended June 30, 2023. 5CHC's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, 5CHC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of 5CHC and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of 5CHC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to 5CHC's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 5CHC's compliance based on my audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 5CHC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 5CHC's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of 5CHC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 5CHC's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

5Cities Homeless Coalition
February 5, 2024

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

GRIMSTAD & ASSOCIATE

A handwritten signature in black ink, appearing to read 'Signe Grimstad', written over a horizontal line.

Signe Grimstad
Certified Public Accountant
Newport, Oregon

February 5, 2024

GRIMSTAD & ASSOCIATE

Certified Public Accountants

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
5Cities Homeless Coalition
PO Box 558
Grover Beach, California 93483

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 5Cities Homeless Coalition (5CHC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated February 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered 5CHC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 5CHC's internal control. Accordingly, I do not express an opinion on the effectiveness of 5CHC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 5CHC's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GRIMSTAD & ASSOCIATE



Signe Grimstad
Certified Public Accountant
Newport, Oregon

February 5, 2024