

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2021 and 2020

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

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gathering for Women – Monterey as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gathering for Women – Monterey to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, 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 aggregate, that raise substantial doubt about Gathering for Women - Monterey's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gathering for Women - Monterey's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gathering for Women - Monterey's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2022, 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
June 22, 2022

GATHERING FOR WOMEN - MONTEREY
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 985,342 | \$ 799,890 |
| Investments | 223,935 | 215,805 |
| Contract receivables | 6,447 | - |
| Pledge receivables | 18,082 | 11,425 |
| Grant and contribution receivables | 209,020 | 31,327 |
| Prepaid expenses | 2,975 | 16,620 |
| Total current assets | 1,445,801 | 1,075,067 |
| Pledges receivable, less current portion | 2,599 | 6,259 |
| Property and equipment, net | 2,512,446 | 2,660,158 |
| Total assets | \$ 3,960,846 | \$ 3,741,484 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 37,872 | \$ 6,073 |
| Accrued liabilities | 24,747 | 20,849 |
| Deferred revenue | 40,000 | - |
| Current portion of long-term debt | 30,773 | 23,251 |
| Total current liabilities | 133,392 | 50,173 |
| Long-term debt, less current portion, net | 443,910 | 604,390 |
| Total liabilities | 577,302 | 654,563 |
| Net Assets | | |
| Without donor restrictions | 3,205,684 | 2,969,144 |
| With donor restrictions | 177,860 | 117,777 |
| Total net assets | 3,383,544 | 3,086,921 |
| Total liabilities and net assets | \$ 3,960,846 | \$ 3,741,484 |

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, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|----------------------------|
| Revenues and support | | | |
| Contributions | \$ 734,704 | \$ 156,771 | \$ 891,475 |
| Grants | 262,274 | 65,000 | 327,274 |
| Contributions in-kind | 14,151 | - | 14,151 |
| Earned revenue | 67,099 | - | 67,099 |
| Special events, net - Note 12 | 54,315 | - | 54,315 |
| Investment earnings, net | 76 | - | 76 |
| | <u>1,132,619</u> | <u>221,771</u> | <u>1,354,390</u> |
| Net assets released from restrictions - time and purpose | <u>161,688</u> | <u>(161,688)</u> | <u>-</u> |
| Total revenues and support | <u>1,294,307</u> | <u>60,083</u> | <u>1,354,390</u> |
| Expenses | | | |
| Program services | 798,294 | - | 798,294 |
| Support services | | | |
| Management and general | 156,831 | - | 156,831 |
| Fundraising and development | 102,642 | - | 102,642 |
| Total expenses | <u>1,057,767</u> | <u>-</u> | <u>1,057,767</u> |
| Change in net assets | 236,540 | 60,083 | 296,623 |
| Net assets at beginning of year | <u>2,969,144</u> | <u>117,777</u> | <u>3,086,921</u> |
| Net assets at end of year | <u><u>\$ 3,205,684</u></u> | <u><u>\$ 177,860</u></u> | <u><u>\$ 3,383,544</u></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, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|---------------------|
| | <u> </u> | <u> </u> | <u> </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 12 | 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Program Services | Management and General | Fundraising and Development | Total Expenses |
|-------------------------------------|---------------------|------------------------------|-----------------------------------|---------------------|
| Salaries | \$ 313,117 | \$ 55,019 | \$ 58,025 | \$ 426,161 |
| Employee benefits and payroll taxes | 34,878 | 11,799 | 7,726 | 54,403 |
| Total salaries and related expenses | 347,995 | 66,818 | 65,751 | 480,564 |
| Bank and credit card charges | - | 329 | 2,538 | 2,867 |
| Case management software | 12,752 | - | - | 12,752 |
| Depreciation | 159,703 | 8,781 | 4,656 | 173,140 |
| Development and fundraising | - | - | 15,709 | 15,709 |
| Emergency Assistance | 49,777 | - | - | 49,777 |
| Food service | 65,483 | 696 | - | 66,179 |
| Guest Services | 500 | - | - | 500 |
| Insurance | 10,405 | 3,087 | 750 | 14,242 |
| Interest | 26,258 | 1,310 | 694 | 28,262 |
| IT software and services | 6,780 | 3,446 | 2,565 | 12,791 |
| Dues and subscriptions | 5,591 | - | 310 | 5,901 |
| Outside services | 51,864 | 644 | 341 | 52,849 |
| Postage and printing | 2,304 | 3,455 | 5,759 | 11,518 |
| Professional fees | - | 64,418 | - | 64,418 |
| Storage | 2,960 | - | - | 2,960 |
| Repairs and maintenance | 11,243 | 723 | 383 | 12,349 |
| Supplies | 10,082 | 1,209 | 1,661 | 12,952 |
| Taxes and licenses | 496 | 82 | 14 | 592 |
| Training and staff development | 296 | 88 | 66 | 450 |
| Utilities | 32,133 | 1,745 | 925 | 34,803 |
| Volunteer development | 1,276 | - | - | 1,276 |
| Workforce Pathways | 396 | - | - | 396 |
| Bad Debt | - | - | 520 | 520 |
| Total expenses | <u>\$ 798,294</u> | <u>\$ 156,831</u> | <u>\$ 102,642</u> | <u>\$ 1,057,767</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 |
| 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> | <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)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 296,623 | \$ 237,003 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation | 173,140 | 165,935 |
| Amortization of debt issuance cost | 2,149 | 2,148 |
| Net realized/unrealized (gain) loss on investments | 21 | (545) |
| Loss on disposal of assets | - | 2,524 |
| Stock donations included in contributions, in-kind | (8,151) | - |
| (Increase) decrease in operating assets | | |
| Contract receivables | (6,447) | 40,178 |
| Pledges receivable | (2,997) | 15,180 |
| Grant and contribution receivables | (177,693) | (31,327) |
| Prepaid expenses | 13,645 | (14,209) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | 31,799 | (3,748) |
| Deferred revenue | 40,000 | - |
| Accrued liabilities | 3,898 | 5,382 |
| Net cash provided by operating activities | <u>365,987</u> | <u>418,521</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of equipment | 5 | - |
| Purchases of land, building and equipment | (25,433) | (37,844) |
| Net cash used by investing activities | <u>(25,428)</u> | <u>(37,844)</u> |
| Cash Flows from Financing Activities | | |
| Payments on long-term debt | (155,107) | (22,093) |
| Net cash used by financing activities | <u>(155,107)</u> | <u>(22,093)</u> |
| Change in cash and cash equivalents | 185,452 | 358,584 |
| Cash and cash equivalents at beginning of year | 799,890 | 441,306 |
| Cash and cash equivalents at end of year | <u>\$ 985,342</u> | <u>\$ 799,890</u> |
| Supplemental Disclosure of Cash Flows Information | | |
| Cash paid for interest | <u>\$ 28,262</u> | <u>\$ 32,974</u> |

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

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies

Nature of Activities

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, and a caring community. Services are provided in a centralized safe place that links other service providers with the women who need their help.

The Organization operates a day center for homeless and housing insecure women on the Monterey Peninsula. Women receive supportive services, including hot meals, take away food, hot showers, clothing, and personal hygiene items, and are offered personal enrichment classes. Women also receive assistance with laundry, gas, bus vouchers, emergency hotel accommodations, and access to mental and physical health services, and legal services through community partners.

All services are centered around Next Step case management that encourages women to identify their strengths and potential and move forward on their pathway out of homelessness.

Gathering for Women also partners with another local agency, Community Human Services, to provide services through Casa de Noche Buena, a low barrier 90-day emergency shelter for single women and families with children, which opened in January 2021. Guests are assigned a room for the duration of their stay. Services offered to guests include case management, meals, laundry, mail service, as well as computer and internet access.

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 2.

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.

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 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. As of December 31, 2021 the uninsured balance is \$673,162.

Investments

The Organization invests cash in excess of its immediate cash needs in money market funds. 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, 2021 and 2020, investments consist primarily of money market funds.

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 receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Grant and Contribution Receivables

The amounts are recorded when the grant or contribution is awarded. Management believes that all outstanding receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided. Receivables include \$195,267 due from Monterey County Gives! which comprises 84% of receivables at December 31, 2021 and 14% of total revenue for the year then ended. Receivables at December 31, 2021 and 2020 are all deemed collectible in less than one year.

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.

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 - 10 years |
| Furniture and fixtures | 5 - 10 years |
| Office equipment | 5 - 7 years |
| Computer equipment | 3 - 5 years |
| Vehicles | 5 years |

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

The Organization recognizes revenue on the accrual basis of accounting. The Organization has adopted the provisions, as amended, of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Analysis of various provisions of this standard resulted in a material change in the way the Organization recognizes revenue for the fiscal year ended December 31, 2021. The provisions of this standard did not significantly impact revenues for the fiscal year ended December 31, 2020. Therefore, no changes to the previously issued audited financial statements were required on a full retrospective basis.

The presentation and disclosures of revenue have been enhanced in accordance with the standard. The Organization has case management service revenue that is accounted for as exchange transactions.

Contributions and Grants

In accordance with Financial Accounting Standards Board (FASB) ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, contributions and grants are recognized as revenue at fair value when awarded or unconditionally promised to the Organization.

A portion of the Organization's revenue is derived from cost-reimbursement federal and state contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Conditional promises to give are not recognized until the conditions on which they depend have been met, in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Consequently, at December 31, 2021, grant funds of \$40,000 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not been met.

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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.

Earned Revenue and Contract Receivables

Gathering for Women provides case management services on a reimbursement-basis for the guests at the Casa de Noche Buena shelter, in cooperation with Community Human Services (CHS). In accordance with Financial Accounting Standards Board (FASB) ASU 2014-09 (Topic 606): *Revenue from Contracts with Customers*, case management service revenues are recognized over time using the output method as performance obligations are met. Contract revenues consist of one performance obligation to provide a single service at specified rates and are recognized as services are simultaneously received and consumed by the customer.

In-Kind Donations

In-kind donations consist primarily of donated stock and a donated travel trailer and are reported at fair-market value at the date of donation. 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 have not been satisfied. GAAP allows 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.

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 12).

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.

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 Standards Updates (ASU)

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 are 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.

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842), *Leases*, which amends the FASB Accounting Standards Codification and requires entities to recognize lease assets and lease liabilities on the statement of financial position and to disclose key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2021. ASU No. 2016-02 mandates a modified retrospective approach. 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
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. 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, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|--------------|------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 985,342 | \$ 799,890 |
| Investments | 223,935 | 215,805 |
| Other receivables | 207,904 | - |
| Pledge receivables | 20,681 | 17,684 |
| Grant receivables | 7,563 | 31,327 |
| Total financial assets | 1,445,425 | 1,064,706 |
| Less financial assets held to meet donor-imposed restrictions | | |
| Purpose restricted net assets | 177,860 | 117,777 |
| Less financial assets not available within one year | | |
| Pledges receivable | 2,599 | 6,259 |
| Less board-designated operating reserve | 250,000 | 250,000 |
| Amount available for general expenditures within one year | \$ 1,014,966 | \$ 690,670 |

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 a board-designated reserve net assets without donor restrictions of \$250,000 that, while the Organization does not intend to use for purposes other than those identified, the amount could be made available for current operations, with Board approval, if necessary.

3. Fair Value Measurements

The Organization measures its investments at fair value in accordance with FASB Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement. 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 the Organization has the ability to access. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks and mutual funds.

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- **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, 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.

4. Investments

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

| | 2021 (Level 1) | 2020 (Level 1) |
|--------------------|-------------------|-------------------|
| Money Market Funds | \$ 223,935 | \$ 215,805 |

5. Pledge Receivables

Pledge receivables at December 31 are as follows:

| | 2021 | 2020 |
|--------------------|-----------|-----------|
| Amount due in | | |
| Less than one year | \$ 18,082 | \$ 11,425 |
| One to two years | 2,599 | 6,259 |
| Total | \$ 20,681 | \$ 17,684 |

6. In-Kind Contributions

In-kind contributions in the statement of activities for the year ended December 31, 2021 are as follows:

| | |
|-----------------------------|-----------|
| Stock donations | \$ 8,151 |
| Travel trailer | 6,000 |
| Total contributions in-kind | \$ 14,151 |

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7. Property and Equipment, net

Property and equipment at December 31 are as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 530,033 | \$ 530,033 |
| Land improvements | 111,917 | 111,917 |
| Building and improvements | 2,098,380 | 2,095,905 |
| Kitchen equipment | 148,506 | 149,644 |
| Furniture and fixtures | 43,963 | 43,963 |
| Artwork | 14,750 | 14,750 |
| Office equipment | 43,986 | 44,775 |
| Computer equipment | 34,447 | 21,453 |
| Vehicles | <u>34,171</u> | <u>28,171</u> |
| | 3,060,153 | 3,040,611 |
| Accumulated depreciation | <u>(547,707)</u> | <u>(380,453)</u> |
| Total property and equipment, net | <u>\$ 2,512,446</u> | <u>\$ 2,660,158</u> |

Depreciation expense for the years ended December 31, 2021 and 2020 totaled, \$173,140 and \$165,935, respectively.

8. Long-Term Debt, net

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

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| 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. | \$ 480,734 | \$ 635,841 |
| Unamortized debt issuance cost | <u>(6,051)</u> | <u>(8,200)</u> |
| Long-term debt, less unamortized debt issuance cost | 474,683 | 627,641 |
| Current portion | <u>(30,773)</u> | <u>(23,251)</u> |
| Total long-term debt, less current portion | <u>\$ 443,910</u> | <u>\$ 604,390</u> |

Total interest incurred and amortized debt issuance cost for the years ended December 31, 2021 and 2020, were \$28,262 and \$32,974, respectively. Scheduled principal payments on the note payable are as follows:

| For the Year Ending December 31, | |
|-------------------------------------|-------------------|
| <u>2022</u> | \$ 30,773 |
| 2023 | 32,265 |
| 2024 | 411,645 |
| Total | <u>\$ 474,683</u> |

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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.

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. This loan was forgiven on April 6, 2021. Accordingly, 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. Cooperative Service Agreement with Community Human Services

In January 2021, the Organization formed a cooperative service agreement with Community Human Services (CHS) to open a new shelter facility for women and families with children, referred to as Casa de Noche Buena (the shelter). 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. CHS currently leases the shelter and Gathering for Women incurred an expense of \$30,546 in November 2021 for landscaping improvements, reimbursed to CHS after year end. This amount has been included in accounts payable as of December 31, 2021 and accounts for 81% of the balance of accounts payable at December 31, 2021. Earned revenues for services provided by the Organization in partnership with CHS during the year total \$67,099 and are included in the Statement of Activities for the year ended December 31, 2021.

The Organization and CHS jointly fund operation of the shelter through both public and private sources. The shelter provides women and families with children a place to live and supportive services for up to six months. The shelter also provides 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 individual needs, with a goal of providing residents with a bridge to long-term housing and economic stability.

The Organization prepares and transports meals to the shelter and provides case management services for guests. These services are provided under the cooperative agreement with CHS, which provides for reimbursement of direct costs and a 10% indirect cost provision.

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11. Net Assets

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

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------------|---------------------|
| Undesignated | \$ 2,955,684 | \$ 2,719,144 |
| Board-designated operating reserve | <u>250,000</u> | <u>250,000</u> |
| | <u>\$ 3,205,684</u> | <u>\$ 2,969,144</u> |

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

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Funds reserved for capital campaign improvements | \$ 12,583 | \$ 38,696 |
| Grants restricted for: | | |
| Use in future periods | - | 54,306 |
| Next Step Case Management | 14,408 | - |
| Casa De Noche Buena Shelter | 54,026 | 19,975 |
| Make a Difference fund | 41,843 | 2,971 |
| General Program restriction | 30,000 | - |
| Building and Equipment | 25,000 | - |
| Vehicle | - | 1,829 |
| | <u>\$ 177,860</u> | <u>\$ 117,777</u> |

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

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Released for satisfaction of specific purpose: | | |
| Capital campaign | \$ 26,113 | \$ 66,358 |
| Case management | 34,592 | 76,987 |
| Emergency services | 9,128 | 12,459 |
| Casa De Noche Buena Shelter | 35,720 | - |
| Food service | - | 39,875 |
| COVID-19 relief | - | 32,975 |
| Vehicle | 1,829 | 28,171 |
| Other | - | 33,529 |
| Released for use due to time | <u>54,306</u> | <u>119,116</u> |
| | <u>\$ 161,688</u> | <u>\$ 409,470</u> |

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12. Special Events

The Organization held various special fundraising events during the years ended December 31, 2021 and 2020. The following represents the results of those events:

| | 2021 | | | | | Total |
|---------------|------------------------|-------------------|-------------------------|-----------------------------------|-----------------|-----------|
| | Community Breakfast | Art/Craft Fair | Movie Music Magic | Miracle Collectors Luncheon | Other Events | |
| Revenue | | | | | | |
| Donations | \$ 21,729 | \$ 3,290 | \$ 15,526 | \$ 3,890 | \$ - | \$ 44,435 |
| Ticket Sales | 2,035 | - | - | - | - | 2,035 |
| Sponsorships | 19,500 | - | - | - | - | 19,500 |
| Total revenue | 43,264 | 3,290 | 15,526 | 3,890 | - | 65,970 |
| Expenses | (6,559) | (529) | (2,658) | (104) | (1,805) | (11,655) |
| Net | \$ 36,705 | \$ 2,761 | \$ 12,868 | \$ 3,786 | \$ (1,805) | \$ 54,315 |

| | 2020 | | | | Total |
|---------------|------------------------|---------------------------------|-------------------------|----------------------------|-----------|
| | Community Breakfast | Gathering Hearts Luncheon | Open House Events | Party with a Purpose | |
| 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 | (2,165) | (1,650) | (543) | - | (4,358) |
| Net | \$ (665) | \$ 6,750 | \$ 2,724 | \$ 74,635 | \$ 83,444 |

13. 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 | \$ 14,000 |
| City of Monterey - Community Development Block Grant | 7/1/2021 - 6/30/2022 | 20,000 |
| Monterey County - Community Action Partnership | 1/1/2021 - 12/31/2021 | 84,000 |
| United Way Monterey County - Community Impact Grant | 11/15/2021 - 6/30/2022 | 40,000 |
| California Small Business COVID-19 Relief Grant | 1/1/2021 - 12/31/2021 | 15,000 |
| Total | | \$ 173,000 |

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(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

14. 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. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. Although management is continuing to monitor and assess the possible effects of the COVID-19 pandemic, the ultimate impact of the outbreak or a similar health epidemic is uncertain and subject to change.

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.

15. Subsequent Events

Return of Grant Funds

In May 2022, the Organization returned \$19,843 reported in deferred revenue at December 31, 2021 to the grantor due to the fact that the funds will not be spent as of June 30, 2022, the end of the grant period.

Date of Management Review

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, 2021 to determine the need for adjustments to or disclosures within the audited financial statements for the year ended December 31, 2021 through June 22, 2022, the date the financial statements were available to be issued.



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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, 2021, 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 June 22, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gathering for Women - Monterey'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2021-001 that we consider to be significant deficiencies.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

Report on Compliance and Other Matters

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*.

Gathering for Women – Monterey's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on Gathering for Women's response to findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
June 22, 2022

GATHERING FOR WOMEN – MONTEREY
(A NONPROFIT ORGANIZATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
FINANCIAL STATEMENT FINDINGS

| | |
|---------------------------------------|--|
| Finding Number | 2021-001 |
| Finding Type | Significant Deficiency |
| Repeat Finding | No |
| Criteria | Management is responsible for establishing and maintaining effective internal control processes that should be consistently followed to prevent errors in financial reporting. |
| Condition | It was noted that the Organization does not have a formal policy for classification and recording of conditional grant revenues. In addition, the Organization has not consistently followed established procedures for recording donations. The Organization has recorded on multiple occasions revenue when deposited in the bank and not when earned as is required under generally accepted accounting principles. |
| Cause | Appropriate cut-off was inconsistently applied to cash receipts on multiple occasions and grant revenues were not reported in the proper periods. Internal controls in place were not sufficient to identify and determine that a material amount of unearned revenue should have been deferred because the allowable expenditures were not incurred. |
| Effect | Not adhering to appropriate cut-off procedures can lead to an under and overstatement of revenues. Additionally, not tracking expenses incurred for conditional grants with a right-of-return provision can lead to over and understatement of revenues and understatement of liabilities. |
| Recommendation | The Organization should follow appropriate internal control procedures for all cash receipts. We recommend the Organization design a policy to identify and track conditional grants to ensure revenue is recognized appropriately and deferred if unspent, when appropriate. We recommend the Organization perform a review at year end to determine applicable revenues have been deferred. |
| Views of Responsible Officials | By the end of June 2022, Management will have incorporated and communicated changes to policies and procedures for all cash receipts to identify and track conditional grants to ensure revenue is recognized appropriately and deferred if unspent, when appropriate. |