

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORTS

FOR THE YEARS ENDED
DECEMBER 31, 2020 and 2019

McGILLOWAY, RAY, BROWN & KAUFMAN
ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gathering for Women – Monterey
Monterey, California

We have audited the accompanying financial statements of Gathering for Women – Monterey (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Sukhdev Singh, CPA
Laura Armbruster, CPA | Rose Maxwell, CPA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gathering for Women – Monterey as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2021, on our consideration of Gathering for Women – Monterey’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our 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 Gathering for Women – Monterey’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 Gathering for Women – Monterey’s internal control over financial reporting and compliance.



McGilloway, Ray, Brown & Kaufman
Salinas, California
May 3, 2021

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 799,890	\$ 441,306
Investments	215,805	215,260
Other receivables	-	40,178
Pledge receivables	11,425	21,105
Grant receivables	31,327	-
Prepaid expenses	16,620	2,411
Total current assets	1,075,067	720,260
Pledges receivable, less current portion	6,259	11,759
Property and equipment, net	2,660,158	2,790,773
Total assets	\$ 3,741,484	\$ 3,522,792
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 6,073	\$ 9,821
Accrued liabilities	20,849	15,467
Current portion of long-term debt	23,251	22,091
Total current liabilities	50,173	47,379
Long-term debt, less current portion, net	604,390	625,495
Total liabilities	654,563	672,874
Net Assets		
Without donor restrictions	2,969,144	2,631,349
With donor restrictions	117,777	218,569
Total net assets	3,086,921	2,849,918
Total liabilities and net assets	\$ 3,741,484	\$ 3,522,792

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

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor <u>Restrictions</u>	With Donor Restrictions	<u>Total</u>
Revenues and support			
Contributions	\$ 684,109	\$ 49,975	\$ 734,084
Grants	-	258,703	258,703
Paycheck Protection Program - Conditional Grant	84,100	-	84,100
Special events, net - note 11	83,444	-	83,444
Investment earnings, net	848	-	848
Loss on disposal of assets	(2,524)	-	(2,524)
	<u>849,977</u>	<u>308,678</u>	<u>1,158,655</u>
Net assets released from restrictions - time and purpose	<u>409,470</u>	<u>(409,470)</u>	<u>-</u>
Total revenues and support	<u>1,259,447</u>	<u>(100,792)</u>	<u>1,158,655</u>
Expenses			
Program services	694,674	-	694,674
Support services			
Management and general	140,236	-	140,236
Fundraising and development	86,742	-	86,742
Total expenses	<u>921,652</u>	<u>-</u>	<u>921,652</u>
Change in net assets	337,795	(100,792)	237,003
Net assets at beginning of year	<u>2,631,349</u>	<u>218,569</u>	<u>2,849,918</u>
Net assets at end of year	<u>\$ 2,969,144</u>	<u>\$ 117,777</u>	<u>\$ 3,086,921</u>

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

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Capital campaign contributions	\$ -	\$ 4,900	\$ 4,900
Contributions	414,370	1,235	415,605
Grants	-	321,866	321,866
Special events, net - note 11	87,153	-	87,153
Contributions - in-kind	11,000	-	11,000
Investment earnings, net	4,844	-	4,844
	<u>517,367</u>	<u>328,001</u>	<u>845,368</u>
Net assets released from restrictions - time and purpose	<u>397,162</u>	<u>(397,162)</u>	<u>-</u>
Total revenues and support	<u>914,529</u>	<u>(69,161)</u>	<u>845,368</u>
Expenses			
Program services	724,830	-	724,830
Support services			
Management and general	160,933	-	160,933
Fundraising and development	99,938	-	99,938
Total expenses	<u>985,701</u>	<u>-</u>	<u>985,701</u>
Change in net assets	(71,172)	(69,161)	(140,333)
Net assets at beginning of year	<u>2,702,521</u>	<u>287,730</u>	<u>2,990,251</u>
Net assets at end of year	<u>\$ 2,631,349</u>	<u>\$ 218,569</u>	<u>\$ 2,849,918</u>

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

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries	\$ 276,498	\$ 57,574	\$ 43,901	\$ 377,973
Employee benefits and payroll taxes	38,626	8,480	6,133	53,239
Total salaries and related expenses	315,124	66,054	50,034	431,212
Bank and credit card charges	-	372	3,611	3,983
Case management software	12,752	-	-	12,752
Depreciation	154,465	8,397	3,073	165,935
Development and fundraising	-	-	19,449	19,449
Direct special event expenses	-	-	4,358	4,358
Emergency assistance	26,222	-	253	26,475
Food service	50,541	-	-	50,541
Insurance	7,279	2,707	468	10,454
Interest	30,695	1,669	610	32,974
IT software and services	10,992	2,289	1,746	15,027
Other program costs	6,256	-	-	6,256
Outside services	21,275	636	233	22,144
Postage and printing	2,326	3,489	5,816	11,631
Professional fees	2,931	51,166	-	54,097
Storage	2,760	-	-	2,760
Repairs and maintenance	3,506	190	70	3,766
Supplies	10,333	861	757	11,951
Taxes and licenses	994	448	-	1,442
Training and staff development	-	257	-	257
Utilities	31,291	1,701	622	33,614
Volunteer development	681	-	-	681
Workforce Pathways	4,251	-	-	4,251
Total expenses	<u>\$ 694,674</u>	<u>\$ 140,236</u>	91,100	926,010
Less direct special event expenses			<u>(4,358)</u>	<u>(4,358)</u>
Total expenses net of direct special event expenses			<u>\$ 86,742</u>	<u>\$ 921,652</u>

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

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries	\$ 256,445	\$ 78,221	\$ 54,497	\$ 389,163
Employee benefits and payroll taxes	39,841	15,473	9,945	65,259
Total salaries and related expenses	296,286	93,694	64,442	454,422
Bank and credit card charges	-	360	1,803	2,163
Case management software	10,250	-	-	10,250
Depreciation	152,382	8,339	3,393	164,114
Development and fundraising	-	-	16,286	16,286
Direct special event expenses	-	-	21,225	21,225
Emergency assistance	36,388	74	972	37,434
Food service	54,528	-	-	54,528
Insurance	7,410	2,934	816	11,160
Interest	31,490	1,723	701	33,914
IT software and services	4,711	1,180	1,338	7,229
Other program costs	12,873	280	-	13,153
Outside services	24,488	1,143	304	25,935
Postage and printing	2,712	4,068	6,780	13,560
Professional fees	3,818	42,908	-	46,726
Storage	1,850	-	-	1,850
Repairs and maintenance	8,141	446	181	8,768
Supplies	11,359	1,778	2,086	15,223
Survey and data collection	17,862	-	-	17,862
Taxes and licenses	1,504	214	12	1,730
Training and staff development	504	131	148	783
Utilities	30,350	1,661	676	32,687
Volunteer development	3,476	-	-	3,476
Workforce Pathways	12,448	-	-	12,448
Total expenses	<u>\$ 724,830</u>	<u>\$ 160,933</u>	121,163	1,006,926
Less direct special event expenses			<u>(21,225)</u>	<u>(21,225)</u>
Total expenses net of direct special event expenses			<u>\$ 99,938</u>	<u>\$ 985,701</u>

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

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 237,003	\$ (140,333)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	165,935	164,114
Amortization of debt issuance cost	2,148	2,148
Change in value of investments	(545)	(4,365)
(Increase) decrease in operating assets		
Other receivables	40,178	12,943
Pledges receivable	15,180	20,650
Grant receivables	(31,327)	-
Prepaid expenses	(14,209)	16,490
Increase (decrease) in operating liabilities		
Accounts payable	(3,748)	(6,734)
Accrued liabilities	5,382	73
Net cash provided by operating activities	415,997	64,986
Cash Flows from Investing Activities		
Proceeds from sale of land, building, and equipment	2,524	-
Purchases of land, building and equipment	(37,844)	(62,386)
Net cash used by investing activities	(35,320)	(62,386)
Cash Flows from Financing Activities		
Payments on long-term debt	(22,093)	(21,152)
Net cash used by financing activities	(22,093)	(21,152)
Change in cash and cash equivalents	358,584	(18,552)
Cash and cash equivalents at beginning of year	441,306	459,858
Cash and cash equivalents at end of year	\$ 799,890	\$ 441,306
Supplemental Disclosure of Cash Flows Information		
Cash paid for interest	\$ 32,974	\$ 33,914

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

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Description of Organization

Gathering for Women – Monterey (the Organization) was incorporated as a nonprofit public benefit corporation in the state of California. The Organization’s mission is to provide homeless women on the Monterey Peninsula with supportive resources, a caring community and a centralized safe place that links service providers with the women who need their help.

The Organization provides hot, nutritious meals, needed clothing, personal care and sanitary items, showers and emergency assistance such as vouchers for gas, bus and laundry facilities. The Organization also offers education to promote health and safety, access to free basic health care and connection to other community service providers.

A key element of the program is a Next Step case management and navigator service that encourages women to identify their strengths and potential and move forward on a pathway out of homelessness.

2. Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities.

Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. Therefore, it requires that the amounts for each of the classes of net assets with donor restrictions and without donor restrictions be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions over which the Board of Directors have discretionary control in carrying out the operations of the Organization.

The Organization’s Board of Directors has designated a portion of net assets without donor restrictions as a liquidity reserve, see Note 3.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Income from investment gains and losses, including unrealized gains and losses, dividends and interest should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing

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basis, the Organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital nature. The Organization maintains cash balances at several financial institutions. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The balances occasionally may exceed those limits.

Investments

The Organization invests cash in excess of its immediate cash needs in money market funds and certificates of deposit. Investments are initially recorded at cost of purchase or at fair value at date of donation if contributed. Subsequent to acquisition, investments are reported at fair value based upon market quotations. Investment income and realized and unrealized gains and losses are recognized as net assets without donor restrictions, unless their use by donors is designated with donor restriction to a specific purpose or future project. At December 31, 2020 and 2019, investments consist primarily of money market funds.

Other Receivables

Other receivables are primarily unsecured non-interest-bearing amounts due from donors, or grantors on cost reimbursement or performance grants. Management believes that all outstanding receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Pledge Receivables

Pledge receivables are unconditional promises to give that are recognized as contributions when the promise is received. Management has determined that all pledges receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Grant Receivables

Grant receivables consist of amounts received from other organizations. The amounts are recorded when the grant is awarded. Management believes that all outstanding receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Property and Equipment, net

Land, buildings, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Building and improvements	15 - 39 years
Land improvements	15 - 39 years
Kitchen equipment	7 - 15 years
Furniture and fixtures	5 - 7 years
Office equipment	3 - 7 years
Computer equipment	3 - 5 years

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Accrued Vacation

Full time employees who regularly work 30 or more hours per week accrue vacation pay from the date of hire. Employees are eligible to use accrued vacation after they complete at least 3 months of continuous service. Vacation accrual and maximum cap are varied based on years of continuous service.

Revenue Recognition

Contributions – The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At December 31, 2020 and 2019 all contributions have been recognized in the accompanying statement of activities because the conditions have been met. Contributions are considered to be without donor restrictions, unless specifically restricted by the donor. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grants – A portion of the Organization’s revenue is derived from grants and government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring expenditures are reported as refundable advances in the statement of financial position. At December 31, 2020 and 2019, all grants were recognized because qualifying expenditures had been incurred.

In-kind Goods and Services – In-kind donations consist primarily of donated artwork and media services and are reported at fair-market value at the time of the gift. In addition, donated services are received from a variety of unpaid volunteers assisting in the operations of the Organization. No amounts have been recognized in the accompanying financial statements for these services because the criteria for recognition of such volunteer efforts has not been satisfied. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if they were not provided by contribution, require specialized skills, and are provided by individuals possessing these skills.

Paycheck Protection Program – Conditional Grant

The Organization is accounting for Paycheck Protection Program funding as a conditional grant in accordance with ASC 958-605, Not-for-Profit Entities: *Revenue Recognition*. This standard indicated that the conditions of the grant should be “substantially met” by the Organization before the receipt of assets is recognized as revenue. At December 31, 2020 all program funding were recognized because qualifying expenditures have been incurred.

Special Events – The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place (see Note 11).

Expense Recognition and Allocation

The cost of providing the Organization’s program and other activities is summarized on a function basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support

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service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits and payroll taxes are allocated based on management's estimates.
- Occupancy, depreciation, amortization and interest are allocated on a square footage basis dependent on the programs and supporting services occupying the space.
- Telephone and internet services, insurance, supplies, and miscellaneous expenses that cannot be directly identified are allocated based on ratios determined by management.

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 the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization does not generally conduct its fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

Tax Status

The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), and a similar provision in the California tax codes, though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

Reclassifications

Certain accounts in the prior-year comparative financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. There was no impact on previously reported change in net assets.

Upcoming Accounting Pronouncements

ASU 2020-07

In September 2020, the FASB issued ASU No. 2020-07 (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gift-in-kind. The guidance is effective for periods beginning after June 15, 2021. The amendments in this Update is required to be applied on a retrospective basis. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements and expects the impact to be de minimis.

GATHERING FOR WOMEN – MONTEREY
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3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of December 31, 2020 and 2019 are as follows:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 799,890	\$ 441,306
Investments	215,805	215,260
Other receivables	-	40,178
Pledge receivables	17,684	32,864
Grant receivables	31,327	-
Total financial assets	1,064,706	729,608
Less financial assets held to meet donor-imposed restrictions		
Purpose restricted net assets	117,777	218,569
Less financial assets not available within one year		
Pledges receivable	6,259	11,759
Less board-designated operating reserve	250,000	250,000
Amount available for general expenditures within one year	\$ 690,670	\$ 249,280

As part of the Organization’s liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to the amount available for general expenditures within one year, the Organization has board-designated reserve net assets without donor restrictions of \$250,000 that, while the Organization does not intend for purposes other than those identified, the amount could be made available for current operations, with Board approval, if necessary.

4. Fair Value Measurements

The Organization measures its investments at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC) 820. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements. The guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The three levels are defined as follows:

- **Level 1** – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SPCA has the ability to access. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks and mutual funds.
- **Level 2** – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instruments. Most debt securities, preferred stocks,

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certain equity securities, short-term investments, and derivatives are valued using model pricing using observable inputs and are classified as Level 2.

- **Level 3** – inputs to the valuation methodology are unobservable and significant to the fair value measurements. These inputs reflect assumptions of management about pricing the assets or liabilities, including assumptions about risk such as bid/ask spreads and liquidity discounts. Example of Level 3 assets include investment in limited partnership.

A financial instrument’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

5. Investments

Investments measured at fair value on a recurring basis have been categorized into the following fair value hierarchy as follows at December 31:

	2020 (Level 1)	2019 (Level 1)
Money Market Funds	<u>\$ 215,805</u>	<u>\$ 215,260</u>

6. Receivables

Pledge receivables at December 31 are as follows:

	2020	2019
Amount due in		
Less than one year	\$ 11,425	\$ 21,105
One to two years	6,259	11,759
Total	<u>\$ 17,684</u>	<u>\$ 32,864</u>

Other receivables and grant receivables at December 31, 2020 and 2019 are all deemed collectible in less than one year.

7. Property and Equipment, net

Property and equipment at December 31 are as follows:

	2020	2019
Land	\$ 530,033	\$ 530,033
Land improvements	111,917	111,917
Building and improvements	2,095,905	2,095,905
Kitchen equipment	149,644	149,644
Furniture and fixtures	43,963	43,963
Artwork	14,750	14,750
Office equipment	44,775	44,775
Computer equipment	21,453	15,986
Vehicles	28,171	-
	<u>3,040,611</u>	<u>3,006,973</u>
Accumulated depreciation	<u>(380,453)</u>	<u>(216,200)</u>
Total property and equipment, net	<u>\$ 2,660,158</u>	<u>\$ 2,790,773</u>

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Depreciation expense for the years ended December 31, 2020 and 2019 totaled, \$165,935 and \$164,114, respectively.

8. Long-Term Debt

Long term debt consisted of the following as of December 31:

	2020	2019
The Organization entered into a note payable with a bank in October 2017. The note is secured by the Organization's land and building. Payments of \$4,410 are due monthly through October 25, 2024 with an effective interest rate of 4.745%. A final balloon payment to pay off the outstanding balance is due on October 25, 2024.	\$ 635,841	\$ 657,934
Unamortized debt issuance cost	(8,200)	(10,348)
Long-term debt, less unamortized debt issuance cost	627,641	647,586
Current portion	(23,251)	(22,091)
Total long-term debt, less current portion	\$ 604,390	\$ 625,495

Total interest incurred and amortized debt issuance cost for the years ended December 31, 2020 and 2019, were \$32,974 and \$33,914, respectively.

Scheduled principal payments on the note payable are as follows:

For the Year Ended December 31,	Amount
2021	\$ 23,251
2022	24,378
2023	25,561
2024	554,451
Total	\$ 627,641

9. Paycheck Protection Program – Conditional Grant

The Organization was granted a loan (the “Loan”) from 1st Capital Bank in the aggregate amount of \$84,100 under the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief, and Economic security (CARES) Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated April 30, 2020, issued by the borrower, matures on April 30, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 30, 2020. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs. Costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 29, 2020. The Organization intends to use the entire Loan for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

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The Organization is accounting for PPP funding as a conditional grant in accordance with ASC 958-605, Not-for-Profit Entities: *Revenue Recognition*. This standard indicates that the conditions of the grant should be “substantially met” by the Organization before the receipt of assets is recorded as revenue.

The Organization has released \$84,100 as of December 31, 2020 and recognized that amount as grant revenue in the statement of activities for the year ended December 31, 2020.

10. Net Assets

Net assets without donor restrictions consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 2,719,144	\$ 2,381,349
Board-designated operating reserve	<u>250,000</u>	<u>250,000</u>
	<u>\$ 2,969,144</u>	<u>\$ 2,631,349</u>

Net assets with donor restrictions consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Funds reserved for capital campaign improvements	\$ 38,696	\$ 105,053
Grants restricted for:		
Use in future periods	54,306	84,616
Next Step Case Management	-	23,400
Program vouchers	-	5,500
Shelter	19,975	-
Make a Difference fund	2,971	-
Vehicle	<u>1,829</u>	<u>-</u>
	<u>\$ 117,777</u>	<u>\$ 218,569</u>

Releases from net assets with donor restrictions consist of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Released for satisfaction of specific purpose:		
Capital campaign	\$ 66,358	\$ 114,395
Case management	76,987	128,600
Workforce Pathways program	-	27,818
Emergency services	12,459	1,235
Food service	39,875	32,866
COVID-19 relief	32,975	-
Vehicle	28,171	-
Other	33,529	31,500
Released for use due to time	<u>119,116</u>	<u>60,748</u>
	<u>\$ 409,470</u>	<u>\$ 397,162</u>

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11. Special Events

The Organization held various special fundraising events during the years ended December 31, 2020 and 2019. The following represents the results of those events:

	2020				
	Community Breakfast	Gathering Hearts Luncheon	Art/Craft Fair	Party with a Purpose	Total
Revenue					
Donations	\$ -	\$ 8,400	\$ 3,267	\$ 74,635	\$ 86,302
Sponsorships	1,500	-	-	-	1,500
Total revenue	1,500	8,400	3,267	74,635	87,802
Expenses					
Net	(2,165)	(1,650)	(543)	-	(4,358)
	\$ (665)	\$ 6,750	\$ 2,724	\$ 74,635	\$ 83,444
	2019				
	Community Breakfast	Gathering Hearts Luncheon	Open House Events		Total
Revenue					
Donations	\$ 37,723	\$ 26,365	\$ 18,650		\$ 82,738
Ticket sales	4,740	-	-		4,740
Sponsorships	20,900	-	-		20,900
Total revenue	63,363	26,365	18,650		108,378
Expenses					
Net	(18,214)	(2,451)	(560)		(21,225)
	\$ 45,149	\$ 23,914	\$ 18,090		\$ 87,153

12. Government Grants

The Organization has been awarded government assistance contracts through local government agencies as listed below. Funds were distributed to the various programs according to the scope of the contract awards. Claimed expenses include expenses that are allocated to management and general in the accompanying statement of functional expenses.

Financial awards from such government entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for liabilities that may arise from such audits and the Organization's management is monitoring grant expenses to verify compliance requirements are met.

Funding Source	Contract Period	Total Contract
City of Monterey - Community Development Block Grant	7/1/2020 - 6/30/2021	\$ 10,587
Monterey County - Community Action Partnership	1/1/2020 - 12/31/2020	\$ 40,000

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13. Risks and Uncertainties

COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries including the United States. On March 11, 2020, the World Health Organization characterized COVID-19, as a pandemic. In addition, several states including California, where Gathering for Women - Monterey is headquartered, have declared a state of emergency.

Future potential impacts may include continued disruptions of performances and impairment of the Organization's ability to obtain contributions. In addition, COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that would affect the demand for the Organization's performances and future grant and donor funding.

The Organization has taken precautionary measures such as social distancing strategies, increased sanitation procedures and has limited services to take away breakfasts and lunches, showers, and emergency clothes closet visits. Management is carefully monitoring the situation and adjusting operations in response to new information.

The Organization maintains a \$250,000 board designated operating reserve, which is available to mitigate negative impacts of the pandemic should it become necessary.

14. Subsequent Events

Casa de Noche Buena Shelter Project

In 2020, the Organization formed a collaboration with Community Human Services (CHS) to open a shelter facility for women and families with children. Funding under the State of California's Homeless Emergency Aid Program (HEAP) was awarded through CHS for the capital development of a Monterey County-owned building in Seaside, California for use as a shelter. The Organization and CHS will jointly pursue additional funding for ongoing operations through both public and private sources.

The shelter will provide women and families with children a place to live and supportive services for up to six months. The shelter will provide women and families with necessary linkages to income, education, employment, and housing, as well as assessment and referrals to mental health, substance abuse and other services depending on their individual needs with the ultimate goal of providing residents with a bridge to long-term housing and economic stability.

The Organization will prepare and transport meals to the shelter and provide case management services for the women residents. These services will be provided under an agreement with CHS which provides for reimbursement of direct costs and a 10% indirect cost provision.

Construction to complete necessary upgrades to the site began in May 2020 and were completed in January 2021. The shelter opened its doors on January 19, 2021. Due to COVID-19 restrictions, capacity is limited at the date of this report but will be fully operational once those restrictions are lifted.

In connection with the preparation of financial statements in accordance with ASC Topic 855, *Subsequent Events*, management of the Organization has performed an analysis of the activities and transactions subsequent to December 31, 2020 to determine the need for adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2020 through May 3, 2021, which is the date the financial statements were available to be issued and determined that no other items need to be disclosed.



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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*

To the Board of Directors of
Gathering for Women – Monterey
Monterey, California

We 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 Gathering for Women - Monterey (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gathering for Women - Monterey internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gathering for Women - Monterey's internal control. Accordingly, we do not express an opinion on the effectiveness of Gathering for Women - Monterey'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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Sukhdev Singh, CPA
Laura Armbruster, CPA | Rose Maxwell, CPA

Compliance and Other Matter

As part of obtaining reasonable assurance about whether Gathering for Women - Monterey's financial statements are free from material misstatement, we 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McGilloway, Ray, Brown & Kaufman
Salinas, California
May 3, 2021