

**SAINT JOHN'S PROGRAM  
FOR REAL CHANGE**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Saint John's Program for Real Change  
Sacramento, California**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Saint John's Program for Real Change (Saint John's), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Saint John's Program for Real Change, as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2021, on our consideration of Saint John's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of 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 Saint John'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 Saint John's internal control over financial reporting and compliance.

Gilbert CPAs

**GILBERT CPAs  
Sacramento, California**

**May 20, 2021**

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

<b>ASSETS</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,904,455	\$ 702,832
Investments	16,313	
Inventory	13,097	14,276
Accounts and grants receivable, Net	590,075	729,666
Pledges receivable, current	83,700	48,100
Prepaid expenses and deposits	<u>93,393</u>	<u>102,810</u>
Total current assets	3,701,033	1,597,684
<b>PLEDGES RECEIVABLE</b>	1,000	32,000
<b>PROPERTY AND EQUIPMENT, Net</b>	<u>8,663,419</u>	<u>5,738,793</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,365,452</u>	<u>\$ 7,368,477</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 445,886	\$ 415,460
Accrued expenses	298,980	338,870
Deferred revenue	36,370	4,618
Refundable grant advances	268,678	
Line of credit		353,435
Economic Injury Disaster Loan, current	286	
Payroll Protection Program loan, current	102,782	
Notes payable, current	<u>144,642</u>	<u>3,296</u>
Total current liabilities	1,297,624	1,115,679
<b>ECONOMIC INJURY DISASTER LOAN, Net</b>	149,614	
<b>PAYROLL PROTECTION PROGRAM LOAN, Net</b>	574,218	
<b>NOTES PAYABLE, Net</b>	<u>4,548,637</u>	<u>4,759,023</u>
<b>TOTAL LIABILITIES</b>	<u>6,570,093</u>	<u>5,874,702</u>
<b>NET ASSETS:</b>		
Without donor restrictions	5,130,256	778,675
With donor restrictions	<u>665,103</u>	<u>715,100</u>
Total net assets	<u>5,795,359</u>	<u>1,493,775</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,365,452</u>	<u>\$ 7,368,477</u>

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

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2020 AND 2019

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>REVENUES:</b>		
Government grants and contracts	\$ 7,194,412	\$ 2,910,912
Contributions	2,270,719	1,701,931
Program revenues	786,904	1,105,257
Special events, net of direct benefit to donors of \$26,826 and \$230,715, respectively	336,634	753,117
Other income	24,527	19,665
Net assets released from restrictions	<u>200,730</u>	<u>329,998</u>
Total revenues	<u>10,813,926</u>	<u>6,820,880</u>
<b>EXPENSES:</b>		
Program services:		
Housing and Continuum of Care	3,956,489	3,845,919
Plates	767,680	1,094,988
First Steps	<u>391,027</u>	<u>362,528</u>
Total program services	<u>5,115,196</u>	<u>5,303,435</u>
Supporting services:		
General and administrative	700,387	912,499
Fundraising	<u>646,762</u>	<u>851,975</u>
Total supporting services	<u>1,347,149</u>	<u>1,764,474</u>
Total expenses	<u>6,462,345</u>	<u>7,067,909</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>4,351,581</u>	<u>(247,029)</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions	198,233	205,000
Pledges deemed uncollectible	(47,500)	(202,000)
Net assets released from restrictions	<u>(200,730)</u>	<u>(329,998)</u>
<b>DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(49,997)</u>	<u>(326,998)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	4,301,584	(574,027)
<b>NET ASSETS, Beginning of year</b>	<u>1,493,775</u>	<u>2,067,802</u>
<b>NET ASSETS, End of year</b>	<u>\$ 5,795,359</u>	<u>\$ 1,493,775</u>

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

## SAINT JOHN'S PROGRAM FOR REAL CHANGE

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services			
	Housing & Continuum of Care	Plates	First Steps	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Personnel	\$ 2,629,070	\$ 275,991	\$ 275,005	\$ 3,180,066	\$ 387,499	\$ 452,259	\$ 839,758	\$ 4,019,824
Operations	395,958	82,393	23,797	502,148	114,071	149,500	263,571	765,719
Supplies and maintenance	483,416	63,357	13,209	559,982	4,041	8,241	12,282	572,264
Facilities	181,257	171,960	36,622	389,839	15,678	1,010	16,688	406,527
Depreciation	200,819	24,952	7,579	233,350	39,642	14,067	53,709	287,059
Cost of goods sold		103,552	3,227	106,779		285	285	107,064
Bad debt					89,068		89,068	89,068
Professional services	4,109	17,382		21,491	34,176	11,604	45,780	67,271
Business insurance	26,451	6,670	2,663	35,784	12,826		12,826	48,610
Special events						26,826	26,826	26,826
Interest and other expenses	35,409	21,423	28,925	85,757	3,386	9,796	13,182	98,939
Total functional expenses	<u>3,956,489</u>	<u>767,680</u>	<u>391,027</u>	<u>5,115,196</u>	<u>700,387</u>	<u>673,588</u>	<u>1,373,975</u>	<u>6,489,171</u>
Less direct expenses of special events						<u>(26,826)</u>	<u>(26,826)</u>	<u>(26,826)</u>
Total expenses reported on statement of activities	<u>\$ 3,956,489</u>	<u>\$ 767,680</u>	<u>\$ 391,027</u>	<u>\$ 5,115,196</u>	<u>\$ 700,387</u>	<u>\$ 646,762</u>	<u>\$ 1,347,149</u>	<u>\$ 6,462,345</u>

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

## SAINT JOHN'S PROGRAM FOR REAL CHANGE

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>			<u>Supporting Services</u>				
	<u>Housing &amp; Continuum of Care</u>	<u>Plates</u>	<u>First Steps</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Personnel	\$ 2,652,457	\$ 428,470	\$ 287,929	\$ 3,368,856	\$ 482,991	\$ 514,150	\$ 997,141	\$ 4,365,997
Operations	335,526	68,134	10,696	414,356	91,652	92,245	183,897	598,253
Supplies and maintenance	493,107	156,776	22,157	672,040	13,956	30,336	44,292	716,332
Facilities	155,394	189,901	39,548	384,843	4,015	911	4,926	389,769
Depreciation	183,324	10,998	500	194,822	74,062		74,062	268,884
Cost of goods sold		223,532		223,532		7,619	7,619	231,151
Bad debt					29,689		29,689	29,689
Professional services	23,032			23,032	63,844	133,341	197,185	220,217
Business insurance		10,380	1,622	12,002	33,268		33,268	45,270
Special events						230,715	230,715	230,715
Interest and other expenses	3,079	6,797	76	9,952	119,022	73,373	192,395	202,347
Total functional expenses	<u>3,845,919</u>	<u>1,094,988</u>	<u>362,528</u>	<u>5,303,435</u>	<u>912,499</u>	<u>1,082,690</u>	<u>1,995,189</u>	<u>7,298,624</u>
Less direct expenses of special events						<u>(230,715)</u>	<u>(230,715)</u>	<u>(230,715)</u>
Total expenses reported on statement of activities	<u>\$ 3,845,919</u>	<u>\$ 1,094,988</u>	<u>\$ 362,528</u>	<u>\$ 5,303,435</u>	<u>\$ 912,499</u>	<u>\$ 851,975</u>	<u>\$ 1,764,474</u>	<u>\$ 7,067,909</u>

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

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 4,301,584	\$ (574,027)
Reconciliation to net cash provided (used) by operating activities:		
Net gain on investments	(54)	(1,156)
Donated investments	(31,651)	(5,182)
Donated property and equipment	(2,100)	
Loss on disposal of property and equipment	28,916	
Depreciation	287,059	268,884
Forgiveness of debt	(50,000)	(40,000)
Accrual of interest on notes payable	30,000	30,000
Changes in:		
Inventory	1,179	6,548
Accounts and grants receivable	139,591	(88,529)
Pledges receivable	(4,600)	201,998
Prepaid expenses and deposits	9,417	(41,462)
Accounts payable	30,426	(191,491)
Accrued expenses	(39,890)	13,458
Deferred revenue	31,752	3,078
Refundable grant advances	268,678	
Net cash provided (used) by operating activities	<u>5,000,307</u>	<u>(417,881)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(3,238,501)	(1,999)
Proceeds from sale of investments	15,392	17,797
Net cash provided (used) by investing activities	<u>(3,223,109)</u>	<u>15,798</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Economic Injury Disaster loan	149,900	
Proceeds from Payroll Protection Program loan	677,000	
Proceeds from notes payable		10,000
Payments on notes payable	(402,475)	(450,659)
Draws on line of credit		378,435
Payments on line of credit		(25,000)
Net cash provided (used) by financing activities	<u>424,425</u>	<u>(87,224)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,201,623	(489,307)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>702,832</u>	<u>1,192,139</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 2,904,455</u>	<u>\$ 702,832</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 11,854</u>	<u>\$ 32,305</u>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Property and equipment financed through accounts payable	<u>\$ 232,525</u>	<u>\$</u>

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

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Saint John's Program for Real Change (Saint John's) is a charitable nonprofit organization with a mission to unleash the potential of women and children in crisis to support them to permanently exit the cycle of poverty, abuse and homelessness. Since 1985, Saint John's demonstrated and objectively measured model has helped over 30,000 women and children change the trajectory of their lives.

In 2016, the American Enterprise Institute and the Brookings Institute issued a joint report on how to most effectively lift families out of poverty. The report included two unequivocal assertions:

1. The most important criteria for any social program is to strengthen people's ability to take care of themselves and their children.
2. Employment must be at the center of any strategy to reduce poverty and increase economic mobility.

Saint John's 12 to 18-month program is the largest residential employment-training program for formerly homeless women and children in the greater Sacramento region. Utilizing an evidence-based approach to apply principles and interventions for trauma-informed and trauma and gender responsive care, the women and children living at Saint John's receive an average of 675 hours of comprehensive services per month including: mental health therapy, alcohol and drug counseling, parenting education, high school diploma preparation and attainment, budgeting classes, healthy relationship and life skills education and hands-on employment training to support real and permanent change in their lives. While the mothers are working on themselves, a dedicated and trained staff works with their children to ensure to provide academic, social, physical and emotional support.

Saint John's has intentionally and significantly diversified its funding over the past decade. With approximately 40% of its total revenue coming from government contracts—versus 70%+ 10 years ago—Saint John's has built a robust community outreach and fund-raising department to support our growth in both volunteer contributions and in individual, corporate and foundation contributions. Accordingly, in 2017, Saint John's was able to survive a \$730K reduction in public funding due to its ongoing commitment to accountability and sobriety—which public funding no longer allows for—as well as a subsequent and significant public funding cut in 2018.

Serving up to 270 women and children daily, Saint John's is re-doubling its efforts to both diversify and grow its funding base. This includes the pursuit of strategic partners and donors that are philosophically in-line with Saint John's proven approach: a hand up for families struggling with addiction, domestic violence and trauma is far more effective than a hand out.

96% of the women who complete Saint John's Employment Training Program secure non-subsidized employment at an average beginning wage of \$14.50/hour.

In November 2020 Saint John's formed SJP Modular Homes, LLC for up to 55 formerly homeless women and children. SJP Modular Homes, LLC is a wholly owned for-profit subsidiary of Saint John's. This entity was incorporated to serve client households at or below 30% of Area Median Income, for a 55-year term, who are homeless or at-risk of homelessness. There was no activity in the entity in the year ended December 31, 2020. This entity will be consolidated into Saint John's financial statements in the year ended December 31, 2021.

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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**Basis of presentation** – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. Saint John's reports information regarding its financial position and activities according to the following net asset classifications: net assets without donor restrictions and net assets with donor restrictions.

**Revenue recognition** – Contributions and grants from private foundations or individuals are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire, or the contributions are used for the donor-restricted purpose.

Government grants are received from various agencies. These grants are conditioned upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Saint John's has met the performance requirements or incurred expenditures in compliance with specific grant provisions. Amounts received prior to meeting the performance requirements or incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Refundable advances were \$268,678 as of December 30, 2020. There were no refundable advances as of December 31, 2019.

Donor-restricted contributions that were initially classified as conditional, and for which the donor-imposed conditions and restrictions are met simultaneously, are recognized as net assets without donor restrictions in the statements of activities.

Special events revenue is recognized when the related event occurs.

Donated goods and services are reflected as contributions in the accompanying statements at their fair market values as of the date of receipt or the date the service is performed.

Saint John's revenue from contracts with customers consists of childcare, restaurant sales, catering fees, and education services fees, which are all included in program revenue in the statements of activities. Refer to Note 9 for accounting policies and additional details regarding revenue from contracts with customers.

**Cash and cash equivalents** – For financial statement purposes, investments with an initial maturity at purchase of three months or less are considered to be cash equivalents. Saint John's minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. Saint John's deposits held with financial institutions in excess of federal depository insurance limits totaled \$2,085,191 and \$157,857 as of December 31, 2020 and 2019, respectively. Saint John's has not experienced any losses in such accounts and management believes they are not exposed to any significant credit risk related to cash.

**Investments** are stated at fair value. Saint John's held \$16,313 of investments as of December 31, 2020 consisting of common stock which are categorized within level 1 of the fair value hierarchy because they are valued based on quoted market prices for identical assets in active markets. Saint John's investment balance of December 31, 2019 was \$0.

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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**Accounts and grants receivable** – Accounts receivable and grants receivable include amounts due from grantor agencies under reimbursement grant agreements. It also includes amounts due for program services. Management has assessed the collectability of accounts receivable, and accounts receivable is presented net of an allowance for doubtful accounts of \$36,251 and \$37,886 at December 31, 2020 and 2019, respectively.

**Inventory** consists of food for the Plates program and is stated at cost.

**Property and equipment** – Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of the donation, and depreciated using the straight-line method over estimated useful lives of 5 to 39 years. Saint John's policy is to capitalize purchases of \$2,000 or more.

Assets acquired through funding from grant resources are considered to be owned by Saint John's while such assets are in use under the funded program, or while they are being used for a similar program; however, certain funding sources have a reversionary interest in such assets. Any disposition of these assets or any funds derived therefrom are subject to grant regulations. As of December 31, 2020, assets acquired through funding from grant resources totaled \$3,166,443.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair value measurements** – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- |                |   |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly.                        |
| Level 3 Inputs | Unobservable inputs for the assets or liabilities.  |

**Income taxes** – Saint John's is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3). Saint John's has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

**Functional allocation of expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries which are allocated based on time and effort; employee benefits and payroll taxes, which are allocated based on salaries; all other expense are allocated based on salaries, head count, or specific identification of expenses, whichever best approximates usage of resources.

**Recent accounting pronouncements** – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, Leases (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending December 31, 2022. Saint John's is currently evaluating the impact this pronouncement will have on the financial statements.

**Subsequent events** have been reviewed through May 20, 2021, the date the financial statements were available to be issued. Management concluded that all material subsequent events which have occurred since December 31, 2020 have been disclosed in the financial statements.

## 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Saint John's financial assets available for general expenditure within one year of the statement of financial position date are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,904,455	\$ 702,832
Investments	16,313	
Accounts and grants receivable	590,075	729,666
Pledges receivable	84,700	80,100
Total financial assets	<u>3,595,543</u>	<u>1,512,598</u>
Less amounts unavailable for general expenditures within one year:		
Net assets restricted by donors for purpose or time	(580,403)	(667,000)
Refundable grant advances	<u>(268,678)</u>	<u></u>
Total financial assets available to management for general expenditure within one year	<u>\$ 2,746,462</u>	<u>\$ 845,598</u>

As part of Saint John's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 3. PLEDGES RECEIVABLE

Pledges receivable as of December 31, are as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 83,700	\$ 48,100
One to five years	<u>1,000</u>	<u>32,000</u>
Total pledges receivable	<u>\$ 84,700</u>	<u>\$ 80,100</u>

### 4. CONDITIONAL CONTRIBUTIONS

Saint John's receives grant funds that are considered conditional contributions and are not recorded or recognized until the applicable condition has been met, generally expenditure on costs allowable under the grant agreement, or satisfaction of performance obligations. As of December 31, 2020 and 2019 Saint John's had \$1,865,794 and \$5,266,206, respectively, of conditional contributions available to be recognized in revenue in future periods under such grants. The terms of the related contracts expire from 2020 to 2021. In some cases, Saint John's may not be able to access the full amount available under the agreement based on its activities and level of expenditures.

In addition, Saint John's has certain conditional contributions in the form of forgivable loans as further discussed in Note 6. Conditional contributions representing forgivable loans totaled \$3,638,500 and \$3,648,500 at December 30, 2020 and 2019, respectively.

### 5. PROPERTY AND EQUIPMENT

Saint John's property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 1,863,681	\$ 1,863,681
Building and improvements	4,258,826	4,235,600
Furniture and equipment	898,283	894,437
Vehicles	114,387	92,138
Construction in progress	<u>3,166,443</u>	
Total	10,301,620	7,083,857
Less accumulated depreciation	<u>(1,638,201)</u>	<u>(1,347,063)</u>
Property and equipment, net	<u>\$ 8,663,419</u>	<u>\$ 5,738,793</u>

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 6. NOTES PAYABLE AND LINE OF CREDIT

Saint John's notes payable consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Note payable to California Department of Housing and Community Development. The loan term is 10 years and matures May 19, 2024. Date of occupancy was received on March 7, 2014 and the promissory note is secured by a deed of trust against the 8401-11 Jackson Road property. Interest on the note accrues at a simple rate of 3% annually. Repayment of the loan shall be deferred as long as the property is used as an emergency shelter or safe haven. Upon completion of the initial loan term of 10 years, the principal on the loan and all accrued interest shall be forgiven.	\$ 1,218,500	\$ 1,188,500
Note payable to Buzz Oates Enterprises II. The loan term is 15 years and matures September 30, 2028. The promissory note is secured by a deed of trust against the 8401-11 Jackson Road property. Interest on the note accrues at a simple rate of 4% annually and is required to be paid during the first five years of the loan; although Saint John's has received waivers of interest payments and accrual from January 1, 2018 through December 31, 2020. Repayment of the loan shall be deferred through 2020. Beginning February 1, 2021, the principal and interest will be paid in equal monthly installments.	886,440	1,103,819
Note payable to Wells Fargo Financial National Bank. The loan term is 15 years and matures December 1, 2029. The promissory note is secured by a second deed of trust against the 8401-11 Jackson Road property. Interest does not accrue on the note and repayment shall be deferred as long as the property is used as an emergency shelter or a safe haven. Upon completion of the initial loan term of 15 years, the principal on the loan shall be forgiven.	1,000,000	1,000,000
Note payable to Wells Fargo Financial National Bank. The loan term is 15 years and matures August 14, 2031. The promissory note is secured by a deed of trust against the 8395 Jackson Road property. Interest does not accrue on the note and repayment shall be deferred as long as the property is used as an emergency shelter or safe haven. Upon completion of the initial loan term of 15 years, the principal on the loan shall be forgiven.	900,000	900,000

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<p>Note payable to the City of Sacramento. The loan term is 15 years and matures January 1, 2034. The promissory note is secured by the Deed of Trust against the 8395 Jackson Road property. Interest does not accrue on the note. Annual repayments of \$40,000 are scheduled for January 1 of each year beginning January 1, 2019 which shall be forgiven annually as long as the property is used as an emergency shelter or safe haven in accordance with the terms of the loan. Saint John's was determined to be in compliance as of January 1, 2020 and January 1, 2019 and received notification that the payments were forgiven. Saint John's has reduced the 2019 and 2020 balance owed and recognized a contribution during both years for the \$40,000 forgiven on January 1, 2019 and 2020.</p>	520,000	560,000
<p>Note payable to St. John's Lutheran Church. The loan term is 3 years and matures December 1, 2022. Interest on the note accrues at a simple rate of 1.5% annually. Beginning January 1, 2020, payments of principal and interest are due monthly in the amount of \$284 until repaid in full. This loan was forgiven in full in 2020.</p>		10,000
<p>On May 24, 2019 Saint John's obtained a \$500,000 revolving line of credit, which matured June 1, 2020 and accrued interest at 7%. Saint John's had a balance on the line of credit of \$353,435 at December 31, 2019. On June 1, 2020, the line of credit was converted to a \$200,000 term loan. The loan carries a 4% interest rate and will be paid off in monthly principal and interest payments of \$5,930 for the 36 month loan term. The outstanding balance on the loan was \$168,339 at December 31, 2020.</p>	<u>168,339</u>	
Subtotal	4,693,279	4,762,319
Current portion	<u>(144,642)</u>	<u>(3,296)</u>
Notes payable, net of current portion	<u>\$ 4,548,637</u>	<u>\$ 4,759,026</u>

Saint John's believes it will continue to conduct its operations in the manner required to meet the criteria for loan forgiveness as described above. It has therefore, calculated the scheduled required annual principal payments on notes payable to exclude those subject to loan forgiveness. The known required principal payments on notes payable are as follows:

### Year Ending December 30,

2021	\$ 144,642
2022	157,863
2023	127,642
2024	97,016
2025	100,968
Thereafter	<u>426,648</u>
Total	<u>\$ 1,054,779</u>

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 7. ECONOMIC INJURY DISASTER LOAN

On June 10, 2020, Saint John's received an Economic Injury Disaster Loan (EIDL) under the small Business Act (SBA) totaling \$149,900. The loan is required to be repaid within 30 years at 2.75% interest. Payments are scheduled to begin June 10, 2021.

Future minimum principal payments for this agreement are as follows:

#### Year Ending December 30,

2021	\$ 286
2022	3,565
2023	3,665
2024	3,766
2025	3,872
Thereafter	<u>134,746</u>
Total	<u>\$ 149,900</u>

### 8. PAYCHECK PROTECTION PROGRAM

On April 15, 2020, the Saint John's received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$677,000. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPFPA) signed into law in June 2020. Under the CARES Act, as modified by PPFPA, apportionment of all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained. The portion of the loan that does not qualify for forgiveness or any additional amount that the Organization chooses to maintain as a loan, is required to be repaid within 2 years at 1% interest. Payments were scheduled to begin November 2020, however the Organization has applied for forgiveness of the loan based on the outlined PPP requirements, however the extent and the amount of forgiveness cannot be determined at this time. No payments were required through December 31, 2020.

Future minimum principal payments for this agreement are as follows:

#### Year Ending December 30,

2021	\$ 102,782
2022	<u>574,218</u>
Total	<u>\$ 677,000</u>

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 9. OPERATING LEASE OBLIGATIONS

Saint John's leases facilities and equipment under long-term and month-to-month operating lease agreements, expiring at various times through 2021. Total expenses under operating leases were \$176,351 and \$189,560 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments under long-term leases are as follows:

2021	<u>\$ 74,942</u>
Total	<u><u>\$ 74,942</u></u>

### 10. REVENUE FROM CONTRACTS WITH CUSTOMERS

Saint John's revenues from childcare, catering fees, and education services fees, are generally recognized when the service is provided or events occur. Fees collected in advance of such services or events are recorded as deferred revenues until earned. Restaurant sales revenue is recognized at the point of sale.

Deferred revenue, which represents a contract liability, is recorded for the portion of childcare and catering fees received that relate to services to be provided in a subsequent year.

A contract asset is recorded when Saint John's satisfies a performance obligation of a contract, but is not yet entitled to payment. When Saint John's becomes entitled to payment, the contract asset is classified as a receivable, whether invoiced or not.

The balances of receivables and contract liabilities from contracts with customers are as follows as of December 31:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable	<u>\$ 15,353</u>	<u>\$ 65,768</u>	<u>\$ 45,796</u>
Contract liabilities:			
Deferred revenue – Childcare and Catering fees	\$ 14,670	\$ 4,578	\$ 1,500
Restaurant gift cards	<u>                    </u>	<u>40</u>	<u>40</u>
Total contract liabilities	<u>\$ 14,670</u>	<u>\$ 4,618</u>	<u>\$ 1,540</u>

### 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include unexpended contributions restricted by donors as follows:

	<u>2020</u>	<u>2019</u>
Capital Campaign	\$ 551,023	\$ 635,000
Time restricted	84,700	80,100
Vehicle and equipment	10,600	
Other programs	<u>18,780</u>	<u>                    </u>
Total	<u><u>\$ 665,103</u></u>	<u><u>\$ 715,100</u></u>

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 12. RETIREMENT PLAN

Saint John's sponsors a 403(b) plan for eligible employees. All employees working over 20 hours per week, excluding seasonal employees, who are at least 21 years of age are eligible to participate. Employer contributions are discretionary and vest immediately. Plan contributions totaled \$32,361 and \$24,913 in 2020 and 2019, respectively.

### 13. RISKS AND UNCERTAINTIES

As a result of the ongoing COVID-19 Pandemic, economic uncertainties have arisen which could have a negative impact on Saint John's through business disruption or decreases in revenue. While the impact is expected to be temporary, the potential financial impact and duration cannot be reasonably estimated at this time.

### 14. DONATED SERVICES

Saint John's recognized contributions for the following donated materials, supplies and services received:

	<u>2020</u>	<u>2019</u>
Rent	\$ 197,508	\$ 197,508
Professional services	143,235	15,532
Supplies, materials and marketing	<u>5,550</u>	<u>11,436</u>
Total	<u>\$ 346,293</u>	<u>\$ 224,476</u>

## **SUPPLEMENTARY INFORMATION**

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Passed Through Sacramento County Department of Human Assistance:			
CalFRESH - SNAP to Skills Employment Training Program	10.561	DHA-SJ-01-19	\$ 73,950
Passed Through California Department of Education:			
Child & Adult Care Food Program	10.558	05257-CACFP-34-NP-CS	<u>177,004</u>
<b>Total U.S. Department of Agriculture</b>			<u>250,954</u>
<b>U.S. Department of Health and Human Services:</b>			
Passed Through Sacramento Employment and Training Agency:			
Community Services Block Grant	93.569	18C168YSS	46,437
Community Services Block Grant	93.569	18C168FSS	35,199
COVID-19 Supplemental Community Services Block Grant	93.569	18C168FSS	<u>27,353</u>
Subtotal Community Services Block Grant			108,989
Passed Through County of Sacramento:			
Block Grants for Community Mental Health Services	93.958	7202100-20-082	<u>106,298</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>215,287</u>
<b>U.S. Department of Homeland Security - FEMA</b>			
Emergency Food & Shelter Program	97.024	N/A	55,325
COVID-19 Supplemental Emergency Food & Shelter Program	97.024	N/A	<u>33,372</u>
<b>Total U.S. Department of Homeland Security - FEMA</b>			<u>88,697</u>
<b>U.S. Department of Treasury</b>			
Passed Through City of Sacramento:			
Coronavirus Relief Fund (CRF)	21.019	20-HK-00098	2,550,000
Coronavirus Relief Fund (CRF)	21.019	G02610106	233,579
Coronavirus Relief Fund (CRF)	21.019	N/A	833,822
Coronavirus Relief Fund (CRF)	21.019	N/A	715,111
Coronavirus Relief Fund (CRF)	21.019	N/A	<u>8,000</u>
<b>Total U.S. Department of Treasury</b>			<u>4,340,512</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,895,450</u>

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2020

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of Saint John's Program for Real Change is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

### 2. INDIRECT COST RATE

Saint John's Program for Real Change did not elect to use the 10% de minimis indirect cost rate as they received indirect costs at varying rates as determined by the granting agencies.

**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**

**Independent Auditor's Report**

**Board of Directors of  
Saint John's Program for Real Change  
Sacramento, 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 Saint John's Program for Real Change (Saint John's), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2021.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Saint John'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Gilbert CPAs

**GILBERT CPAs**  
**Sacramento, California**

**May 20, 2021**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

**Independent Auditor's Report**

**Board of Directors of  
Saint John's Program for Real Change  
Sacramento, California**

**Report on Compliance for Each Major Federal Program**

We have audited Saint John's Program for Real Change's (Saint John's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020. Saint John's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Saint John's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Saint John's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Saint John's compliance with those requirements.

***Opinion on Each Major Federal Program***

In our opinion, Saint John's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

**Report on Internal Control Over Compliance**

Management of Saint John's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Saint John's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saint John's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Gilbert CPAs*

**GILBERT CPAs  
Sacramento, California**

**May 20, 2021**

# SAINT JOHN'S PROGRAM FOR REAL CHANGE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2020

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### SECTION I – SUMMARY OF AUDITOR’S RESULTS

#### **Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### **Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor’s report issued: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?  Yes  No

#### Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
Coronavirus Relief Fund (CRF)	21.019
Dollar threshold used to identify Type A programs:	\$750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

### SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

### SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS

None noted.