

Project Sentinel, Inc.

Financial Statements
and Single Audit Reports and Schedules

June 30, 2020
(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Project Sentinel, Inc.
Santa Clara, California

We have audited the accompanying financial statements of Project Sentinel, Inc. (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Sentinel, Inc. 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.

Emphasis of Matter

As described in Note 13 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021, on our consideration of the Organization'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 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 Organization'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 Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Project Sentinel, Inc.'s 2019 financial statements, and our report dated January 22, 2020 expressed an unmodified opinion on those audited financial statements. 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 audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

February 5, 2021

Project Sentinel, Inc.
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,015,530	\$ 487,044
Accounts receivable	11,941	500
Grants receivable	1,036,213	1,155,948
Prepaid expenses and other assets	12,834	26,181
Property and equipment, net	118,745	131,780
Total assets	\$ 2,195,263	\$ 1,801,453
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 56,569	\$ 33,941
Accrued expenses	181,328	143,821
Agency funds	31,025	31,025
Deferred revenue	46,764	2,912
Refundable advance - Paycheck Protection Program	343,337	-
Total liabilities	659,023	211,699
Net assets		
Without donor restrictions		
Undesignated	1,203,078	1,301,057
Investment in property and equipment	118,745	131,780
Total without donor restrictions	1,321,823	1,432,837
With donor restrictions	214,417	156,917
Total net assets	1,536,240	1,589,754
Total liabilities and net assets	\$ 2,195,263	\$ 1,801,453

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

Project Sentinel, Inc.
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and revenue				
Governmental grants and contracts	\$ 2,336,398	\$ -	\$ 2,336,398	\$ 2,530,122
Contributions in-kind	734,148	-	734,148	515,323
Program fees - training	142,744	-	142,744	154,532
Foundation, corporate and other grants	88,289	20,000	108,289	41,300
Settlement income	-	69,500	69,500	82,750
Forgivable government grant - Paycheck Protection Program	55,413	-	55,413	-
Investment income	7,579	-	7,579	7,994
Contributions	454	-	454	1,032
Other income	-	-	-	813
Net assets released from restriction	<u>32,000</u>	<u>(32,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,397,025</u>	<u>57,500</u>	<u>3,454,525</u>	<u>3,333,866</u>
Functional expenses				
Program services				
Fair Housing	1,183,435	-	1,183,435	1,138,466
Dispute Resolution Services	1,551,256	-	1,551,256	1,470,682
HUD Housing Counseling	323,278	-	323,278	334,115
Total program services	<u>3,057,969</u>	<u>-</u>	<u>3,057,969</u>	<u>2,943,263</u>
Support services				
Management and general	450,070	-	450,070	346,849
Total support services	<u>450,070</u>	<u>-</u>	<u>450,070</u>	<u>346,849</u>
Total functional expenses	<u>3,508,039</u>	<u>-</u>	<u>3,508,039</u>	<u>3,290,112</u>
Change in net assets	(111,014)	57,500	(53,514)	43,754
Net assets, beginning of year	<u>1,432,837</u>	<u>156,917</u>	<u>1,589,754</u>	<u>1,546,000</u>
Net assets, end of year	<u>\$ 1,321,823</u>	<u>\$ 214,417</u>	<u>\$ 1,536,240</u>	<u>\$ 1,589,754</u>

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

Project Sentinel, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Program Services				Management and General	2020 Total	2019 Total
	Fair Housing	Dispute Resolution Services	HUD Housing Counseling	Total Program Services			
Personnel expenses							
Salaries and wages	\$ 726,500	\$ 795,934	\$ 222,761	\$ 1,745,195	\$ 183,885	\$ 1,929,080	\$ 1,783,264
Payroll taxes	59,001	64,429	17,866	141,296	15,058	156,354	158,775
Employee benefits	50,870	40,717	18,667	110,254	4,912	115,166	120,900
Total personnel expenses	836,371	901,080	259,294	1,996,745	203,855	2,200,600	2,062,939
Professional services, in-kind	140,937	471,285	-	612,222	8,058	620,280	405,700
Professional services	20,881	37,939	660	59,480	183,262	242,742	280,011
Occupancy, in-kind	49,129	32,070	17,920	99,119	14,749	113,868	109,623
Occupancy	34,145	35,774	4,892	74,811	5,238	80,049	86,155
Telephone	18,802	16,410	6,379	41,591	3,782	45,373	37,226
Equipment costs	11,798	17,917	8,327	38,042	3,778	41,820	54,479
Meals and transportation	12,117	10,389	2,089	24,595	1,118	25,713	52,803
Miscellaneous	295	1,098	7,889	9,282	14,397	23,679	21,469
Dues and subscriptions	10,518	3,777	7,377	21,672	1,998	23,670	26,057
Outreach	11,138	2,222	73	13,433	79	13,512	20,294
Printing and publications	8,465	4,977	-	13,442	-	13,442	24,322
Insurance	4,336	2,646	755	7,737	5,625	13,362	16,198
Depreciation and amortization	4,797	5,593	1,459	11,849	1,186	13,035	12,178
Office supplies	5,378	4,602	1,046	11,026	787	11,813	11,447
Conferences and training	5,612	1,306	1,529	8,447	174	8,621	25,736
Postage and shipping	2,796	934	529	4,259	622	4,881	7,073
Testers	4,357	-	-	4,357	-	4,357	6,318
Bank charges	-	-	2,831	2,831	1,052	3,883	6,203
Contracted services	1,241	839	167	2,247	115	2,362	23,348
Taxes and licenses	322	398	62	782	195	977	533
	<u>\$ 1,183,435</u>	<u>\$ 1,551,256</u>	<u>\$ 323,278</u>	<u>\$ 3,057,969</u>	<u>\$ 450,070</u>	<u>\$ 3,508,039</u>	<u>\$ 3,290,112</u>
Percentage of total	<u>34 %</u>	<u>44 %</u>	<u>9 %</u>	<u>87 %</u>	<u>13 %</u>	<u>100 %</u>	

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

Project Sentinel, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (53,514)	\$ 43,754
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	13,035	12,178
Changes in operating assets and liabilities		
Accounts receivable	(11,441)	5,695
Grants receivable	119,735	(90,394)
Prepaid expenses and other assets	13,347	562
Accounts payable	22,628	(84,336)
Accrued expenses	37,507	642
Deferred revenue	43,852	2,912
Refundable advance - Paycheck Protection Program	343,337	-
Net cash provided by (used in) operating activities	528,486	(108,987)
Cash flows from investing activities		
Additions to property and equipment	-	(39,918)
Net cash provided by (used in) investing activities	-	(39,918)
Net increase (decrease) in cash and cash equivalents	528,486	(148,905)
Cash and cash equivalents, beginning of year	487,044	635,949
Cash and cash equivalents, end of year	\$ 1,015,530	\$ 487,044

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

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

1. NATURE OF OPERATIONS

Project Sentinel, Inc. (the "Organization"), was founded in 1971, and incorporated in the state of California in 1990. The Organization provides fair housing, tenant/landlord dispute resolution services, and mortgage counseling to residents of the counties of Santa Clara, San Mateo, Stanislaus, Monterey, Sacramento and to the cities of Fremont and Merced. These programs operate out of offices located in Redwood City, Santa Clara, Fremont, Gilroy, Modesto and Sacramento.

The Organization's primary source of revenue consists of federal grants from the Department of Housing and Urban Development ("HUD") which are received directly from HUD or passed through local jurisdictions. In addition, the Organization receives local government grants from the jurisdictions served by the Organization. The Organization also receives foundation grants and corporate grants as well as court awarded settlement monies for legal action related to fair housing cases.

Program services are described as follows:

Fair Housing - The Fair Housing Center investigated 359 complaints of discrimination in the year ended June 30, 2020. 770 people benefited from those investigations, and the staff provided information, education, and referrals on 1,521 calls. Victims of discrimination received \$257,000 through matters the Organization identified and investigated for fair housing enforcement (some cases were carried over from previous years). While COVID-19 did not have a noticeable effect on the Fair Housing Center's call or case numbers, it did limit the Organization's community contacts: the Organization reached 10,692 community members from targeted populations and organizations who serve them with fair housing education, a steep decrease from the prior fiscal year. In response to the decline of in-person events, the Organization began a series of educational mailers, targeting 4,330 households in lower-income areas.

Dispute Resolution Services - Staff provided information on rental rights and responsibilities to 8,629 tenants, owners and managers of rental housing by way of workshops, seminars, one on one counseling and phone counseling so that informed decisions could be made. 1,940 cases were opened for households needing additional assistance of extensive counseling and dispute resolution. Panels of volunteer and paid mediators along with salaried staff employed shuttle diplomacy to resolve rental disputes with mediation and conciliation. During the year ended June 30, 2020, the Organization's Tenant-Landlord department implemented a rent repayment program for the City of Hayward and converted all program services to be provided via phone or video conference.

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

1. NATURE OF OPERATIONS (continued)

HUD Housing Counseling - HUD Housing Counseling provides needed and sometimes required counseling to homeowners and future homeowners. Most First Time Homebuyer Assistance Programs require a certificate of either counseling or an educational workshop. Other government programs also require counseling for housing programs such as applying for a Reverse Mortgage. During the year ended June 30, 2020, the Organization assisted 994 first time home buyers to prepare for home ownership through homebuyer educational workshops and an additional 204 with individual one-on-one pre-purchase counseling. The Organization assisted 38 homeowners with mortgage default and delinquency counseling and intervention. Reverse mortgage counseling continues to be one of the largest programs with 465 households counseled, and the Organization provided credit counseling to 14 households.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Organization have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets without donor restrictions consist of all resources of the Organization which have not been specifically restricted by a donor. The Organization's board may designate net assets without donor restrictions for particular purposes.
- *Net assets with donor restrictions* - Net assets with donor restrictions represent contributions received with donor-imposed stipulations that will be met by actions of the Organization, and/or the passage of time, or are restricted to be held in perpetuity. There were no net assets restricted to be held in perpetuity as of June 30, 2020 and 2019.

Support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between net assets with donor restrictions and net assets without donor restrictions.

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified prospective method (see Note 2 Contributions and Note 14).

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor receipts restricted for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Accounts and grants receivable

The Organization considers all accounts and grants receivable to be fully collectible within the subsequent year. Accordingly, no allowance for doubtful accounts is considered necessary.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization is computed on the straight-line method based on the estimated useful lives of the assets, which range from 5 to 15 years. Depreciation and amortization is charged to the activity benefiting from the use of the property or equipment.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2020 and 2019, and is included in "accrued expenses" in the statement of financial position. The accrued vacation balance as of June 30, 2020 and 2019 was \$79,612 and \$62,828, respectively.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Program fees are recognized as revenue in the period in which the service is provided.

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without donor restrictions or with donor restrictions depending upon the nature of donor restrictions, if any. Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either grants and contributions revenue with or without restriction.

The Organization's programs are supported by grants and contracts from federal, state and local governments requiring services to be rendered to eligible individuals. The revenue generated from these programs is recorded as government grants in the statement of activities. These government grants meet the criteria to be classified as conditional contributions under GAAP revenue recognition for nonprofit organizations as they contain barriers related to incurrence of qualifying expenditures and a right of return or release. Under ASU 2018-08, the Organization had \$1,120,297 of conditional contributions as of June 30, 2020 that will be recognized as governmental grants and contracts revenue when the Organization incurs allowable costs set forth in the associated government grant agreements (see Note 14).

Contributions in-kind

Donated equipment and the use of facilities (in-kind rent) are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

Expenses allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Indirect functional expenses are allocated to program and support services based on an analysis of personnel time and space utilized.

Income taxes

The Organization is a qualified organization exempt from federal and California income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Service Code (IRC) and 23701(d) of the State of California Revenue and Taxation Code. As such, the Organization qualifies for the maximum charitable contribution deduction by donors.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2020, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Summarized comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2020 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2020. Subsequent events have been evaluated through the date the financial statements became available to be issued, February 5, 2021.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 74,312	\$ 74,312
Leasehold improvements	<u>127,695</u>	<u>127,695</u>
	202,007	202,007
Accumulated depreciation and amortization	<u>(83,262)</u>	<u>(70,227)</u>
	<u>\$ 118,745</u>	<u>\$ 131,780</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$13,035 and \$12,178, respectively.

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

4. AGENCY FUNDS

The Organization serves as a fiscal agent for the Fair Housing Retrofit Fund. This fund provides grants to disabled low income renters and owners in order to retrofit their residences for qualifying disabilities. The parameters governing the awarding of the grants were set by and are overseen by the Santa Clara County Fair Housing Task Force. The Organization holds these funds in a custodial capacity.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
Fair housing	\$ 214,417	\$ 144,917
Homeownership counseling	-	12,000
	\$ 214,417	\$ 156,917

Net assets with donor restrictions released from restriction during the year were as follows:

	2020	2019
Fair housing	\$ -	\$ 19,383
Homeownership counseling	32,000	37,948
	\$ 32,000	\$ 57,331

6. CONTRIBUTIONS IN-KIND

Contributions in-kind received during the year were as follows:

	2020	2019
Professional services	\$ 620,280	\$ 405,700
Occupancy	113,868	109,623
	\$ 734,148	\$ 515,323

The Organization receives donated rent on office space leased in four locations: Sacramento, Santa Clara, Fremont and Milpitas. The use of the Santa Clara office is donated to the Organization in exchange for services it provides to the tenants of the adjacent low income housing apartment building. The services provided in exchange for the rent in Santa Clara office was \$12,119 and \$11,438 for the years ended June 30, 2020 and 2019, respectively.

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

7. EMPLOYEE RETIREMENT PLAN

The Organization offers a Section 125 cafeteria plan and a 403(b) retirement plan to all eligible employees working 35 or more hours per week. The Organization offers each eligible employee either a base medical plan or contribution to the 403(b) plan. In the case that an employee chooses medical coverage, the cost of selected benefits in excess of the base medical plan are deducted from employee compensation. In the case that an employee declines medical coverage, the Organization contributes 10% of their compensation to the 403(b) plan. Employees may make voluntary contributions to their 403(b) plan through payroll deductions. The Organization does not match employee voluntary contributions.

8. COMMITMENTS AND CONTINGENCIES

Grants and contracts

Grants and contracts awarded to Project Sentinel, Inc. are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs.

Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Organization would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

Operating leases

The Organization leases office space in four locations: Modesto, Fremont (donated), Milpitas (donated), and Gilroy, with non-cancelable leases expiring in the year ended June 30, 2020. The Organization also leases office equipment under non-cancelable leases expiring in the year ending June 30, 2024. Occupancy expense (including the value of donated rent) for the years ended June 30, 2020 and 2019 was \$193,917 and \$195,778, respectively.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2021	\$ 8,458
2022	8,458
2023	8,458
2024	<u>3,524</u>
	<u>\$ 28,898</u>

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

9. CONCENTRATIONS

The Organization receives approximately 31% of its support and revenue directly or indirectly from the U.S. Department of Housing and Urban Development. A reduction in awards of grants from this agency could materially impact the services the Organization provides.

10. CONFLICT OF INTEREST POLICY

Included among the Organization's Board of Directors and Officers are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization has adopted a conflict of interest policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

11. PAYCHECK PROTECTION PROGRAM

On May 4, 2020, the Organization received a loan from a qualified lender under the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES") Act, for an aggregate principal amount of \$398,750 ("PPP loan"). The PPP loan bears interest at a fixed rate of 1% per annum, with the first six months of interest deferred, has a term of two years and is unsecured and guaranteed by the SBA. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

On June 5, 2020, the Paycheck Protection Program Flexibility Act ("PPPPFA") was signed into law, and was followed by revised forgiveness applications on June 16, 2020 and revised interim final rules ("IFRS") on June 22, 2020. The enactment of the PPPFA and subsequent releases of the related IFRS and forgiveness applications provided several structural changes to the program aimed to provide businesses with added flexibility to utilize the funds and to be able to obtain forgiveness. The primary modifications include: reducing from 75% to 60% the percent of a borrower's loan proceeds which must be used for payroll costs; increase from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; extended the deferral period for principal and interest on the loan to the date SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period if the borrower has not applied for forgiveness.

The Organization accounted for the PPP proceeds received under the accounting guidance for conditional contributions and has recognized \$55,413 in grant revenue on the statement of activities during the year ended June 30, 2020. The remaining \$343,337 is considered a conditional contribution and will be recognized as a forgivable government grant during the year ending June 30, 2021 (see Note 14). The Organization believes that it will likely qualify for full forgiveness and will submit its forgiveness application shortly after the end of its covered period, but there is uncertainty around the standards and operation of the PPP and no assurance is provided that the Organization will obtain forgiveness in whole or in part.

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Accounts and grants receivable are expected to be received within one year from June 30, 2020. These receivables will be available to support general operations of the Organization.

The following is a quantitative disclosure which describes financial assets that are available as of June 30, 2020 to fund general expenditures and other obligations when they become due for one year:

Financial assets	
Cash and cash equivalents	\$ 1,015,530
Accounts receivable	11,941
Grants receivable	<u>1,036,213</u>
	<u>2,063,684</u>
Less: amounts unavailable for general expenditure within one year	
Restricted for a specified purpose	<u>(214,417)</u>
	<u>\$ 1,849,267</u>

The Organization has budgeted a total cost of operations of \$2,877,030 for the year ending June 30, 2021. As of June 30, 2020, the Organization had financial assets available to cover approximately 235 days of operating expenses based on the year ending June 30, 2021 budget.

13. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. COVID-19 has hit the housing market especially hard with thousands of low to moderate income tenants unable to pay rent and thus accruing unsustainable debt. Project Sentinel, Inc. staff have experienced increased calls from people under significant stress and the stress from these callers is transferred to some degree to the Project Sentinel, Inc. staff who work hard to help people cope with their housing problems. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business. The Organization believes the ultimate impact of the COVID-19 pandemic on its operating results, cash flows and financial condition is likely to be determined by factors which are uncertain and unpredictable.

Project Sentinel, Inc.
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

14. CONDITIONAL CONTRIBUTIONS

Conditional contributions are recognized when the Organization meets the terms of the conditions.

Conditional contributions as of June 30, 2020 consisted of the following:

Recognizable in one year or less	
Incurring qualifying costs for forgiveness of the PPP loan	\$ 343,337
Incurring allowable expenditures for cost-reimbursement government grants	<u>641,960</u>
	<u>985,297</u>
 Recognizable in more than one year	
Incurring allowable expenditures for cost-reimbursement government grants	<u>135,000</u>
	<u>\$ 1,120,297</u>

SINGLE AUDIT REPORTS AND SCHEDULES

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
Project Sentinel, Inc.
Santa Clara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Project Sentinel, Inc. (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Armanino^{LLP}
San Jose, California

February 5, 2021

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

To the Board of Directors
Project Sentinel, Inc.
Santa Clara, California

Report on Compliance for Each Major Federal Program

We have audited Project Sentinel, Inc. (a California nonprofit corporation) (the "Organization")'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 the Organization's major federal programs for the year ended June 30, 2020. The Organization'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 the Organization'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* (the "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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness 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.



Armanino^{LLP}
San Jose, California

February 5, 2021

Project Sentinel, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Housing and Urban Development			
Direct Programs			
Private Enforcement Initiatives (Fair Housing Initiatives Program (FHIP))	14.418		\$ 271,179
Education and Outreach Initiatives (Fair Housing Initiative Project Outreach and Education (EOI))	14.416		41,993
Housing Counseling Assistance Program	14.169		90,700
Total Direct Programs			<u>403,872</u>
Pass-through Programs			
Community Development Block Grants/Entitlement Grants			
City of Daly City	14.218	2364 B-19-MC-06-	7,500
City of Fremont	14.218	0011	115,500
City of Milpitas	14.218	N/A	50,000
City of Modesto	14.218	N/A	25,000
City of Palo Alto	14.218	C20175755, B- 19-MC-06-0020	37,940
City of Redwood City	14.218	N/A	15,405
City of San Jose	14.218	N/A	134,231
City of San Mateo	14.218	N/A	25,000
City of South San Francisco	14.218	N/A	16,171
City of Turlock	14.218	2020-009	10,000
County of San Mateo	14.218	79000-19-D030 PS-20-08, FH- 20-01, B-19-MC-	28,000
County of Santa Clara	14.218	06-0020	84,806
County of Santa Clara	14.218	PS-20-10	33,411
County of Stanislaus	14.218	N/A	25,000
City of Sunnyvale	14.218	1920-235110, B- 19-MC-06-0023	25,000
City of Merced	14.218	B-19-MC-06- 0044	29,993
City of West Sacramento	14.218	N/A	17,845
Total Pass-through Programs			<u>680,802</u>
Total U.S. Department of Housing and Urban Development			<u>1,084,674</u>
Total Expenditures of Federal Awards			<u>\$ 1,084,674</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Project Sentinel, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Project Sentinel, Inc. (the "Organization") under programs of the federal government 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Organization has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Project Sentinel, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Development Block Grants/Entitlement Grants	14.218
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Project Sentinel, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Project Sentinel, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

There were no prior year findings.