

**GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Corporation)**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

**McGILLOWAY, RAY, BROWN & KAUFMAN
ACCOUNTANTS & CONSULTANTS**

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**McGilloway | Ray
Brown | Kaufman**
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road
Suite A180
Monterey, CA 93940
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

3478 Buskirk Avenue
Suite A1000
Pleasant Hill, CA 94523
831-373-3337
Fax 831-373-3437

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gathering for Women – Monterey

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, 2019, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019, 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.

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

Prior Period Financial Statements

The financial statements of Gathering for Women – Monterey as of December 31, 2018 were audited by other auditors whose report dated May 23, 2019 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2020, 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
April 15, 2020

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 441,306	\$ 459,858
Investments	215,260	210,895
Other receivables	40,178	53,121
Pledges receivable	21,105	41,055
Prepaid expenses	2,411	18,901
Total current assets	720,260	783,830
Pledges receivable, less current portion	11,759	12,459
Property and equipment, net	2,790,773	2,892,501
Total assets	\$ 3,522,792	\$ 3,688,790
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 9,821	\$ 16,555
Accrued liabilities	15,467	15,394
Current portion of long-term debt	22,091	21,154
Total current liabilities	47,379	53,103
Long-term debt	625,495	645,436
Total liabilities	672,874	698,539
Net Assets:		
Without donor restrictions	2,631,349	2,702,521
With donor restrictions	218,569	287,730
Total net assets	2,849,918	2,990,251
Total liabilities and net assets	\$ 3,522,792	\$ 3,688,790

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

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Corporation)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support				
Capital campaign contributions	\$ -	\$ 4,900	\$ 4,900	\$ 847,685
Contributions	414,370	1,235	415,605	833,323
Grants	-	321,866	321,866	282,250
Special events, net - note 10	87,153	-	87,153	71,226
Contributions - in-kind	11,000	-	11,000	52,734
Investment earnings, net	4,844	-	4,844	3,538
	<u>517,367</u>	<u>328,001</u>	<u>845,368</u>	<u>2,090,756</u>
Net assets released from restrictions - time and purpose	397,162	(397,162)	-	-
Total revenues and support	<u>914,529</u>	<u>(69,161)</u>	<u>845,368</u>	<u>2,090,756</u>
Expenses				
Program services	724,830	-	724,830	602,476
Support services				
Management and general	160,933	-	160,933	127,390
Fundraising and development	99,938	-	99,938	75,515
Total expenses	<u>985,701</u>	<u>-</u>	<u>985,701</u>	<u>805,381</u>
Change in net assets	(71,172)	(69,161)	(140,333)	1,285,375
Net assets at beginning of year	2,702,521	287,730	2,990,251	1,731,167
Net assets at end of year	<u>\$ 2,631,349</u>	<u>\$ 218,569</u>	<u>\$ 2,849,918</u>	<u>\$ 3,016,542</u>

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

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018			
	Program Services	Management and General	Fundraising and Development	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries	\$ 256,445	\$ 78,221	\$ 54,497	\$ 212,563	\$ 60,574	\$ 26,176	\$ 299,313
Employee benefits and payroll taxes	39,841	15,473	9,945	32,068	9,138	3,949	45,155
Total salaries and related expenses	296,286	93,694	64,442	244,631	69,712	30,125	344,468
Advertising	-	-	-	-	-	840	840
Bank and credit card charges	-	360	1,803	-	2,102	-	2,102
Case management subscription and training	10,250	-	-	34,444	-	-	34,444
Depreciation and amortization	154,377	8,448	3,437	46,945	2,569	1,045	50,559
Development fundraising	-	-	16,286	-	-	32,038	32,038
Direct special event expenses	-	-	21,225	-	-	26,291	26,291
Emergency assistance	36,388	74	972	54,201	-	-	54,201
Food service	54,528	-	-	45,960	-	-	45,960
Insurance	7,410	2,934	816	6,042	2,292	307	8,641
Interest	29,495	1,614	657	30,064	1,645	669	32,378
IT software and services	4,711	1,180	1,338	15,337	5,762	2,272	23,371
Other program costs	12,873	280	-	-	-	-	-
Outside services	24,488	1,143	304	8,957	1,085	845	10,887
Postage and printing	2,712	4,068	6,780	1,575	2,364	3,940	7,879
Professional fees	3,818	42,908	-	-	25,644	550	26,194
Rent	1,850	-	-	22,411	2,588	1,725	26,724
Repairs and maintenance	8,141	446	181	12,558	687	280	13,525
Small equipment	-	-	-	9,198	3,062	-	12,260
Supplies	11,359	1,778	2,086	14,804	5,843	94	20,741
Survey and data collection	17,862	-	-	19,181	-	-	19,181
Taxes and licenses	1,504	214	12	283	166	6	455
Training and staff development	504	131	148	1,470	490	218	2,178
Utilities	30,350	1,661	676	25,196	1,379	561	27,136
Volunteer development	3,476	-	-	7,037	-	-	7,037
Workforce Pathways	12,448	-	-	2,182	-	-	2,182
Total expenses	\$ 724,830	\$ 160,933	\$ 121,163	\$ 602,476	\$ 127,390	\$ 101,806	\$ 831,672
Less direct special event expenses	-	-	(21,225)	-	-	(26,291)	-
Total expenses net of direct special event expenses	\$ 724,830	\$ 160,933	\$ 99,938	\$ 602,476	\$ 127,390	\$ 75,515	\$ 831,672

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

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (140,333)	\$ 1,259,084
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	166,262	50,559
Donation of securities	-	(53,654)
Change in value of investments	(4,365)	(102)
Donation of fixed assets	-	(35,560)
(Increase) decrease in operating assets		
Interest receivable	-	1,169
Pledges receivable	20,650	(44,860)
Other receivables	12,943	(40,871)
Prepaid expenses	16,490	(4,715)
Increase (decrease) in operating liabilities		
Accounts payable	(6,734)	2,462
Accrued liabilities	73	9,000
Net cash provided by operating activities	<u>64,986</u>	<u>1,142,512</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	-	1,149,962
Purchases of investments	-	(554,881)
Purchases of land, building and equipment	<u>(62,386)</u>	<u>(1,668,993)</u>
Net cash used by investing activities	<u>(62,386)</u>	<u>(1,073,912)</u>
Cash Flows from Financing Activities		
Payments on long-term debt	<u>(21,152)</u>	<u>(3,414)</u>
Net cash used by financing activities	<u>(21,152)</u>	<u>(3,414)</u>
Change in cash and cash equivalents	(18,552)	65,186
Cash and cash equivalents at beginning of year	<u>459,858</u>	<u>394,672</u>
Cash and cash equivalents at end of year	<u>\$ 441,306</u>	<u>\$ 459,858</u>
Supplemental Disclosure of Cash Flows Information		
Cash paid for interest	<u>\$ 31,766</u>	<u>\$ 32,378</u>

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

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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.

Uses 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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FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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.

Pledges Receivable

Pledges receivable 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.

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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(A NONPROFIT CORPORATION)
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FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018 all contributions have been recognized in the accompanying statement of activities because the conditions have been met.

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, 2019 and 2018, 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.

Special Events – The Organization records special event 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 10).

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 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.

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
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Tax Status

The Organization is except 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.

Recently Issued Accounting Pronouncements

ASU 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which amended revenue recognition guidance to clarify the principles for recognizing revenues from contracts with customers. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, disclosures are required about customer contracts, significant judgement and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years beginning after December 15, 2018. This ASU has been applied to the years presented but no material changes to the financial statements.

ASU 2018-08

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The amendments provide for additional clarifying guidance resulting in greater consistency in application and make the accounting for contributions more operable. The guidance is effective for periods beginning after December 15, 2018. The amendments in this Update should be applied on a modified prospective basis. Retrospective application is permitted. The Organization has adopted ASU No. 2018-08 and the implementation did not cause material changes to the financial statements.

Upcoming Accounting Pronouncements

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, which amends the FASB Accounting Standards Codification and creates Topic 842, *Leases*, requiring organizations to recognize lease assets and lease liabilities on the statement of net position and requiring disclosure of key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2020. ASU No. 2016-02 mandates a modified retrospective transition method. 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.

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.

GATHERING FOR WOMEN – MONTEREY
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NOTES TO FINANCIAL STATEMENTS
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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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	\$ 441,306	\$ 459,858
Investments	215,260	210,895
Pledges receivable	32,864	53,514
Other receivables	<u>40,178</u>	<u>53,121</u>
Total financial assets	729,608	777,388
Less financial assets held to meet donor-imposed restrictions		
Purpose restricted net assets	218,569	287,730
Less financial assets not available within one year		
Pledges receivable	11,759	12,459
Less board-designated operating reserve	<u>250,000</u>	<u>250,000</u>
Amount available for general expenditures within one year	<u>\$ 249,280</u>	<u>\$ 227,199</u>

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 reports fair value measures of its financial assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability’s measurement within the fair value hierarchy is based on the lowest level of input that is significant to that measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2* - Inputs that are other than quoted prices in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets.
 - quoted prices for identical or similar assets in markets that are not active.
 - observable inputs other than quoted prices for the asset or liability; and
 - inputs derived principally from, or corroborated by, observable market data correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value if observable inputs are not available.

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NOTES TO FINANCIAL STATEMENTS
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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:

	2019 <u>(Level 1)</u>	2018 <u>(Level 1)</u>
Money Market Funds	\$ 215,260	\$ 210,895

6. Receivables

Pledges receivable at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Amount due in		
Less than one year	\$ 21,105	\$ 41,055
One to two years	11,759	12,459
Total	<u>\$ 32,864</u>	<u>\$ 53,514</u>

Other receivables at year end 2019 and 2018 are all deemed collectible in less than one year.

7. Property and Equipment, net

Property and equipment at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 530,033	\$ 530,033
Land improvements	111,917	111,917
Building and improvements	2,095,905	2,067,298
Kitchen equipment	149,644	127,796
Furniture and fixtures	43,963	42,713
Artwork	14,750	3,750
Office equipment	44,775	44,775
Computer equipment	15,986	14,983
	<u>3,006,973</u>	<u>2,943,265</u>
Accumulated depreciation	<u>(216,200)</u>	<u>(52,086)</u>
	2,790,773	2,891,179
Construction in progress	-	1,322
Total property and equipment, net	<u>\$ 2,790,773</u>	<u>\$ 2,892,501</u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled, \$164,114 and \$48,411, respectively.

GATHERING FOR WOMEN – MONTEREY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

8. Long-Term Debt

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

	2019	2018
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.	\$ 657,934	\$ 679,086
Unamortized debt issuance cost	(10,348)	(12,496)
Long-term debt, less unamortized debt issuance cost	647,586	666,590
Current portion	(22,091)	(21,154)
Total long-term debt, less current portion	\$ 625,495	\$ 645,436

Total interest incurred and expenses for the years ended December 31, 2019 and 2018, were \$31,766 and \$32,378, respectively.

Scheduled principle payments on the note payable are as follows:

For the Year Ended December 31,	Amount
2020	\$ 22,091
2021	23,251
2022	24,378
2023	25,561
2024	552,305
Total	\$ 647,586

9. Net Assets

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

	2019	2018
Undesignated	\$ 2,381,349	\$ 2,452,521
Board-designated operating reserve	250,000	250,000
	\$ 2,631,349	\$ 2,702,521

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	<u>2019</u>	<u>2018</u>
Funds reserved for capital campaign improvements	\$ 105,053	\$ 214,548
Grants restricted for:		
Use in future periods	84,616	45,364
Next Step Case Management	23,400	-
Program vouchers	5,500	-
Restricted donations for Workforce Pathways program	-	27,818
	<u>\$ 218,569</u>	<u>\$ 287,730</u>

Releases from net assets with donor restriction consist of the following for the year ended December 31:

	<u>2019</u>	<u>2018</u>
Released for satisfaction of specific purpose:		
Capital campaign	\$ 114,395	\$ 1,717,503
Case management	128,600	9,300
Workforce Pathways program	27,818	2,182
Emergency services	1,235	10,368
Food service	32,866	8,503
Data collection	-	18,636
Operations	-	265,500
Other	31,500	22,100
Released for use due to time	60,748	33,334
	<u>\$ 397,162</u>	<u>\$ 2,087,426</u>

10. Special Events

The Organization held various special fundraising events during the years ended December 31, 2019 and 2018. The following represents the results of those events:

	Community <u>Breakfast</u>	Gathering Hearts <u>Luncheon</u>	Open House <u>Events</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenue					
Donations	\$ 37,723	\$ 26,365	\$ 18,650	\$ 82,738	\$ 85,602
Ticket sales	4,740	-	-	4,740	2,065
Sponsorships	20,900	-	-	20,900	9,850
Total revenue	<u>63,363</u>	<u>26,365</u>	<u>18,650</u>	<u>108,378</u>	<u>97,517</u>
Expenses	<u>(18,214)</u>	<u>(2,451)</u>	<u>(560)</u>	<u>(21,225)</u>	<u>(26,291)</u>
Net	<u>\$ 45,149</u>	<u>\$ 23,914</u>	<u>\$ 18,090</u>	<u>\$ 87,153</u>	<u>\$ 71,226</u>

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11. Government Contracts

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	07/01/2019 - 06/30/2020	\$ 14,000
Monterey County - Community Action Partnership	01/01/2018 - 12/31/2018	\$ 30,000
	01/01/2019 - 12/31/2019	\$ 30,000

12. Subsequent Events

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus, COVID-19, as a pandemic, which continues to spread throughout the United States. The impacts of COVID-19 may have a material adverse impact on the Organization. The Organization cannot reasonably estimate the length or severity of this pandemic and, therefore, the related financial impact cannot be reasonably estimated at this time.

As of April 15, 2020, 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.

Casa de Noche Buena Shelter Project

In 2019, the Organization formed a collaboration with Community Human Services (CHS) and successfully applied for fundraising under the State of California's Homeless Emergency Aid Program (HEAP) to open and operate a shelter facility for women and families with children. HEAP funding was awarded for the capital development of a Monterey County-owned building in Seaside, California for use as a shelter, and for a few months of shelter operations. Additional funding for operations will be pursued 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 Organization and CHS case managers will work with the women and families to provide 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 and educational stability.

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Construction to complete necessary upgrades to the site is expected to begin in May 2020 with an anticipated opening date of October 2020. The Organization does not believe the COVID-19 pandemic of Spring 2020 will affect the timeline or funding of the shelter.

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, 2019 to determine the need for adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019 through April 15, 2020, which is the date the financial statements were available to be issued and determined that no other items need to be disclosed.



**McGilloway | Ray
Brown | Kaufman**
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road
Suite A180
Monterey, CA 93940
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

3478 Buskirk Avenue
Suite A1000
Pleasant Hill, CA 94523
831-373-3337
Fax 831-373-3437

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

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, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be significant deficiencies.

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 Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Gathering for Women's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.



McGilloway, Ray, Brown & Kaufman
Salinas, California
April 15, 2020

GATHERING FOR WOMEN - MONTEREY
(A NONPROFIT CORPORATION)
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number	2019-001
Finding Type	Significant Deficiency
Repeat Finding	No
Criteria	Management is responsible for establishing and maintaining effective approval processes that should be consistently followed.
Condition	It was noted that the Organization does not follow established approval procedures for all disbursements.
Cause	Approval procedures were inconsistently applied to payroll timecards and debit card transactions, causing transactions to be processed and paid before appropriately approved.
Effect	Processing cash disbursements before appropriate approval can lead to errors and unauthorized expenditures.
Recommendation	The Organization should follow appropriate approval controls for all cash disbursements. Payroll timecards should be approved before payroll is processed. All debit card purchases should be approved before the purchase is made, unless the purchase is an emergency need for a client. If the purchase is deemed an emergency, the expense should be approved as soon as possible, and no later than one to two days later.
Views of Responsible Officials	<p>In 2019, the Organization experienced a leadership transition when the prior Executive Director resigned in February and a permanent replacement did not come on board until August. A temporary, part-time Executive Director was hired in the interim period but many times, it was not feasible to obtain approval prior to incurring the expense or submitting payroll given the limited number of hours available in their contract.</p> <p>Beginning in late 2019, additional controls over the use of the debit card were implemented and currently any debit card transaction must have an <i>Expense Request and Payment Approval Form</i> signed by the Executive Director prior to use of the card.</p> <p>In addition, the Executive Director reviews and approves all timesheets prior to submitting payroll to Paychex for processing. All other expenses are reviewed and signed by the Executive Director indicating approval prior to entering in QuickBooks.</p>

