

ST. MARY'S CENTER
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2020 AND 2019

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Certified Public Accountants Inc.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
St. Mary's Center
Oakland, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Mary's Center (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Mary's Center as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the St. Mary's Center's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal, state and county awards on page 17, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying supplementary information shown on pages 18 to 28 is presented for purposes of additional analysis as required by the *California Department of Education*, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 12, 2020, on our consideration of St. Mary's Center'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 St. Mary's Center'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 St. Mary's Center's internal control over financial reporting and compliance.

HAC Certified Public Accountants, Inc.



Nathaniel F. Holden
Certified Public Accountant

San Rafael, California
November 12, 2020

ST. MARY'S CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,341,791	\$ 711,393
Cash in trust (Note 4)	171,106	126,995
Accounts receivable	0	953
Grants receivable (Note 7)	734,634	1,253,599
Prepaid expenses	9,333	21,391
Total Current Assets	2,256,864	2,114,331
CASH RESTRICTED TO BUILDING PROJECT	495,683	0
OTHER INVESTMENTS (Note 5)	464,866	615,426
FIXED ASSETS, Net (Note 6)	9,641,910	8,630,607
TOTAL ASSETS	\$ 12,859,323	\$ 11,360,364
<u>LIABILITIES & NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 83,054	\$ 54,151
Accrued wages payable (Note 10)	183,251	136,869
Retirement contribution payable (Note 9)	50,000	50,000
Due to beneficiaries (Note 4)	171,106	126,995
Tenant deposits	0	1,000
State tax payable	800	0
Deferred revenue	100,000	0
Total Current Liabilities	588,211	369,015
LONG-TERM LIABILITIES:		
Note payable (Note 8)	436,000	0
Accrued interest (Note 8)	669	0
Total Long-Term Liabilities	436,669	0
TOTAL LIABILITIES	1,024,880	369,015
<u>NET ASSETS</u>		
Without donor restrictions (Note 2)	10,905,264	9,511,037
With donor restrictions (Note 2)	929,179	1,480,312
TOTAL NET ASSETS	11,834,443	10,991,349
TOTAL LIABILITIES AND NET ASSETS	\$ 12,859,323	\$ 11,360,364

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

ST. MARY'S CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019
(SUMMARIZED FOR 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
REVENUES				
Contributions	\$ 1,506,254	\$ 0	\$ 1,506,254	\$ 764,320
Government grants	1,709,329	0	1,709,329	1,485,337
Program fees	158,983	0	158,983	200,655
Contributed services	330	0	330	930
Total Revenues	<u>3,374,896</u>	<u>0</u>	<u>3,374,896</u>	<u>2,451,242</u>
GAINS, LOSSES AND OTHER SUPPORT				
Special events	0	0	0	174,385
Direct event costs	0	0	0	(58,464)
Net Special Events	0	0	0	115,921
Interest income	7,141	0	7,141	6,135
Other income, net	0	0	0	17,500
Capital campaign	1,000,000	0	1,000,000	800,000
Contribution - Forgiveness of loan and interest	0	0	0	1,343,916
Total Gains, Losses and Other Support	<u>1,007,141</u>	<u>0</u>	<u>1,007,141</u>	<u>2,283,472</u>
Net assets released from restrictions	<u>551,133</u>	<u>(551,133)</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES, GAINS, LOSSES, AND OTHER SUPPORT	4,933,170	(551,133)	4,382,037	4,734,714
EXPENSES				
Program services	3,006,845	0	3,006,845	2,836,028
Supporting services				
Management and general	196,671	0	196,671	239,010
Fundraising	335,427	0	335,427	242,726
Total Supporting Services	<u>532,098</u>	<u>0</u>	<u>532,098</u>	<u>481,736</u>
TOTAL EXPENSES	3,538,943	0	3,538,943	3,317,764
CHANGE IN NET ASSETS	1,394,227	(551,133)	843,094	1,416,950
NET ASSETS AT BEGINNING OF YEAR	<u>9,511,037</u>	<u>1,480,312</u>	<u>10,991,349</u>	<u>9,574,399</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,905,264</u>	<u>\$ 929,179</u>	<u>\$ 11,834,443</u>	<u>\$ 10,991,349</u>

ST. MARY'S CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(SUMMARIZED FOR 2019)

	Supporting Services				2019	
	Program Services	Management & General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 1,688,403	\$ 41,277	\$ 180,619	\$ 221,896	\$ 1,910,299	\$ 1,756,899
Payroll taxes	144,156	3,524	15,421	18,945	163,101	157,626
Workers' compensation	59,681	6,727	3,064	9,791	69,472	56,091
Employee benefits	196,682	8,964	13,018	21,982	218,664	238,874
Retirement contributions	36,000	10,000	4,000	14,000	50,000	50,000
Consultants	135,698	12,122	6,868	18,990	154,688	107,451
Program costs	86,168	641	18,440	19,081	105,249	91,751
Garden supplies & materials	4,950	4,964	0	4,964	9,914	9,857
Telephone & utilities	120,301	2,889	3,114	6,003	126,304	90,443
Dues & subscriptions	13,555	7,169	12,930	20,099	33,654	16,861
Staff training	7,554	3,866	2,446	6,312	13,866	12,410
Auto & travel	7,847	1,441	269	1,710	9,557	6,996
Repairs & maintenance	102,965	4,766	238	5,004	107,969	137,538
Insurance	35,261	3,680	2,226	5,906	41,167	33,705
Interest expense	0	669	0	669	669	13,838
Real estate taxes	7,829	21,926	438	22,364	30,193	10,971
Printing & copying	2,262	746	19,045	19,791	22,053	24,147
Postage	3,046	2,194	7,875	10,069	13,115	4,119
Legal & accounting	24,869	3,337	2,792	6,129	30,998	120,034
Office expenses	12,154	33,619	5,778	39,397	51,551	28,659
Advocacy expenses	0	0	25,000	25,000	25,000	0
Miscellaneous expenses	6,327	2,374	3,514	5,888	12,215	12,843
Depreciation	311,137	19,776	8,332	28,108	339,245	336,651
	\$ 3,006,845	\$ 196,671	\$ 335,427	\$ 532,098	\$ 3,538,943	\$ 3,317,764

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

ST. MARY'S CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM
YEAR ENDED JUNE 30, 2020

	Program Services						Program Services Total	Administrative & Fundraising Total	Total
	Resources for the Third Age	Homeless	Shelter	Preschool	Food for All Ages	Housing			
Salaries	\$ 424,066	\$ 548,886	\$ 156,073	\$ 192,745	\$ 121,796	\$ 244,837	\$ 1,688,403	\$ 221,896	\$ 1,910,299
Payroll taxes	36,207	46,864	13,325	16,457	10,399	20,904	144,156	18,945	163,101
Workers' compensation	13,398	23,301	1,878	6,166	4,651	10,287	59,681	9,791	69,472
Employee benefits	51,703	81,537	2,461	25,762	9,985	25,234	196,682	21,982	218,664
Retirement contributions	10,000	14,000	0	4,000	4,000	4,000	36,000	14,000	50,000
Consultants	2,380	106,698	17,237	5,318	308	3,757	135,698	18,990	154,688
Program costs	5,767	11,400	4,970	13,810	40,690	9,531	86,168	19,081	105,249
Garden supplies & materials	0	0	0	0	4,950	0	4,950	4,964	9,914
Telephone & utilities	10,506	21,139	3,979	6,490	6,296	71,891	120,301	6,003	126,304
Dues & subscriptions	4,456	7,536	147	634	113	669	13,555	20,099	33,654
Staff training	3,352	1,443	297	1,144	166	1,152	7,554	6,312	13,866
Auto & travel	2,406	4,060	481	0	900	0	7,847	1,710	9,557
Repairs & maintenance	9,099	14,320	12,094	11,566	9,506	46,380	102,965	5,004	107,969
Insurance	8,695	13,096	446	3,595	2,971	6,458	35,261	5,906	41,167
Interest expense	0	0	0	0	0	0	0	669	669
Real estate taxes	580	1,306	0	1,613	435	3,895	7,829	22,364	30,193
Printing & copying	637	1,517	0	35	38	35	2,262	19,791	22,053
Postage	810	1,967	0	109	43	117	3,046	10,069	13,115
Legal & accounting	6,406	9,195	954	2,943	1,605	3,766	24,869	6,129	30,998
Office expenses	1,362	8,749	224	1,461	127	231	12,154	39,397	51,551
Advocacy expenses	0	0	0	0	0	0	0	25,000	25,000
Miscellaneous expenses	2,529	2,177	20	796	393	412	6,327	5,888	12,215
Depreciation	28,880	62,082	27,144	21,890	23,453	147,688	311,137	28,108	339,245
Total Functional Expenses	\$ 623,239	\$ 981,273	\$ 241,730	\$ 316,534	\$ 242,825	\$ 601,244	\$ 3,006,845	\$ 532,098	\$ 3,538,943

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

ST. MARY'S CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 843,094	\$ 1,416,950
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Contribution - forgiveness of loan and interest	0	(1,343,916)
Depreciation	339,245	336,651
Loss on grant receivable	4,248	23,018
(Increase) decrease in operating assets		
Cash in trust		
Accounts receivable	953	(953)
Grants receivable	(285,283)	46,663
Prepaid expenses	12,058	(5,879)
Increase (decrease) in operating liabilities		
Accounts payable	28,903	40,711
Accrued wages payable	46,382	20,632
Accrued interest	669	13,834
Due to beneficiaries	44,111	(29,569)
Retirement contribution payable	0	10,000
Tenant deposits	(1,000)	0
State tax payable	800	0
Deferred revenue	100,000	0
Capital campaign contributions restricted for long-term purposes	(1,000,000)	(800,000)
Total Adjustments	<u>(708,914)</u>	<u>(1,688,808)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	134,180	(271,858)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(46,231)	(31,182)
Additions to construction in progress	(1,304,317)	(5,097)
Withdrawals from other investments	150,560	400,929
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,199,988)</u>	<u>364,650</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of capital campaign contributions restricted for long-term purposes	1,800,000	0
Borrowings from PPP loan	436,000	0
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,236,000</u>	<u>0</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,170,192	92,792
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>838,388</u>	<u>745,596</u>
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>\$ 2,008,580</u>	<u>\$ 838,388</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>
Taxes Paid	<u>\$ 0</u>	<u>\$ 800</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

ST. MARY'S CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

St. Mary's Center is a non-profit corporation governed by a Board of Trustees. St. Mary's Center primary purpose is to provide services for low-income, multi-racial, multi-cultural people residing in West Oakland, California. St. Mary's Center provides a broad range of services including outreach and advocacy services for seniors, alcoholic and other drug counseling services for seniors, food and shelter for homeless seniors, a preschool for children aged 2-5, and a food giveaway program for low-income families. St. Mary's Center is supported primarily through donor contributions and grants. For the year ended June 30, 2020, the organization's revenues totaling \$3,374,896 was made up as follows: 44% from donor contributions, 51% from grants, and 5% from program fees. Income from special events and other support totaled \$1,007,141.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of St. Mary's Center have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require St. Mary's Center to report information regarding its financial position and activities according to the following classifications:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of St. Mary's Center's management and the board of directors.

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of St. Mary's Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions 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 statements of activities as net assets released from restrictions.

St. Mary Center's net assets without donor restrictions and net assets with donor restrictions at June 30, 2020, were \$10,905,264 and \$929,179 respectively. Net assets with donor restrictions are available for the operating activities of a Friendly Manor and the building renovation for 967 32nd Street in Oakland, CA.

ST. MARY'S CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation

The consolidated financial statements of St. Mary's Center include the accounts of 967 32nd Street Associates, LLC. St. Mary's Center created 967 32nd Street Associates, LLC for the purpose of developing its property into low-income housing. St. Mary's Center is the sole member of the LLC. 967 32nd Street Associates, LLC adopted a calendar year. For consolidation purposes, the financial statements of 967 32nd Street Associates, LLC correspond with the fiscal period of St. Mary's Center. All intercompany accounts and transactions have been eliminated in the consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "St. Mary's Center."

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash, Cash Equivalents & Restricted Cash

For purposes of the statement of cash flows, St. Mary's Center considers investment instruments with original maturities of three months or less to be cash equivalents. St. Mary's Center utilizes various banks to deposit cash funds.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows as of June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,341,791	\$ 711,393
Cash in trust	171,106	126,995
Cash restricted to building renovation - 967 32nd Street	<u>495,683</u>	<u>0</u>
Total Cash, cash equivalents, and restricted cash	<u>\$ 2,008,580</u>	<u>\$ 838,388</u>

Other Investments

St. Mary's Center maintains certificates of deposit with original maturity dates exceeding 90 days. The certificates are recorded at cost plus accrued interest and are not subject to fair value reporting.

St. Mary's Center's policy is to immediately sell any stock that are donated. Any net proceeds (donated fair market value less sale expenses) received are included in cash and cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject St. Mary's Center to concentrations or credit risk consist principally of cash and cash equivalents and other investments. St. Mary's Center maintains its cash and cash equivalents and other investments in various bank accounts that, at times, may exceed federally insured limits. St. Mary's Center has not experienced, nor does it anticipate, any losses with respect to such accounts.

ST. MARY'S CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and Capitalization

Capitalized property and equipment of \$1,000 and over are recorded at cost, or if donated, at fair value on the date of donation. Capitalized property is depreciated using the straight-line method over the estimated useful lives of the assets (5 years for furniture and fixtures, and vehicles; 25 years for buildings; 5 to 25 years for building improvements). Depreciation expense for the years ended June 30, 2020 and 2019 were \$339,245 and \$336,651, respectively.

Support and Revenue

St. Mary's Center receives a major portion of its revenues in the form of federal and state grants or contracts for program operations. To ensure observance of limitations and restrictions placed on the use of resources available to St. Mary's Center, the accounts are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose. Separate accounts are maintained for each fund.

Revenue Recognition

Contributions received are considered net assets without donor restrictions for the general program unless subject to stipulations imposed by donors and grantors. Funds are considered temporary in nature if the donor imposes a restriction, which will either expire by the passage of time or will be fulfilled and removed by actions of St. Mary's Center pursuant to those stipulations. At the time of fulfillment, those contributions are removed from net assets with donor restrictions and are then considered net assets without donor restrictions. As to donor restrictions that are perpetual in nature, the donor-imposed restriction stipulates that such contributions be maintained in perpetuity, but the organization is allowed to use the income derived from such donated assets.

St. Mary's Center's revenue derived from cost-reimbursable federal, state, and county contracts and grants, which are conditioned upon certain performance requirements and /or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when St. Mary's Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

St. Mary's Center recognizes program fees and fund raising events when they have satisfied their performance obligation.

St. Mary's Center received \$330 and \$930 of contributed legal services, for employment legal advice, have been reflected in the financial statements for years ended June 30, 2020 and 2019, respectively. Many individuals volunteer their time and perform a variety of tasks that assist St. Mary's Center, but these services do not meet the criteria for recognition as contributed services.

Income Taxes

St. Mary's Center is a not-for-profit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and California franchise tax under Section 23701(d) of the Revenue and Taxation Code. St. Mary's Center used the same accounting methods for tax and financial reporting.

ST. MARY'S CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

967 32nd Street Associates, LLC, a limited liability company, is a disregarded entity for federal income tax purposes under the Internal Revenue Code. For California purposes, the LLC is subject to an annual minimum tax of \$800 to California's Franchise Tax Board.

Generally Accepted Accounting Principles (GAAP) provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort; depreciation and occupancy are allocated on a square footage basis.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability or resources, and the lack of consistency in the type of information provided about expenses and investment return. St. Mary's Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

As of July 1, 2019, St. Mary's Center adopted ASU 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash*, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statement of cash flows. The adoption of ASU 2016-18 resulted in the reclassification of certain items related to restricted cash in the cash flows statement for the year ended June 30, 2020 and 2019.

ST. MARY'S CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

As of July 1, 2019, St. Mary's Center adopted ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of St. Mary's Center's financial reporting.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents St. Mary's Center's financial assets at June 30, 2020 and 2019:

Financials assets at year end:	2020	2019
Cash and cash equivalents	\$ 1,341,791	\$ 711,393
Accounts receivable	0	953
Grants receivable	734,634	1,253,599
Other investments available in the next 12 months	250,000	365,426
Total financial assets	2,326,425	2,331,371
Less amounts not available to be used within one year:		
Funds restricted by donors	433,496	1,480,312
	433,496	1,480,312
Financial assets available to meet general expenditures over the next 12 months	\$ 1,892,929	\$ 851,059

St. Mary's Center's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$800,000). For purposes of analyzing resources available, St. Mary's Center regularly monitors its budget and anticipates collecting sufficient contributions, government grants, and program fees to meet general expenditures over a 12-month period.

NOTE 4 - CASH IN TRUST

Cash in trust is held on behalf of clients in a fiduciary capacity for purposes of managing their financial affairs. A small monthly fee is charged for this service.

NOTE 5 – OTHER INVESTMENTS

Other investments of \$464,866 and \$615,426 at June 30, 2020 and 2019, respectively, consist of certificate of deposits. Interest earned primarily on the certificates of deposit for the years ending June 30, 2020 and 2019 were \$7,141 and \$6,135, respectively.

St. Mary's Center's policy is to immediately sell any stocks that are donated. St. Mary's Center did not receive donated stock for the fiscal year ending June 30, 2020.

ST. MARY'S CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - FIXED ASSETS

	<u>2020</u>	<u>2019</u>
Land	\$ 1,717,350	\$ 1,717,350
Buildings	5,191,719	5,191,719
Building improvements	2,879,965	2,841,535
Furniture and fixtures	114,799	125,304
Vehicles	16,181	16,483
Construction in progress	2,846,029	1,541,712
	<u>12,766,043</u>	<u>11,434,103</u>
Less accumulated depreciation	(3,124,133)	(2,803,496)
Total	<u>\$ 9,641,910</u>	<u>\$ 8,630,607</u>

On December 15, 2016, St. Mary's Center entered into a purchase power agreement with Sky Power Solar for solar energy for a one-time payment of \$53,982. The term of the purchase power agreement is 5 years with the option to purchase the equipment for \$1.00 after 6 years. Since it is St. Mary's Center's intent to purchase the solar equipment, the one-time payment of \$53,982 has been capitalized as building improvements and is being depreciated over the equipment's useful life of 25 years.

Construction in progress is for the building renovation of 967 32nd Street in Oakland, CA. The estimated time to complete will be longer than 12 months.

NOTE 7 – GRANTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Federal, State and County Grants	\$ 734,634	\$ 1,253,599
California Department of Education	0	0
Total	<u>\$ 734,634</u>	<u>\$ 1,253,599</u>

Grants Receivable have been adjusted for all known uncollectible accounts and no allowance is considered necessary at June 30, 2020 and 2019. If amounts become uncollectible, they are charged to operations in the period in which the determination is made.

NOTE 8 - NOTE PAYABLE

On May 6, 2020, St. Mary's Center was granted a loan (the "Loan") from United Business Bank in the amount of \$436,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020.

The Loan matures on May 6, 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing on December 6, 2020. The note may be prepaid by St. Mary's Center at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, the Loan and accrued interest may be forgiven if the loan is used for qualifying expenses as described in the CARES Act.

ST. MARY'S CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – DEFINED CONTRIBUTION RETIREMENT PLAN

Eligible employees participating in an employer-sponsored retirement plan receive employer contributions up to 3% of their pay. St. Mary's Center made contributions on behalf of the employees in the amount of \$50,000 for each year ended June 30, 2020 and 2019, respectively.

NOTE 10 – ACCRUED WAGES, VACATION AND SICK LEAVE

Wages earned but not yet paid and accumulated unpaid employee vacation benefits are recognized as accrued liabilities of St. Mary's Center. The value of accrued wages and accumulated vacation at June 30, 2020 were \$92,218 and \$91,033, respectively. The value of accrued wages and accumulated vacation at June 30, 2019 were \$75,200 and \$61,669, respectively. Accumulated employee sick leave benefits are not recognized as liabilities of St. Mary's Center because payment of sick leave benefits is not probable and such benefits are recorded as expenses in the period when sick leave is taken.

NOTE 11 - CONTINGENCIES

St. Mary's Center has received federal and other governmental funds for specific purposes that are subject to review and audit by the funding agencies. Such audits could generate expenditure disallowances or refunds payable under terms of the agency contracts. No material amounts are currently payable. Loss of governmental support would have a significant impact on St. Mary's Center's ability to provide its program services.

NOTE 12 – NUTRITION PROGRAMS

St. Mary's Center had one nutrition agreement with the California Department of Education for Child and Adult Care Food Programs, as reported in the *Schedule of Expenditures of Federal, State and County Awards*. However, no nutrition audit report schedules are included in the audit because (1) the audit disclosed no nutrition overpayments, underpayments, or program findings; (2) St. Mary's Center did not request reimbursement of audit costs; and (3) the audit is not a program-specific nutrition audit.

NOTE 13 – NET ASSETS

Net assets with donor restrictions were as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Specific Purpose		
A Friendly Manor	\$ 433,496	\$ 680,312
967 32nd Street	495,683	800,000
	\$ 929,179	\$ 1,480,312

ST. MARY'S CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – NET ASSETS (continued)

Net assets without donor restrictions for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Undesignated	\$ 10,905,264	\$ 9,511,037

Net assets released from net assets with donor restrictions were as follows:

	2020	2019
Satisfaction of Purpose Restrictions		
A Friendly Manor	\$ 246,816	\$ 49,860
967 32nd Street	304,317	0
	\$ 551,133	\$ 49,860

NOTE 14 – CAPITAL CAMPAIGN

St. Mary's Center solicited contributions of \$1,000,000 for the purchase of vacant land next to 967 32nd Street in Oakland, CA.

NOTE 15 – COVID-19

Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. St. Mary's Center is carefully monitoring the situation and evaluating the options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. Future potential impacts may include disruptions or restrictions on employees' ability to work. The future effects of these issues are unknown.

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 12, 2020 the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ST. MARY'S CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND COUNTY AWARDS
YEAR ENDED JUNE 30, 2020

Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Total Expenditures			
			Federal	State	County	Total
Department of Agriculture, Food and Nutrition Service						
Passed through from the California Department of Education:						
Child and Adult Care Food Program	10.558	CSPP9026	\$ 2,828	\$ -	\$ -	\$ 2,828
Passed through from the County of Alameda:						
Alameda County Community Food Bank	10.569	A1160	13,441		8,008	21,449
Total Food Distribution Cluster			13,441	-	8,008	21,449
Total Department of Agriculture, Food and Nutrition Service			16,269	-	8,008	24,277
Department of Health and Human Services						
Passed through from the County of Alameda:						
Area Agency on Aging	93.044	23730	73,069		101,062	174,131
Total Aging Cluster			73,069	-	101,062	174,131
Mental Health Services	93.958	900101	207,064			207,064
Division of Alcohol & Drugs/AOD Primary Prevention	93.959	900101	240,000	61,000		301,000
Medical Assistance Program	93.778	16-93076	287,534			287,534
Total Medicaid Cluster			287,534	-	-	287,534
Passed through from the City of Oakland:						
Community Action Partnership (OCAP)	93.569	54912	40,000			40,000
Total 477 Cluster			40,000	-	-	40,000
Total Department of Health and Human Services			847,667	61,000	101,062	1,009,729
Department of Housing and Urban Development						
Passed through from the City of Oakland:						
CDBG	14.218	1003932	44,535			44,535
Total CDBG - Entitlement Grants Cluster			44,535	-	-	44,535
PATH Housing & Shelter	14.231	1004582	100,000		100,000	200,000
Oakland Housing Authority - Moving to Work	14.881	4719	120,374			120,374
Total Department of Housing and Urban Development			264,909	-	100,000	364,909
State of California						
California Department of Education State Preschool						
		CSPP9026		200,394		200,394
Passed through from the County of Alameda:						
MediCal		1962601666		6,414		6,414
Total State of California			-	206,808	-	206,808
County of Alameda						
Measure A Medication Safety					26,024	26,024
SSA - Emergency Winter Shelter					56,672	56,672
Alameda Alliance					8,410	8,410
Census 2020 County grant					12,500	12,500
Total County of Alameda			-	-	103,606	103,606
Total expenditures of federal, state and county awards			\$ 1,128,845	\$ 267,808	\$ 312,676	\$ 1,709,329

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of Federal, State and County Awards (the Schedule) includes the expenditure activity of St. Mary's Center for the year ended June 30, 2020. 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)*. Because the Schedule presents only a selected portion of the operations of Saint Mary's Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Mary's Center.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

St. Mary's Center has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Subrecipients

There were no awards passed to subrecipients.

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

ST. MARY'S CENTER
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Total CDE Contract CSPP9026	Non-CDE Programs	Total
REVENUES			
Government grants:			
Federal grants		\$ 1,126,017	\$ 1,126,017
State of California grants		67,414	67,414
County of Alameda grants		312,676	312,676
Child care programs:			
Preschool	\$ 200,394	0	200,394
Food program	2,828	0	2,828
Subtotal of government grants	203,222	1,506,107	1,709,329
Unrestricted contributions	95,014	1,411,240	1,506,254
Program fees		158,983	158,983
Contributed services	0	330	330
GAINS, LOSSES AND OTHER SUPPORT			
Special events	0	0	0
Direct event costs	0	0	0
Net special events	0	0	0
Interest income	0	7,141	7,141
Capital campaign	0	1,000,000	1,000,000
TOTAL REVENUES, GAINS, LOSSES AND OTHER SUPPORT	298,236	4,083,801	4,382,037
EXPENSES			
Salaries	192,745	1,717,554	1,910,299
Payroll taxes	16,457	146,644	163,101
Workers' compensation	6,166	63,306	69,472
Employee benefits	25,762	192,902	218,664
Retirement contributions	4,000	46,000	50,000
Consultants	5,318	149,370	154,688
License	277	6,889	7,166
Program costs	13,533	84,550	98,083
Garden supplies & materials	0	9,914	9,914
Telephone & utilities	6,490	119,814	126,304
Dues & subscriptions	634	33,020	33,654
Staff training	1,144	12,722	13,866
Auto & travel	0	9,557	9,557
Repairs & maintenance	11,566	96,403	107,969
Insurance	3,595	37,572	41,167
Interest expense	0	669	669
Real estate taxes	1,613	28,580	30,193
Printing & copying	35	22,018	22,053
Postage	109	13,006	13,115
Legal & accounting	2,943	28,055	30,998
Office expenses	1,461	50,090	51,551
Advocacy expenses	0	25,000	25,000
Miscellaneous expenses	796	11,419	12,215
Depreciation	21,890	317,355	339,245
TOTAL EXPENSES	316,534	3,222,409	3,538,943
CHANGE IN NET ASSETS	\$ (18,298)	\$ 861,392	843,094
NET ASSETS AT BEGINNING OF YEAR			10,991,349
NET ASSETS AT END OF YEAR			\$ 11,834,443

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

ST. MARY'S CENTER
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
FOR CHILD DEVELOPMENT SERVICES
YEAR ENDED JUNE 30, 2020

Program Name	Preschool
Contract Number	CSPP9026
Contract Period	July 1, 2019 - <u>June 30, 2020</u>
Salaries, Certificated	\$ 130,497
Salaries, Classified	4,200
Payroll taxes	16,457
Workers' compensation	6,166
Employee benefits	10,047
Retirement contributions	4,000
Consultants	5,318
License	277
Program costs	1,752
Telephone	0
Utilities	4,123
Dues & subscriptions	634
Staff training	1,144
Auto & travel	0
Repairs & maintenance	9,199
Insurance	1,228
Interest expense	0
Real estate taxes	1,613
Printing & copying	35
Postage & delivery	109
Legal & accounting	576
Office expenses	1,461
Miscellaneous expenses	796
Depreciation	21,890
Total expenditures submitted to contracts	<u>221,520</u>
Amount reimbursed by the State of California	
Preschool - Contract amount	200,394
Food program	0
Amount reimbursed by Federal	
Food program	<u>2,828</u>
Total reimbursements	<u>203,222</u>
(Deficit)	<u><u>\$ (18,298)</u></u>

Note:

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contract listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

ST. MARY'S CENTER
RECONCILIATION OF CDE AND GAAP EXPENSE REPORTING
FOR CHILD DEVELOPMENT SERVICES
YEAR ENDED JUNE 30, 2020

Expenses	CSPP9026
Schedule of Expenditures by State Categories (CDE)	\$ 221,520
Adjustments to Reconcile Differences in Reporting: (1)	
Salaries, Certificated	58,048
Employee benefits	15,715
Program costs	11,781
Utilities	2,367
Repairs & maintenance	2,367
Insurance	2,368
Bookkeeping	2,368
Subtotal	<u>95,014</u>
Combining Statement of Activities (GAAP)	<u>\$ 316,534</u>

(1) The amounts shown here are expenses incurred that were not pertaining to the CDE award and are reported on the Supplemental Expenses schedule of the Audited Attendance and Fiscal Reports (AUD forms).

ST. MARY'S CENTER
SCHEDULES OF REIMBURSABLE EXPENDITURES FOR
CHILD DEVELOPMENT SERVICES
YEAR ENDED JUNE 30, 2020

Schedule of Reimbursable Expenditures for Renovations and Repairs

	<u>CSPP9026</u>	<u>Total</u>
<u>Unit Cost Under \$10,000 Per Item</u>		
	\$ 0	\$ 0
Total	<u>0</u>	<u>0</u>
<u>Unit Cost \$10,000 or More Per Item With Prior Written Approval</u>		
NONE	<u>0</u>	<u>0</u>
<u>Unit Cost \$10,000 or More Per Item Without Prior Written Approval</u>		
Flooring mat & installation	<u>17,031</u>	<u>17,031</u>
Total	<u>\$ 17,031</u>	<u>\$ 17,031</u>

Note: St. Mary's Center's capitalization threshold is \$1,000 or more.

Schedule of Reimbursable Equipment Expenditures

	<u>CSPP9026</u>	<u>Total</u>
<u>Unit Cost Under \$7,500 Per Item</u>		
NONE	<u>\$ 0</u>	<u>\$ 0</u>
<u>Unit Cost Over \$7,500 Per Item With Prior Written Approval</u>		
NONE	<u>0</u>	<u>0</u>
<u>Unit Cost Over \$7,500 Per Item Without Prior Written Approval</u>		
NONE	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>

Schedule of Reimbursable Administrative Costs

<u>Reimbursable Administrative Costs</u>	<u>CSPP9026</u>	<u>Total</u>
Salaries		
Employee benefits		
Books and supplies		
Services and other operating expense	\$ 970	\$ 970
Depreciation on non-CDE-funded assets used in program	21,890	21,890
Indirect costs	6,233	6,233
Total	<u>\$ 29,093</u>	<u>\$ 29,093</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

AUDITED ATTENDANCE AND FISCAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

**California Department of Education
Audited Attendance and Fiscal Report for
California State Preschool Programs**

A U D 8501 Page 1 of 8

Fiscal Year Ending **June 30, 2020**

Contract Number **CSPP9026**

Vendor Code **Q991**

Full Name of Contractor **St. Mary's Center**

Section 1 - Days of Enrollment Certified Children

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time	6,419		6,419	0.6193	3,975.2867
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.9537	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0

Full Name of Contractor **St. Mary's Center**

Section 1 - Days of Enrollment Certified Children (continued)

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.1952	0
TOTAL DAYS OF ENROLLMENT	6,419		6,419	N/A	3,975.2867
DAYS OF OPERATION	179		179	N/A	N/A
DAYS OF ATTENDANCE	6,419		6,419	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

Full Name of Contractor **St. Mary's Center**

Section 3 - Revenue

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs		2,828	2,828
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
Restricted Income - Subtotal		2,828	2,828
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
Transfer from Reserve Total			
Family Fees for Certified Children			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue		2,828	2,828

Comments: Adjustments were made to reconcile to the contractor's general ledger for the FYE June 30, 2020.

Full Name of Contractor **St. Mary's Center**

Section 4 - Reimbursable Expenses

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	148,971	-1,667	147,304
2000 Classified Salaries	3,850		3,850
3000 Employee Benefits	44,027	-21,814	22,213
4000 Books and Supplies	64,853	-62,824	2,029
5000 Services and Other Operating Expenses		970	970
6100/6200 Other Approved Capital Outlay		17,031	17,031
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance		21,890	21,890
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)	25,882	-19,649	6,233
Non-Reimbursable (State use only)			
Total Reimbursable Expenses	287,583	-66,063	221,520
Total Administrative Cost (included in Section 4 above)	45,861	-16,768	29,093
Total Staff Training Cost (included in Section 4 above)		1,144	1,144

Approved Indirect Cost Rate:

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor **St. Mary's Center**

Section 5 - Supplemental Revenue

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding			
Other: Other Revenue		95,014	95,014
Other:			
Total Supplemental Revenue		95,014	95,014

Section 6 - Supplemental Expenses

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries		58,048	58,048
2000 Classified Salaries			
3000 Employee Benefits		15,715	15,715
4000 Books and Supplies		11,781	11,781
5000 Services and Other Operating Expenses		9,470	9,470
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
Total Supplemental Expenses		95,014	95,014

Full Name of Contractor **St. Mary's Center**

Section 7 - Summary

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	6,419		6,419
Days of Operation	179		179
Days of Attendance	6,419		6,419
Restricted Program Income		2,828	2,828
Transfer from Reserve			
Family Fees for Certified Children			
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	287,583	-66,063	221,520
Total Administrative Cost	45,861	-16,768	29,093
Total Staff Training Cost		1,144	1,144

Total Certified Adjusted Days of Enrollment **3,975.2867**

Total Non-Certified Adjusted Days of Enrollment **0**

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box): **Yes**

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box): **Yes**

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

ST. MARY'S CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FISCAL YEAR ENDED JUNE 30, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

<i>Financial Statements</i>		
Type of auditor's report issued:	<i>Unmodified</i>	
Internal control over financial reporting:	YES:	NO:
• Material weakness identified?		X
• Significant deficiency identified that is not considered to be a material weakness?		X
Noncompliance material to financial statements noted?		X

<i>Federal Awards</i>		
Internal control over major programs	YES:	NO:
• Material weakness identified?		X
• Significant deficiency identified that is not considered to be a material weakness?	X	
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	X	

Identification of major programs:		
<i>CFDA Number:</i>	<i>Name of Federal Program or Cluster:</i>	
14.231	HUD - Emergency Solutions Grants Program	
14.881	HUD - Moving to Work Demonstration	
93.044	HHS - Aging Cluster	
93.959	HHS - Block Grants for Prevention and Treatment of Substance Abuse	
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
	YES:	NO:
Auditee qualified as a low-risk auditee?		X

ST. MARY'S CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Current year financial statement findings:

None

SECTION II – FEDERAL, STATE AND COUNTY AWARDS

Current year federal and state awards findings:

Federal Grantor: Department of Housing and Urban Development

Pass-through: City of Oakland

Finding 2020-001 – Emergency Solutions Grants Program – CFDA No. 14.231; Grant No. 1004582 (PATH Housing & Shelter)

Condition: For the year ended June 30, 2020, St. Mary's Center's written procurement policy did not contain the requirements of 2 CFR section 200.318 through 200.326 of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Criteria: In accordance with 2 CFR section 200.319(c), non-federal entities must have written procedures for procurement transactions. Such policy should incorporate all requirements within 2 CFR section 200.318 through 200.326 of the Uniform Guidance.

Cause: St. Mary's Center's procurement policy for the year ended June 30, 2020 did not include the requirements of 2 CFR section 200.318 through 200.326 of the Uniform Guidance.

Questioned Costs: None

Effect: Noncompliance with the Uniform Guidance could jeopardize future federal funding.

Repeat Finding from Prior Year: No

Recommendation: St. Mary's Center should ensure compliance with Uniform Guidance.

Views of Responsible Officials: Agrees.

ST. MARY'S CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2020

SECTION II – FEDERAL, STATE, AND COUNTY AWARDS (continued)

Federal Grantor: Department of Health and Human Services

Pass-through: County of Alameda

Finding 2020-002 – Area Agency on Aging – CFDA No. 93.044; Grant No. 23730

Condition: For the year ended June 30, 2020, St. Mary's Center could not provide current supporting documentation that verifies a client's participation in the program.

Criteria: 2 CFR section 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

Cause: St. Mary's Center has established procedures that require the completion of an intake form or other appropriate form providing evidence of a client's participation in a program. However, the procedures are not being consistently followed.

Questioned Costs: None

Effect: Noncompliance with the Uniform Guidance could jeopardize future federal funding.

Context: Three programs with a combined sample of 39 participants was selected from a population of 375 participants. The tests found 9 participants that did not have current supporting documentation.

Repeat Finding from Prior Year: No

Recommendation: St. Mary's Center should consistently follow established procedures.

Views of Responsible Officials: Agrees.

Corrective Action Plan

Fiscal Year Ended June 30, 2020

Finding 2020-001 – Emergency Solutions Grants Program – CFDA No. 14.231; Grant No. 1004582 (PATH Housing & Shelter)

Status: Corrective action in progress.

Corrective Action Plan: St. Mary's Center recognizes the need for more specific procurement policies that adhere to the Federal Grant Funds procurement policy requirements and we will modify and update our current and existing written procurement policy to reflect the Federal Grant Funds requirements.

Person(s) Responsible for Corrective Action: Stephanie Tighe, CPA

Anticipated Completion Date: 3/31/2021

Finding 2020-002 – Area Agency on Aging – CFDA No. 93.044; Grant No. 23730

Status: Corrective action in progress.

Corrective Action Plan: St. Mary's Center recognizes the need for improved recordkeeping in community center programs, and has hired additional staff in new positions to manage the conversion from paper to electronic records.

Person(s) Responsible for Corrective Action: Sharon Cornu, MSHS

Anticipated Completion Date: 3/31/2021

Sincerely,



Sharon Cornu, MSHS
Executive Director





Certified Public Accountants Inc.

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*

The Board of Directors
St. Mary's Center
Oakland, 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 consolidated financial statements of St. Mary's Center, (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered St. Mary's Center's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Mary's Center's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Mary's Center'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 consolidated 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 weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Mary's Center's consolidated 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HAC Certified Public Accountants Inc.



Nathaniel F. Holden
Certified Public Accountant

San Rafael, California
November 12, 2020



Certified Public Accountants Inc.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
St. Mary's Center
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited St. Mary's Center'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 St. Mary's Center's major federal programs for the year ended June 30, 2020. St. Mary's Center'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of St. Mary's Center'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 a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Mary's Center'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 St. Mary's Center's compliance.

Opinion on Each Major Federal Program

In our opinion, St. Mary's Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

St. Mary's Center's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Mary's Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of St. Mary's Center 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 St. Mary's Center'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 St. Mary's Center'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

HAC Certified Public Accountants Inc.



Nathaniel F. Holden
Certified Public Accountant

San Rafael, California
November 12, 2020



Certified Public Accountants Inc.

November 12, 2020

To the Board of Directors
St. Mary's Center
925 Brockhurst Street
Oakland, CA 94608

We have audited the consolidated financial statements of St. Mary's Center for the year ended June 30, 2020, and we will issue our report thereon dated November 12, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, (and if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Mary's Center are described in Note 2 to the consolidated financial statements. As described in Note 2, St. Mary's Center adopted the following accounting policies:

On July 1, 2018, St. Mary's Center adopted FASB Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability or resources, and the lack of consistency in the type of information provided about expenses and investment return. St. Mary's Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

As of July 1, 2019, St. Mary's Center adopted ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statement of cash flows. The adoption of ASU 2016-18 resulted in the reclassification of certain items related to restricted cash in the cash flows statement for the year ended June 30, 2020 and 2019.

As of July 1, 2019, St. Mary's Center adopted ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of St. Mary's Center's financial reporting.

We noted no transactions entered into by St. Mary's Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the consolidated financial statements was:

Management's estimate of the depreciation expense is based on the capitalization policy used by St. Mary's Center. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the consolidated financial statements was:

NOTE 15 – COVID-19

Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. St. Mary's Center is carefully monitoring the situation and evaluating the options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. Future potential impacts may include disruptions or restrictions on employees' ability to work. The future effects of these issues are unknown.

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our review of the CDE's Attendance and Fiscal Reports in the current year, we made adjustments on the June 30, 2020 Audited Attendance and Fiscal Report to reconcile expenses to the June 30, 2020 general ledger less expenses not pertaining to the CDE award that were identified by the client, and we made adjustments to reflect proper classification of expenses. Similar adjustments were made in the prior year.

Management's Response: Management is continuing to implement steps to ensure that the CDE's Attendance and Fiscals Reports are properly and accurately reflected.

We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Cost that we consider to be significant deficiencies (items 2020-001 and 2020-002).

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, and California Department of Education's requirements, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements, to the consolidated financial statements themselves, or to other organization's records.

This information is intended solely for the use of the board of directors and management of St. Mary's Center and is not intended to be, and should not be, used by anyone other than these specified parties.

HAC Certified Public Accountants Inc.

Very truly yours,



Nathaniel F. Holden
Certified Public Accountant