

THE GATHERING INN

Independent Auditor's Report and Financial Statements

June 30, 2024

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**NICHOLSON
& OLSON**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Gathering Inn
Roseville, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Gathering Inn (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Gathering Inn as of June 30, 2024, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, which raise substantial doubt about The Gathering Inn's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

The Gathering Inn
Roseville, California

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, on our consideration of The Gathering Inn'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 The Gathering Inn'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 The Gathering Inn's internal control over financial reporting and compliance.

Nicholson & Olson

Certified Public Accountants
Roseville, California
March 31, 2026

FINANCIAL STATEMENTS

THE GATHERING INN
Statement of Financial Position
June 30, 2024

Current assets:	
Cash and cash equivalents	\$ 1,773,372
Grants and other receivables	1,129,570
ERC receivable - current	500,792
Prepaid expenses and deposits	93,464
Total current assets	<u>3,497,198</u>
Property and equipment, net	4,784,812
ERC receivable - long-term	321,587
Right of use assets	163,246
Deposits	25,630
	<u>8,792,473</u>
Total Assets	<u>\$ 8,792,473</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 58,622
Accrued expenses	279,941
Deposits held for others	6,751
Refundable advances	699,723
Current portion of operating lease obligation	96,599
Current portion of long-term debt	26,868
Total current liabilities	<u>1,168,504</u>
Non-current liabilities:	
Government loans	154,114
Long-term portion of lease obligations	69,478
Long-term debt, less current portion	530,726
Total liabilities	<u>1,922,822</u>
Net assets:	
Without donor restrictions	6,812,223
With donor restrictions	57,428
Total net assets	<u>6,869,651</u>
Total Liabilities and Net Assets	<u>\$ 8,792,473</u>

The accompanying notes are an integral part of these financial statements

THE GATHERING INN
Statement of Activities and Change in Net Assets
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 496,245	\$ -	\$ 496,245
Grants and contracts	6,996,226	-	6,996,226
Rental income	181,112	-	181,112
Total revenue and support	<u>7,673,583</u>	<u>-</u>	<u>7,673,583</u>
Other Gains and Losses			
Special event revenue	381,400	-	381,400
Special event expense	(125,419)	-	(125,419)
Net special event	<u>255,981</u>	<u>-</u>	<u>255,981</u>
Investment income	27,707	7,428	35,135
Other revenue	58,126	-	58,126
Other losses	-	-	-
Total other gains and losses	<u>341,814</u>	<u>7,428</u>	<u>349,242</u>
Total revenue, support, & other	<u>8,015,397</u>	<u>7,428</u>	<u>8,022,825</u>
Expenses			
Program services			
South Placer emergency housing	1,367,719	-	1,367,719
Mid Placer emergency housing	2,946,678	-	2,946,678
Sacramento emergency housing	615,943	-	615,943
Permanent housing	421,533	-	421,533
Interim care	736,601	-	736,601
	<u>6,088,474</u>	<u>-</u>	<u>6,088,474</u>
Management and general	1,484,164	-	1,484,164
Fundraising	415,211	-	415,211
Total expenses	<u>7,987,849</u>	<u>-</u>	<u>7,987,849</u>
Change in net assets	<u>27,548</u>	<u>7,428</u>	<u>34,976</u>
Net assets, beginning of year			
As originally stated	5,110,373	50,000	5,160,373
Prior period adjustment - Note14	1,674,302	-	1,674,302
As restated	<u>6,784,675</u>	<u>50,000</u>	<u>6,834,675</u>
Net assets, end of year	<u>\$ 6,812,223</u>	<u>\$ 57,428</u>	<u>\$ 6,869,651</u>

The accompanying notes are an integral part of these financial statements

THE GATHERING INN
Statement of Functional Expenses
Year Ended June 30, 2024

	South Placer Emergency Housing	Mid Placer Emergency Housing	Elk Grove Emergency Housing	Permanent Housing	Interim Care	Total Support Services	Management & General	Fundraising	Total
Personnel									
Salaries and wages	\$ 745,281	\$ 1,966,321	\$ 397,802	\$ 150,894	\$ 480,832	\$ 3,741,130	\$ 857,923	\$ 208,789	\$ 4,807,842
Payroll taxes	60,781	165,857	33,597	12,673	38,670	311,578	71,390	13,891	396,859
Employee benefits	52,027	197,216	24,320	5,783	39,970	319,316	72,031	2,525	393,872
Total personnel costs	<u>858,089</u>	<u>2,329,394</u>	<u>455,719</u>	<u>169,350</u>	<u>559,472</u>	<u>4,372,024</u>	<u>1,001,344</u>	<u>225,205</u>	<u>5,598,573</u>
Operating costs									
Bad debt expense	-	-	6,809	11,376	-	18,185	-	-	18,185
Bank & payroll fees	10,377	19,713	4,811	1,342	4,415	40,658	5,930	10,617	57,205
Building & maintenance	30,794	24,324	15,244	39,859	1,315	111,536	15,224	-	126,760
Dues and subscriptions	-	-	-	400	-	400	2,671	1,962	5,033
Food & nutrition supplies	5,195	47,147	3,795	689	18,068	74,894	-	-	74,894
Employment expenses	31,921	52,374	10,308	1,262	3,877	99,742	46,136	8,908	154,786
Fundraising	-	-	-	-	-	-	1,549	-	1,549
Insurance	37,973	151,864	7,842	15,945	23,602	237,226	20,568	-	257,794
Interest expense	24,197	-	-	1,226	-	25,423	40	-	25,463
Marketing	-	2,585	107	-	788	3,480	12,614	134,442	150,536
Meals & entertainment	1,171	1,059	567	403	275	3,475	21,704	502	25,681
Office expense	11,694	25,252	5,826	6,758	5,703	55,233	105,189	25,003	185,425
Professional fees	55,483	83,832	750	1,736	38,149	179,950	151,623	-	331,573
Program supplies	26,971	89,210	88,281	15,559	16,707	236,728	-	-	236,728
Rent	11,479	32,141	6,122	2,296	36,570	88,608	19,897	3,061	111,566
Rental assistance	53,847	-	-	-	-	53,847	-	-	53,847
Tax & licenses	5,341	12,372	16	5,648	3,088	26,465	1,264	-	27,729
Telephone	10,894	18,966	2,693	8,216	3,796	44,565	17,915	450	62,930
Transportation	59,693	17,468	5,703	11,299	1,819	95,982	19,195	5,061	120,238
Utilities	45,249	8,035	372	60,828	18,957	133,441	22,365	-	155,806
Depreciation	87,351	30,942	978	67,341	-	186,612	18,936	-	205,548
Total operating costs	<u>509,630</u>	<u>617,284</u>	<u>160,224</u>	<u>252,183</u>	<u>177,129</u>	<u>1,716,450</u>	<u>482,820</u>	<u>190,006</u>	<u>2,389,276</u>
Total functional expenses	<u>\$ 1,367,719</u>	<u>\$ 2,946,678</u>	<u>\$ 615,943</u>	<u>\$ 421,533</u>	<u>\$ 736,601</u>	<u>\$ 6,088,474</u>	<u>\$ 1,484,164</u>	<u>\$ 415,211</u>	<u>\$ 7,987,849</u>

The accompanying notes are an integral part of these financial statements

THE GATHERING INN
Statement of Cash Flows
Year Ended June 30, 2024

Cash Flows from Operating Activities

Change in net assets	\$ 34,976
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Non-cash items:	
Depreciation	205,548
Amortization of right of use asset	92,575
Increase in accrued interest	1,226
(Increase) decrease in:	
Grants and other receivables	(303,470)
ERC receivable	236,573
Prepaid expenses and deposits	(50,837)
Increase (decrease) in:	
Accounts payable	(16,954)
Accrued expenses	114,176
Deposits held for others	(117)
Refundable advances	62,303
	375,999
Net cash provided (used) by operating activities	375,999

Cash Flows from Investing Activities

Purchase of property and equipment	(79,141)
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Cash Flows from Financing Activities

Principal payments on operating lease obligations	(89,744)
Principal payments on long-term debt	(21,263)
Net cash provided (used) by financing activities	(111,007)

Increase (decrease) in cash and cash equivalents	185,851
Beginning cash and cash equivalents	1,587,521
Ending cash and cash equivalents	\$ 1,773,372

Supplemental Information

Interest paid	\$ 24,197
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The accompanying notes are an integral part of these financial statements

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Organization as follows:

Note 1 - Summary of Significant Accounting Policies

Note 2 - Grant and Other Receivables

Note 3 - Employee Retention Credit

Note 4 - Property and Equipment

Note 5 - Refundable Advances

Note 6 - Operating Lease Obligations

Note 7 - Line of Credit

Note 8 - Government Loans

Note 9 - Long-Term Debt

Note 10 - Net Assets with Donor Restrictions

Note 11 - Concentrations

Note 12 - Commitments and Contingencies

Note 13 - Liquidity Management

Note 14 - Prior Period Adjustment

Note 15 - Subsequent Events

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of The Gathering Inn (TGI or Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Description of Organization

The Gathering Inn, Inc. is a nonprofit public benefit corporation organized to provide a community-based response to South Placer County's homeless population. The Organization provides guests with social, health, and case management services which help the guests become active participants in the community to the best of their abilities. The Organization administers the following programs:

Emergency Housing & Supportive Services

This program consists of two campuses and is designed to provide the basic needs to the homeless such as a safe and secure campus, clean clothing & bedding, shower facilities and meals. In addition, the program provides guests with life skill courses, drug and alcohol recovery meetings, access to a resource center with computers, and collaborative case management to address their challenges.

Interim Care Program

This program consists of 2 home-like facilities that temporarily house medically fragile homeless individuals. Guests are provided with a safe, clean place to rest and recover following hospital discharge as well as intensive case management, transportation, medication management, three meals per day and other services.

Permanent Supportive Housing Program

This program consists of 7 homes and is designed to provide long-term supportive housing to those who are the most vulnerable. Each guest has their own room and is assigned a case worker who provides support and case management services. In addition, the residents are provided with transportation and are taught life skills such as cooking, laundry, cleaning and financial responsibility.

Method of Accounting

The financial statements are prepared using the accrual method of accounting.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified into two categories as described on the following page.

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 objectives of the Organization. The Board of Directors may designate assets without restrictions for specific operational purposes.

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires in the same reporting period in which the revenue is recognized, the contribution is reported as an increase in net assets without donor restrictions. When a restriction expires in a subsequent reporting period, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized results from satisfying distinct performance obligations. Performance obligations are satisfied over time, and the related revenue is recognized as services are rendered.

A portion of the Organization's revenue is derived from cost-reimbursable governmental contracts and grants, which are considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Amounts received are recognized as revenue when the qualified expenditures have been incurred and conditions under the grant agreement are met. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

The Organization receives support from individuals, foundations, corporations, and other nonprofit organizations in support of its mission. Contribution revenue is recognized at the earlier of the receipt of cash or an unconditional promise to give. Promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Organization's discretion on use of the funds are recognized when the conditions are substantially met.

Cash and Cash Equivalents

The Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Grants and Other Receivables

Grants receivable represent expenditures for which reimbursement has been requested but not yet received. Other receivables are stated at the amount management expects to collect. Management believes all receivables are fully collectible, therefore no allowance for doubtful accounts is considered necessary. The write-off of receivables is rare and occurs at management's discretion after all collection efforts have failed.

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost or at their estimated fair market value on the date of purchase or contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation expense totaling \$205,548 is calculated using the straight-line method over the estimated useful lives of the assets which range from three to seven years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2024.

Contributed Non-Financial Assets

The Organization may receive various forms of non-financial assets such as clothes, supplies, household goods, and specialized services. Non-financial assets are reported as contributions at their estimated fair value on the date of receipt and reported as expenses or capitalized assets when utilized. Contributions of non-financial assets are valued based upon the market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Contributed non-financial assets are not sold and goods are only distributed for program use. No significant contributions of non-financial assets were received during the year ended June 30, 2024.

Numerous volunteers have made contributions of their time to the Organization to deliver programs and raise operating funds. The value of this contributed time is not reflected in these financial statements as they do not meet the criteria for recognition as contributions received under generally accepted accounting principles.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code and is considered a publicly supported organization. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

There are no uncertain tax positions or other provisions for income taxes that should be recognized in these financial statements. Generally, the Organization's tax returns remain open for three years for federal income tax examinations and four years for state income tax examinations.

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees for the Organization are entitled to paid annual leave depending on job classification and length of service, which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as accrued expenses totaling \$138,630 at June 30, 2024.

Functional Allocation of Expenses

The costs of providing the programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, benefits and payroll taxes as well as bank fees, insurance, office expense, professional fees, and telephone, which are allocated based on estimates of time and effort.

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 the amounts reported in the Financial Statements and accompanying disclosures. Actual results could differ from those estimates.

Fair Value Measurements

The Organization uses a framework for defining and measuring fair value in accordance with generally accepted accounting principles, which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level. The Organization reports assets using level 1 inputs

Level 1 uses quoted prices and active markets for identical assets

Level 2 uses quoted prices in active or inactive markets for the same or similar assets

Level 3 uses the best information available when there is little or no market data.

Note 2 - Grant and Other Receivables

At June 30, 2024, the following amounts were receivable from the following funding sources:

California State Department of Healthcare Services	\$ 111,118
City of Rocklin	17,000
City of Roseville	162,208
Homeless Resource Council of the Sierras	11,057
Partnership HealthPlan of California	236,876
Placer County	588,386
Other	<u>2,925</u>
Total grant and other receivables	<u>\$ 1,129,570</u>

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

Note 3 - Employee Retention Credit

The Organization has applied for an Employee Retention Credit (ERC), established by the CARES Act. The ERC is a refundable payroll tax credit designed to encourage entities to retain employees during the COVID-19 pandemic. The Organization met the eligibility criteria during calendar years 2020 and 2021. Any interest earned on the credits will be recognized in the fiscal year the cash is received. As of June 30, 2024, the Organization has the following outstanding credits receivable:

Current ERC receivable	\$ 500,792
Long-term ERC receivable	<u>321,587</u>
 Total employee retention credit receivable	 <u>\$ 822,379</u>

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30, 2024:

Land	\$ 1,128,752
Building & improvements	4,263,787
Furniture & equipment	267,975
Vehicles	<u>300,732</u>
 Total property & equipment	 5,961,246
Less accumulated depreciation	<u>(1,176,434)</u>
 Net property & equipment	 <u>\$ 4,784,812</u>

Note 5 - Refundable Advances

Refundable advances represent unexpended conditional grant awards that have not been recognized as revenue because the conditions of the grant have not been met or explicitly waived by the donor. At June 30, 2024, refundable advances were available for the following purposes:

Interim care - medical respite	\$ 464,422
Emergency housing	57,350
Permanent housing	21,636
Facility furnishings	104,315
Gathering for Hope Event	<u>52,000</u>
 Total refundable advances	 <u>\$ 699,723</u>

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

Note 6 - Operating Lease Obligations

The Organization has obligations as a lessee for office and facility locations with initial noncancelable terms in excess of one year which are classified as operating leases. The Organization recognizes a ROU asset which represents the Organization's right to use an underlying asset for the lease term and a lease liability which represents the Organization's obligation to make lease payments.

Payments due under the lease contracts include fixed payments and variable payments for the Organization's proportionate share of the building's utilities and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred. Because the Organization generally does not have access to the rate implicit in the lease, their incremental borrowing rate is used as the discount rate. The weighted average discount rate associated with operating leases as of June 30, 2024 is 3 - 5%.

Maturities of lease obligations under noncancellable operating leases are as follows:

<u>Year ending June 30</u>	
2025	\$ 100,679
2026	<u>70,357</u>
Total undiscounted lease payments	171,036
Less: imputed interest	<u>(4,959)</u>
Total operating lease liability	<u>\$ 166,077</u>

The lease liability is presented in the accompanying statement of financial position as follows:

Current lease liability	\$ 96,599
Long-term lease liability	<u>69,478</u>
Total operating lease liability	<u>\$ 166,077</u>

Note 7 - Line of Credit

The Organization has available a \$100,000 line of credit with a bank. The line is secured by the organization's accounts receivable and equipment. Interest accrues on the outstanding borrowings at the Bank's index rate plus 3.25% or a floor rate of 5%. Advances on the line of credit are due on demand and the line matures March 1, 2025. There are no outstanding borrowings on the line of credit at June 30, 2024.

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

Note 8 - Government Loans

As part of the acquisition of The Lazarus Project in April 2021, the Organization assumed the following loans:

Community Development Block Grant 30-year loan from the City of Roseville totaling \$87,500 originally obtained in March 2005. The Organization is obligated to use the real property obtained with the loan to render services only to recipients meeting appropriate income eligibility criteria and must remain in compliance with the administrative regulations for community block grants issued by the United States Department of Housing and Urban Development. If the Organization fails to meet these requirements, it will be required to repay the loan; otherwise, forgiveness is expected at the loan's maturity in March 2035.

Placer County Housing Rehabilitation loan totaling \$40,868 originally obtained in July 2003 to make improvements to existing real property. The loan accrues interest at 3% with deferred payments for 30 years. The Organization is required to use the real property as a group home for recipients meeting appropriate income eligibility criteria and must remain in compliance with the administrative regulations issued by the Placer County Redevelopment Agency. If the Organization fails to meet these requirements, it will be required to repay the loan and accrued interest; otherwise, forgiveness of the principal and interest is expected at the loan's maturity in June 2033.

Both notes are secured by a deed of trust on the real property. These loans are presented in the statement of financial position as long-term liabilities:

City of Roseville	\$	87,500
Placer County		40,868
Accrued interest		25,746
Total government loans	\$	154,114

Note 9 - Long-Term Debt

Long-term debt consists of a note to a bank, secured by property in Roseville, California. The note, as amended in June 2024, is payable in monthly principal and interest payments of \$4,574, including interest at 6.15%, due in full June 2029.

Future maturities of the note payable are as follows:

<u>Year ending June 30</u>		
2025	\$	26,868
2026		22,913
2027		24,362
2028		25,903
2029		457,548
Total long-term debt	\$	557,594

THE GATHERING INN
Notes to Financial Statements
June 30, 2024

Note 9 - Long-Term Debt (continued)

The loan is presented in the accompanying statement of financial position as follows:

Current portion due within one year	\$ 26,868
Long-term portion	<u>530,726</u>
Total long-term debt	<u>\$ 557,594</u>

Interest paid on this loan at 4.26% for the year ended June 30, 2024, amounted to \$23,962.

Note 10 - Net Assets With Donor Restrictions

Donor restricted net assets consist of a contribution the donor intends to operate as an endowment with a goal of achieving 8% annual return, 3% of which will be added to the corpus and 5% would be available for providing education and training to homeless guests that meet certain criteria. As of June 30, 2024, the donor restricted net assets consist of the following:

Original contribution	\$ 50,000
Earnings	<u>7,428</u>
Total restricted net assets	<u>\$ 57,428</u>

Note 11 - Concentrations

Concentration of Revenues

The Organization operates certain programs, which are dependent on continued funding from government agencies. If a significant reduction from these sources occurred, the Organization's ability to maintain related programs would be significantly impacted. For the year ended June 30, 2024, the Organization's revenues and support included 45% from Placer County and 34% from various city and state agencies.

Concentration of Credit Risk

The Organization maintains cash in various accounts with federally insured banks. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 at each institution. At June 30, 2024, cash held at various banks exceeded the FDIC limits by \$1.2 million. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 12 - Commitments and Contingencies

The Organization's contracts are subject to inspection and compliance audits by the appropriate governmental funding agencies to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The Organization has not experienced any disallowed program costs from these governmental audits and management believes it is not exposed to any significant risk.

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Note 12 - Commitments and Contingencies (continued)

The Organization is involved in various legal proceedings arising in the normal course of business. These matters include commercial disputes and employment-related claims. Management, after consultation with legal counsel, evaluates each case to determine whether a liability should be recognized or disclosed. It is impossible to predict the ultimate outcome of these claims at this time, management believes that the outcome of these matters will not have a material adverse effect on the financial position, operations or liquidity of the Organization. See note 15.

Note 13 - Liquidity Management

The following reflects the Organization's financial assets as of June 30, 2024, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Cash and cash equivalents	\$ 1,773,372
Grants and other receivables	1,129,570
ERC receivable	<u>500,792</u>
Financial assets available	3,403,734
Less amounts not available for general expenditures within one year	
Deposits held for others	(6,751)
Refundable advances under conditional grants	(699,723)
Subject to appropriation and satisfaction of donor restrictions	<u>(57,428)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,639,832</u>

The Organization's goal is to maintain financial assets at a level equal to 90 days of operating expenses. As part of the liquidity management plan, cash in excess of daily requirements is maintained in money market funds or certificates of deposit. The Organization continues to manage its liquidity by developing annual operating budgets that provide sufficient funds to support operating expenditures, liabilities, and other obligations. The Organization's cash needs are expected to be met by revenue generated with government and private grants and donations. In addition, the Organization maintains a \$100,000 line of credit available to meet cash flow needs.

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Note 14 - Prior Period Adjustment

During the year ended June 30, 2024, the Organization discovered that property contributed to the Organization via Placer County grant had not been properly recorded in the years ended June 30, 2020 and 2021. A prior period adjustment was posted as of and for the year ended June 30, 2024 as follows:

	<u>As Originally Stated</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Land	\$ 582,322	\$ 508,340	\$ 1,090,662
Building & improvements	\$ 1,910,922	\$ 1,270,275	\$ 3,181,197
Accumulated depreciation	\$ (866,573)	\$ (104,313)	\$ (970,886)
Beginning net assets	\$ (5,160,373)	\$ (1,674,302)	\$ (6,834,675)

Note 15 - Subsequent Events

Management of the Organization has reviewed events for recognition and disclosure through March 31, 2026, the date the financial statements were available to be issued and identified the following items occurring after June 30, 2024:

- In addition to the continuation of their current grant funding, the Organization has obtained grants from 6 new funders totaling \$22 million to be earned in various percentages over the next 5 years.
- Subsequent lawsuits considered relevant for disclosure:

City of Lincoln lawsuit

In October 2024, the City of Lincoln and the West Placer Unified School District filed a lawsuit against the Organization and the California Attorney General to prohibit the Organization from performing renovation work and opening a 39,000 square foot former assisted living facility. The Organization has prevailed in its defense of these claims, with the Placer County Superior Court ruling in favor of the Organization. The only remaining matter pending in the lawsuit is the claim made by the City of Lincoln that the building is not fit for habitation. The Organization is in the process of renovating the building to meet local building codes. After consulting with legal counsel, management believes the Organization will prevail.

California Labor Code lawsuit

In October 2025, a class action and Private Attorneys General Act (PAGA) lawsuit was filed in Placer County Superior Court by a former employee. The suit is filed on behalf of all non-exempt employees who worked between October 7, 2021 through the present. The case is currently in litigation and there have been no settlement demands. As of the date of these financial statements, the Organization believes the lawsuit will ultimately be resolved in mediation but cannot estimate the potential liability. Therefore, no provision has been made in the financial statements for this matter.

OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
The Gathering Inn
Roseville, California

We have audited, in accordance with generally accepted auditing standards 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 The Gathering Inn (Organization) (a non-profit organization), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 31, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Gathering Inn'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 The Gathering Inn's internal control. Accordingly, we do not express an opinion on the effectiveness of The Gathering Inn's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Gathering Inn'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 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.

Nicholson & Olson

Certified Public Accountants
Roseville, California
March 31, 2026