



CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

**VETERANS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 22
Supplementary Information:	
Consolidating Schedule of Financial Position - 2020	23
Consolidating Schedule of Financial Position - 2019	24
Consolidating Schedule of Activities - 2020	25
Consolidating Schedule of Activities - 2019	26
Schedule of Revenue and Expenses of Phase III, IV and V	27
Computation of Operating Cash Flow/Surplus Cash for Phase III, IV and V	28
Schedule of Expenditures of Federal Awards	29 - 31
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 <i>Government Auditing Standards</i>	32 - 33
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	34 - 35
Schedule of Findings and Questioned Costs	36



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Veterans Village of San Diego and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Veterans Village of San Diego and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Veterans Village of San Diego and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 23 to 28 is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also not a required part of the consolidated financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020, on our consideration of Veterans Village of San Diego and Subsidiaries' internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Veterans Village of San Diego and Subsidiaries' 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 Veterans Village of San Diego and Subsidiaries' internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
November 9, 2020

VETERANS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current Assets:</u> (Note 2)		
Cash and cash equivalents	\$ 1,753,604	\$ 2,969,024
Security deposits	59,740	-
Accounts receivables, net	1,444,619	992,617
Prepaid expenses and other assets	156,656	167,514
Total Current Assets	<u>3,414,619</u>	<u>4,129,155</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6 and 7)		
Restricted reserves	211,287	199,287
Property and equipment, net	44,654,672	45,638,435
Total Noncurrent Assets	<u>44,865,959</u>	<u>45,837,722</u>
TOTAL ASSETS	<u>\$ 48,280,578</u>	<u>\$ 49,966,877</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 6)		
Accounts payable	\$ 447,116	\$ 425,933
Accrued expenses	615,769	519,702
Deferred revenue	1,196,108	1,671,942
Security deposits	59,740	-
Current portion of notes payable	42,703	924,042
Total Current Liabilities	<u>2,361,436</u>	<u>3,541,619</u>
<u>Noncurrent Liabilities:</u> (Notes 6 and 7)		
Notes payable, net	10,717,862	10,779,994
Accrued interest payable	379,359	341,859
Forgivable loans	21,925,893	21,925,893
Total Noncurrent Liabilities	<u>33,023,114</u>	<u>33,047,746</u>
Total Liabilities	<u>35,384,550</u>	<u>36,589,365</u>
<u>Commitments and Contingencies</u> (Note 9)		
<u>Net Assets:</u> (Notes 2 and 8)		
Without donor restrictions	12,287,066	13,223,784
With donor restrictions	608,962	153,728
Total Net Assets	<u>12,896,028</u>	<u>13,377,512</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 48,280,578</u>	<u>\$ 49,966,877</u>

The accompanying notes are an integral part of the consolidated financial statements.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grants and contracts	\$ 16,506,654	\$ -	\$ 16,506,654	\$ 12,233,082	\$ -	\$ 12,233,082
Rental income	858,971	-	858,971	360,277	-	360,277
Contributions	132,060	589,766	721,826	459,802	128,150	587,952
In-kind contributions	90,700	-	90,700	998,459	-	998,459
Other revenue	43,855	-	43,855	1,246,658	-	1,246,658
Interest income	16,790	-	16,790	10,818	-	10,818
Net assets released from restriction	134,532	(134,532)	-	373,008	(373,008)	-
Total Revenue and Support	<u>17,783,562</u>	<u>455,234</u>	<u>18,238,796</u>	<u>15,682,104</u>	<u>(244,858)</u>	<u>15,437,246</u>
Expenses:						
Program services	<u>16,864,578</u>	<u>-</u>	<u>16,864,578</u>	<u>13,838,311</u>	<u>-</u>	<u>13,838,311</u>
Supporting Services:						
Management and general	1,648,053	-	1,648,053	1,551,203	-	1,551,203
Fundraising	218,204	-	218,204	128,689	-	128,689
Total Supporting Services	<u>1,866,257</u>	<u>-</u>	<u>1,866,257</u>	<u>1,679,892</u>	<u>-</u>	<u>1,679,892</u>
Total Expenses	<u>18,730,835</u>	<u>-</u>	<u>18,730,835</u>	<u>15,518,203</u>	<u>-</u>	<u>15,518,203</u>
Change in Net Assets	(947,273)	455,234	(492,039)	163,901	(244,858)	(80,957)
Net Assets at Beginning of Year	13,223,784	153,728	13,377,512	13,059,883	398,586	13,458,469
Deconsolidation of VVSD HC	<u>10,555</u>	<u>-</u>	<u>10,555</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,287,066</u>	<u>\$ 608,962</u>	<u>\$ 12,896,028</u>	<u>\$ 13,223,784</u>	<u>\$ 153,728</u>	<u>\$ 13,377,512</u>

The accompanying notes are an integral part of the consolidated financial statements.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services		
	Veterans Village of San Diego	VVSD Escondido, LLC	Total Program Services	Management and General	Fundraising	Total
<u>Salaries and Related Expenses:</u>						
Salaries and wages	\$ 7,198,227	\$ 70,325	\$ 7,268,552	\$ 850,286	\$ 124,519	\$ 8,243,357
Payroll taxes and employee benefits	1,399,418	11,723	1,411,141	179,137	30,313	1,620,591
Total Salaries and Related Expenses	<u>8,597,645</u>	<u>82,048</u>	<u>8,679,693</u>	<u>1,029,423</u>	<u>154,832</u>	<u>9,863,948</u>
<u>Nonsalary Related Expenses:</u>						
Advertising	38,515	-	38,515	2,458	-	40,973
Bank fees, interest and charges	13,070	-	13,070	7,181	-	20,251
Contract services	921,027	17,348	938,375	117,528	-	1,055,903
Diagnostic testing	46,599	-	46,599	1,385	-	47,984
Equipment rental	26,431	-	26,431	2,918	-	29,349
Food and kitchen supplies	828,464	-	828,464	1,780	-	830,244
In-kind expense	90,700	-	90,700	-	-	90,700
Information technology	50,325	2,718	53,043	170,045	-	223,088
Insurance	105,577	20,656	126,233	43,584	-	169,817
Interest	86,305	482,608	568,913	-	-	568,913
Minor equipment purchased	200,289	-	200,289	21,444	-	221,733
Other	11,797	9,156	20,953	4,020	40	25,013
Participant support	2,624,984	-	2,624,984	94	-	2,625,078
Professional fees	69,023	22,477	91,500	15,315	-	106,815
Rent	65,640	-	65,640	19,921	-	85,561
Repairs and maintenance	382,068	52,705	434,773	40,627	-	475,400
Special event	-	-	-	-	63,332	63,332
Supplies and postage	238,836	19,796	258,632	38,442	-	297,074
Taxes, licenses and fees	44,907	2,931	47,838	869	-	48,707
Telephone	162,938	-	162,938	41,719	-	204,657
Training and travel	45,396	-	45,396	11,310	-	56,706
Utilities	345,305	88,379	433,684	38,438	-	472,122
Total Nonsalary Related Expenses	<u>6,398,196</u>	<u>718,774</u>	<u>7,116,970</u>	<u>579,078</u>	<u>63,372</u>	<u>7,759,420</u>
Total Operating Expenses	<u>14,995,841</u>	<u>800,822</u>	<u>15,796,663</u>	<u>1,608,501</u>	<u>218,204</u>	<u>17,623,368</u>
<u>Nonoperating Expenses:</u>						
Depreciation	503,928	526,487	1,030,415	39,552	-	1,069,967
Interest - residual receipts debt	37,500	-	37,500	-	-	37,500
Total Nonoperating Expenses	<u>541,428</u>	<u>526,487</u>	<u>1,067,915</u>	<u>39,552</u>	<u>-</u>	<u>1,107,467</u>
TOTAL EXPENSES	<u>\$ 15,537,269</u>	<u>\$ 1,327,309</u>	<u>\$ 16,864,578</u>	<u>\$ 1,648,053</u>	<u>\$ 218,204</u>	<u>\$ 18,730,835</u>

The accompanying notes are an integral part of the consolidated financial statements.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services		
	Veterans Village of San Diego	VVSD Escondido, LLC	Total Program Services	Management and General	Fundraising	Total
<u>Salaries and Related Expenses:</u>						
Salaries and wages	\$ 5,634,835	\$ 9,952	\$ 5,644,787	\$ 939,858	\$ 100,225	\$ 6,684,870
Payroll taxes and employee benefits	1,186,137	1,255	1,187,392	217,917	25,962	1,431,271
Total Salaries and Related Expenses	6,820,972	11,207	6,832,179	1,157,775	126,187	8,116,141
<u>Nonsalary Related Expenses:</u>						
Advertising	18,750	-	18,750	310	-	19,060
Bank fees, interest and charges	12,009	(7,518)	4,491	4,130	-	8,621
Contract services	776,742	-	776,742	36,132	-	812,874
Diagnostic testing	53,475	-	53,475	2,471	-	55,946
Equipment rental	40,444	-	40,444	1,124	-	41,568
Food and kitchen supplies	1,121,409	-	1,121,409	664	-	1,122,073
In-kind expense	998,459	-	998,459	-	-	998,459
Information technology	46,680	-	46,680	36,486	-	83,166
Insurance	138,230	5,923	144,153	50,140	-	194,293
					-	-
Minor equipment purchased	42,128	-	42,128	-	-	42,128
Other	40,749	-	40,749	1,527	2,502	44,778
Participant support	1,659,306	-	1,659,306	-	-	1,659,306
Professional fees	132,370	30,409	162,779	9,039	-	171,818
Rent	65,614	-	65,614	20,037	-	85,651
Repairs and maintenance	373,598	22,313	395,911	65,140	-	461,051
Supplies and postage	256,106	4,701	260,807	49,424	-	310,231
Taxes, licenses and fees	37,423	(4,614)	32,809	892	-	33,701
Telephone	94,241	-	94,241	34,353	-	128,594
Training and travel	81,174	320	81,494	17,022	-	98,516
Utilities	333,063	31,023	364,086	24,980	-	389,066
Total Nonsalary Related Expenses	6,321,970	82,557	6,404,527	353,871	2,502	6,760,900
Total Operating Expenses	13,142,942	93,764	13,236,706	1,511,646	128,689	14,877,041
<u>Nonoperating Expenses:</u>						
Depreciation	520,751	43,354	564,105	39,557	-	603,662
Interest - residual receipts debt	37,500	-	37,500	-	-	37,500
Total Nonoperating Expenses	558,251	43,354	601,605	39,557	-	641,162
TOTAL EXPENSES	\$ 13,701,193	\$ 137,118	\$ 13,838,311	\$ 1,551,203	\$ 128,689	\$ 15,518,203

The accompanying notes are an integral part of the consolidated financial statements.

**VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (492,039)	\$ (80,957)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,069,967	603,662
Interest - residual receipts debt	37,500	37,500
Debt forgiveness	-	(1,000,000)
Gain on sale of property and equipment	-	(210,711)
(Increase) Decrease in:		
Accounts receivables, net	(441,447)	(327,586)
Prepaid expenses and other assets	10,858	23,218
Increase (Decrease) in:		
Accounts payable	117,213	100,973
Accrued expenses	96,067	197,443
Security deposits	59,740	-
Deferred revenue	(475,834)	802,732
Net Cash (Used In) Provided by Operating Activities	<u>(17,975)</u>	<u>146,274</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	(182,234)	(4,826,299)
Proceeds from sale of property and equipment	-	423,781
Net Cash Used in Investing Activities	<u>(182,234)</u>	<u>(4,402,518)</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from sale of property and equipment for note payable	-	787,023
Advances on notes payable	52,581	3,843,373
Payment of debt issuance costs	(161,074)	-
Payments on notes payable	(834,978)	(101,397)
Net Cash (Used in) Provided by Financing Activities	<u>(943,471)</u>	<u>4,528,999</u>
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(1,143,680)	272,755
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>3,168,311</u>	<u>2,895,556</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 2,024,631</u>	<u>\$ 3,168,311</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 591,830</u>	<u>\$ -</u>
<u>Supplemental Disclosure of Non Cash Operating and Financing Activities:</u>		
Increase in accounts receivable related to deconsolidation of VVSD HC	<u>\$ 10,555</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 - Organization:

The consolidated financial statement includes the following entities:

Vietnam Veterans of San Diego dba Veterans Village of San Diego

Vietnam Veterans of San Diego dba Veterans Village of San Diego (VVSD) is a non-profit corporation founded in 1981. VVSD supports 3,100 of America's veterans each year, helping them to overcome homelessness and related challenges. As the only licensed residential drug treatment program for homeless veterans in San Diego County, VVSD provides a Comprehensive Continuum of Care (Prevention, Intervention, Treatment & Aftercare) to veterans and their families. Our mission extends assistance to Veterans and their families beyond the basic food, clothing, and shelter.

Emergency and transitional housing are coupled with personalized case management services for substance use recovery, mental health counseling, job training/job search assistance, legal services, and much more. This integrated approach addresses their fundamental needs, but also provides an opportunity to introduce alternative healing activities, which are found to be equally beneficial in the recovery process.

VVSD is the founder of both Stand Down and Homeless Court, which began in 1987 and 1990 respectively. Both programs address a broad spectrum of services, and help to remove barriers for securing housing, employment, and social services. Stand Down is the point of entry for many of these brave men and women. Today, more than 300 Stand Downs have been replicated across our nation, and many major cities have established their own Homeless Court.

VVSD operates the Steven A. Cohen Military Family Clinic, which provides confidential, high-quality mental health services at low-to-no-cost to post-9/11 veterans (including National Guard and Reserves), their families, and the families of active duty service members, including spouse or partner, children, parents, siblings, caregivers, and others.

VVSD Escondido, LLC

VVSD Escondido, LLC is a single member LLC owned by VVSD. VVSD Escondido, LLC operates a permanent supportive housing project in Escondido, California consisting of 54 units known as Veterans Villas.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements include VVSD and VVSD Escondido, LLC (collectively "the Organization"). All significant intercompany balances and transactions have been eliminated in consolidation.

Accounting Method

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Organization had no financial instruments at June 30, 2020 and 2019.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful accounts receivable totaled \$6,110 and \$2,478 at June 30, 2020 and 2019, respectively.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as ‘support without donor restrictions,’ unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to ‘net assets without donor restrictions’ at that time.

Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Land improvement	20 - 50 years
Buildings	20 - 60 years
Building improvements	5 - 39 years
Furniture and equipment	5 - 30 years
Vehicles	5 years

Depreciation totaled \$1,069,967 and \$603,662 for the years ended June 30, 2020 and 2019, respectively.

Interest totaling \$0- and \$463,158 for the years ended June 30, 2020 and 2019, respectively, was capitalized and included in property and equipment.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Impairment of Real Estate

The Organization reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted net cash flows expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2020 and 2019.

Compensated Absences

Accumulated unpaid vacation totaling \$299,217 and \$185,026 at June 30, 2020 and 2019, respectively, is accrued when incurred, and included in accrued expenses.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Security Deposits

Security deposits are restricted to the extent of the security deposit liability totaling \$59,740 and \$-0- at June 30, 2020 and 2019, respectively.

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain permanent financing. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized deferred financing costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs will be reported as a component of interest expense once the permanent financing has been completed for VVSD Escondido, LLC.

Revenue Recognition

Grants and contracts revenue are recognized in the period in which the related work is performed, in accordance with the terms of the grant or contract. Grants and contracts receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant or contract exceeds the revenue earned. Deferred revenue totaled \$181,045 and \$1,639,507 at June 30, 2020 and 2019, respectively.

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred and classified as liabilities until earned. Deferred rental income totaled \$28,669 and \$32,435 at June 30, 2020 and 2019, respectively.

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in 'net assets without donor restrictions' if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in 'net assets with donor restrictions,' depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to 'net assets without donor restrictions.' Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Revenue from other income consisting of laundry income, kitchen/catering income, food stamp income, and other program income are recognized as revenue when the point of sale transaction occurs, or as the revenue is earned in accordance with the contract.

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services totaled \$-0- and \$929,826 for the years ended June 30, 2020 and 2019, respectively.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Materials (Continued)

The Organization has received substantial donations of materials, food, and supplies. The donations of materials, food, and supplies are recorded at their fair value, and totaled \$90,700 and \$68,633 for the years ended June 30, 2020 and 2019, respectively, and have been reported as in-kind contributions and expenses.

Functional Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services using a base most appropriate to the particular cost being allocated.

Income Taxes

VVSD is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except on net income derived from unrelated business activities. VVSD did not engage any unrelated business activity, and did not generate taxable income, and no tax liability has been recorded at June 30, 2020 and 2019. The Organization believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. VVSD is not a private foundation.

VVSD Escondido, LLC is incorporated as a limited liability company. Under provisions of the Internal Revenue Code, limited liability companies treated as partnerships are not subjected to income taxes, and any income or loss realized is taxed to the members. Accordingly, no provisions for income taxes appear in the consolidated financial statements.

VVSD's Return of Organization Exempt from Income Tax for the years ended June 30, 2020, 2019, 2018, and 2017 is subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentrations

Cash

The Organization maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000, and investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. The Organization account balances may, at times, exceed the limits. The Organization has not experienced any such losses in these accounts.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Concentrations (Continued)

Revenue

The Organization receives a significant portion of its revenue from the U.S. Department of Veterans Affairs, U.S. Department of Housing Urban Development, and the U.S. Department of Labor, which are funded by government grants and contracts.

Cash, Cash Equivalents and Restricted Cash

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents, regardless of the maturity. The following is a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total in the consolidated statements of cash flows at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,753,604	\$ 2,969,024
Tenant security deposits	59,740	-
Restricted reserves	<u>211,287</u>	<u>199,287</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 2,024,631</u>	<u>\$ 3,168,311</u>

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis, which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as ‘restricted cash’ or ‘restricted cash equivalents.’ The adoption of ASU 2016-18 for the year ended June 30, 2020 required a restatement of cash, cash equivalents and restricted cash for June 30, 2019 and 2018. Amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

Reclassification

The Organization has reclassified certain prior-year information to conform with the current-year presentation.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 9, 2020, the date the consolidated financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed, except as disclosed in Note 10.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization considers investment income without donor restrictions, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, The Organization considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available for general expenditure within one year, are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,753,604	\$ 2,969,024
Accounts receivables, net	<u>1,444,619</u>	<u>992,617</u>
	<u>\$ 3,198,223</u>	<u>\$ 3,961,641</u>

The Organization operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures. The Organization maintains capital and operating reserve funds, as discussed in Note 4.

Note 4 - Restricted Reserves:

VVSD Escondido, LLC is required to fund the following restricted reserves:

Replacement Reserve

VVSD Escondido, LLC is required, under the Regulatory Agreement, to fund a replacement reserve in the amount of \$27,000 per year, beginning with the permanent loan financing in July 2020.

Operating Reserve

VVSD Escondido, LLC is required, under the Regulatory Agreement, to fund an operating reserve in initial amount of \$214,805. The operating reserve was funded on July 14, 2020, with the permanent loan financing.

Transition Reserve

VVSD Escondido, LLC is required, under the Regulatory Agreement, to fund transition reserve in initial amount of \$236,858. The transition reserve was funded on July 14, 2020, with the permanent loan financing.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 4 - Restricted Reserves: (Continued)

VVSD maintains capital and operating reserve funds to ensure that funds are available to make necessary repairs, or to comply with provisions of loan and regulatory agreements. The following are the capital and operating reserve funds held at June 30:

	<u>2020</u>	<u>2019</u>
VOP Phase III capital reserves for repairs	\$ 96,000	\$ 84,000
VRC capital reserve for repairs	90,763	90,763
Phase IV operating reserve	18,394	18,394
VOP Phase II operating reserve	6,130	6,130
Total Capital and Operating Reserve Funds	<u>\$ 211,287</u>	<u>\$ 199,287</u>

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 7,179,308	\$ 7,179,308
Land improvements	420,926	400,651
Buildings	42,495,377	42,468,308
Building improvements	524,989	486,129
Furniture and equipment	1,937,227	1,937,227
Vehicles	333,193	333,193
Subtotal	<u>52,891,020</u>	<u>52,804,816</u>
Less: Accumulated depreciation	<u>(8,236,348)</u>	<u>(7,166,381)</u>
Property and Equipment, Net	<u>\$ 44,654,672</u>	<u>\$ 45,638,435</u>

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 6 - Notes Payable:

Notes payable consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Construction loan secured by Escondido property, Pacific Western Bank, due on January 15, 2020, interest is variable and was 5.25% at June 30, 2019. This loan will be refinanced in fiscal year 2021. (Note 10)	\$ 10,432,344	\$ 10,379,763
During the year ended June 30, 2016, the Organization received a notice of indebtedness from the Department of Veterans Affairs (VA), due to the discontinuation of the New Resolve Program. The New Resolve facility received funding for construction through a VA grant, and the VA requested repayment due to a change in purpose of the location. The repayment totals \$656,500 plus interest at 4%, and is payable in monthly installments in through the maturity date of June 2021.	489,295	537,249
During the year ended June 30, 2019, the Organization sold property that had received funding through a VA grant. The Organization has recorded an obligation to the VA, and these funds were paid in 2020.	-	787,024
Total Notes Payable	<u>10,921,639</u>	<u>11,704,036</u>
Less: Unamortized debt issuance costs	<u>(161,074)</u>	<u>-</u>
Total Notes Payable, Net	<u>10,760,565</u>	<u>11,704,030</u>
Less: Current portion	<u>(42,703)</u>	<u>(924,042)</u>
Total Notes Payable, Net of Current Portion	<u>\$ 10,717,862</u>	<u>\$ 10,779,994</u>

Minimum future payments on the notes payable are due as follows (based on permanent financing as described in Note 10):

Years Ended	<u>VVSD</u>		
<u>June 30</u>	<u>VVSD</u>	<u>Escondido,</u>	<u>Total</u>
		<u>LLC</u>	
2021	\$ 42,703	\$ -	\$ 42,703
2022	47,486	68,735	116,221
2023	48,445	77,651	126,096
2024	49,423	80,003	129,426
2025	50,420	83,131	133,551
Thereafter	<u>250,818</u>	<u>10,122,824</u>	<u>10,373,642</u>
Total	<u>\$ 489,295</u>	<u>\$ 10,432,344</u>	<u>\$ 10,921,639</u>

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 7 - Forgivable Grants-Loans:

Centre City Development Corporation

In September 2003, the Organization has a note with the Centre City Development Corporation (a division of the City of San Diego Redevelopment Agency) in the amount of \$1,000,000 for Phase I. The term of the note is 55 years, and has an initial interest rate of 6%, which was subsequently reduced to noninterest-bearing. The note and any related interest is only payable upon noncompliance of by the Organization, including the required continued operation as a rehabilitation facility. The balance of the loan totaled \$1,000,000 at June 30, 2020 and 2019.

City of San Diego Successor Agency

In June 2008, the Organization received a \$1,300,000 forgivable loan for the construction of Phase II. The loan term is for 65 years, and is noninterest-bearing. This loan is forgivable after 65 years if the developer complies with all conditions and covenants. The Organization intends to follow all loan provisions. The balance of the loan totaled \$1,300,000 at June 30, 2020 and 2019.

In June 2009, the Organization received a \$2,113,000 forgivable loan from the City of San Diego Agency (Agency), for the construction of Phase III. Of the \$2,113,000 loan, \$1,250,000 shall be repayable by the Organization as a residual receipts loan with a 65-year term, and a simple interest rate of 3% per annum. The Agency will receive 50% of any residual receipts, which will be applied first to accrued interest, then to reduce principal, after which the remaining 50% residual receipts will be retained by Organization to pay for operating expenses. After repayment in full of the Agency residual receipts loan plus accrued interest, the San Diego Housing Commission will receive 50% of the residual receipts to pay down the San Diego Housing Commission loan (see below) for Phase III. The remaining \$863,000 of the \$2,113,000 loan for Phase III shall be repayable by the Organization as a forgivable loan with a 65-year term, and is noninterest-bearing. The Organization intends to follow all loan provisions. The balance of the loan totaled \$2,113,000 at June 30, 2020 and 2019, and accrued interest totaled \$379,359 and \$341,859 at June 30, 2020 and 2019, respectively.

In March 2011, the Organization received a \$1,118,012 residual receipts loan from the Agency for Phase IV. This loan is noninterest-bearing, and matures in April 2074 (65-year term). Residual receipts generated from Phase IV will be allocated as follows: 1) 50% to the Organization to pay for the operation of the Veterans Village of San Diego campus, and 2) 50% will be split equally between the San Diego Housing Commission and the Agency. The Organization intends to follow all loan provisions. The balance of the loan totaled \$1,118,012 at June 30, 2020 and 2019.

In April 2014, the Organization received a \$1,737,076 forgivable residual receipts loan for Phase V. This loan is noninterest-bearing, and matures in April 2079 (65-year term). Residual receipts generated from Phase V will be allocated 50% to the Organization, to pay for the operation of Veterans Village of San Diego campus; 27.5% to the Agency; and 22.5% to the San Diego Housing Commission. Repayment of the loan will be deferred as long as the project is used in accordance with the terms and conditions of the agreement. Upon completion of the loan term, the loan will be forgiven. The Organization intends to follow all loan provisions. The balance of the loan totaled \$1,737,076 at June 30, 2020 and 2019.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 7 - Forgivable Grants-Loans: (Continued)

Department of Housing and Community Development

In October 2010, the Organization received a \$800,000 forgivable loan from the Dept. of Housing and Community Development through the Emergency Housing and Assistance Program (EHAP), to renovate the Escondido building for the New Resolve Program. The loan bears interest at 3% per annum. The loan was amended on December 2, 2016 to change the allowable use of the property. Repayment of the loan (as amended) will be deferred as long as the project is used as for an emergency shelter, transitional housing, or permanent housing. In addition, all 53 units are rent-restricted, with one unit being used as a manager unit. Upon completion of the initial loan term (20 years), the loan will be forgiven. The Organization does not intend to change their use. The balance of the loan totaled \$751,880 at June 30, 2020 and 2019.

The Organization received a \$1,000,000 EHAP deferred loan for Phase III, which bears interest at 3% per annum. Repayment of the loan and related interest will be deferred as long as the development is used for an emergency shelter or transitional housing. In the event of departure from above condition, the loan will be terminated, and will require immediate repayment of all outstanding principal and accrued interest. If the Organization does not change the development use, the loan and all accrued interest will be forgiven on the maturity date. The Organization does not intend to change their use. The balance of the loan totaled \$1,000,000 at June 30, 2020 and 2019.

Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP)

In May 2006, the Organization received \$896,000 of a Construction Grant for Phase I from the FHLB, under the AHP, conditioned as a forgivable loan. The loan term is for 15 years, and is noninterest-bearing. This loan will be forgivable in 15 years as long as the loan proceeds are used for the provisions set forth by the Affordable Housing Commission. The Organization intends to follow all loan provisions. The balance of the loan totaled \$896,000 at June 30, 2020 and 2019.

In April 2011, the Organization received a \$600,000 loan for Phase IV from the FHLB, under the AHP, conditioned as a forgivable loan. The loan term is for 15 years, and is noninterest-bearing. The loan will be forgivable in 15 years as long as the loan proceeds are used for the provisions set forth by the Affordable Housing Commission. The Organization intends to follow all loan provisions. The balance of the loan totaled \$600,000 at June 30, 2020 and 2019.

In June 2012, the Organization received a \$500,000 construction loan for Phase V from the FHLB, under the AHP, conditioned as a forgivable loan. The loan term is for 15 years, and is noninterest-bearing. The loan will be forgivable in 15 years as long as the loan proceeds are used for the provisions set forth by Project Evaluation Form. The Organization intends to follow all loan provisions. The balance of the loan totaled \$500,000 at June 30, 2020 and 2019.

In September 2016, the Organization received a \$1,080,000 construction loan for Escondido from the FHLB, under the AHP. The loan term is for 15 years, and is noninterest-bearing. The loan will be forgivable in 15 years as long as the loan proceeds are used for the provisions set forth by the Affordable Housing Commission. The Organization intends to follow all loan provisions. The balance of the loan totaled \$1,080,000 at June 30, 2020 and 2019.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 7 - Forgivable Grants-Loans: (Continued)

San Diego Housing Commission

In May 2014, the Organization received a \$1,444,846 forgivable residual receipts loan for Phase V from the San Diego Housing Commission (“SDHC”). The loan bears interest at 3% per annum, and, in the event of default, bears interest at 10%. Fifty percent (50%) of the residual receipts generated from Phase V in fiscal years 1-40 will be allocated as 27.5% to the Agency and 22.5% to the SDHC. Eighty percent (80%) of the residual receipts generated from Phase V in fiscal years 41-55 will be allocated as 44% to the Agency and 36% to the SDHC, until the Agency’s residual loan is paid in full. If no default occurs during the period ending on July 1, 2070, then all principal and accrued interest will be forgiven. The Organization intends to follow all loan provisions. The Organization does not accrue interest on this loan, because the probability of actual payment of interest is remote based on the cash flow of the project. The balance of the loan totaled \$1,437,053 at June 30, 2020 and 2019.

In October 2005, the Organization received a \$675,000 forgivable loan for Phase I from the SDHC. This is a 65-year forgivable loan. Repayment and related interest for this loan will be deferred as long as the property is used for homeless veterans, and includes other income restrictions set forth in the loan provisions. The Organization has the full intention to comply with the loan provisions. This loan bears an interest of 3%, and is collateralized by a second deed of trust against the Development Property. The Organization does not accrue interest on this loan, because the probability of actual payment of interest is remote. The balance of the loan totaled \$675,000 at June 30, 2020 and 2019.

In May 2007, the Organization entered into a \$4,234,526 construction forgivable loan agreement for Phase II with the SDHC. The funding is divided into three loans: 1) \$745,575 HUD EDI Funding; 2) \$2,759,924 note; and 3) \$720,000 note. Each loan term is for 65 years, with interest at 3%. Each loan will be forgivable in 65 years as long as the loan proceeds are used for the provisions set forth by the SDHC. The Organization intends to follow all loan provisions. The balance of the loans totaled \$4,225,499 at June 30, 2020 and 2019.

In June 2009, the Organization received a \$2,000,806 forgivable residual receipts loan for Phase III from the SDHC. This 65-year note carries an interest rate of 3%, and, in the event of default, bears a simple interest rate of 10%. Per the loan provision, interest will accrue—however, no interest or principal payments are due until the \$2,113,000 loan to the Agency residual receipts loan has been paid in full. The Organization does not accrue interest on this loan, because the probability of actual payment of interest is remote based on the cash flow of the project. If no default occurs during the period ended May 1, 2075, then all principal and accrued interest is forgiven. The Organization intends to follow all loan provisions. The balance of the loan totaled \$2,000,806 at June 30, 2020 and 2019.

In February 2011, the Organization received a \$1,492,425 forgivable residual receipts loan from the SDHC for Phase IV. The loan bears interest at 3% per annum, and, in the event of default, bears interest at 10%. Fifty percent (50%) of the residual receipts generated from Phase IV in fiscal years 1-40 will be split equally between SDHC and the Agency, and the other 50% will be retained by the Organization to pay for operation of the Veterans Village of San Diego Campus. Eighty percent (80%) of the residual receipts generated from Phase IV in fiscal years 41 - 65 will be split equally between SDHC and the Agency, until the Agency’s residual receipts loan is paid in full. If no default occurs during the period ending on August 1, 2077, then all principal and accrued interest will be forgiven. The Organization does not accrue interest on this loan, because the probability of actual payment of interest is remote based on the cash flow of the project. The balance of the loan totaled \$1,491,566 at June 30, 2020 and 2019.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 7 - Forgivable Grants-Loans: (Continued)

Forgivable grants-loans balances consist of the following at June 30:

<u>Description</u>	<u>Maturity Date</u>	<u>2020</u>	<u>2019</u>
Center City Development Corporation - Phase I	September 2058	\$ 1,000,000	\$ 1,000,000
City of San Diego Successor Agency - Phase II	June 2073	1,300,000	1,300,000
City of San Diego Successor agency - Phase III	June 2074	2,113,000	2,113,000
City of San Diego Successor Agency- Phase IV	February 2076	1,118,012	1,118,012
City of San Diego Successor Agency - Phase V	April 2079	1,737,076	1,737,076
Dept. of Housing and Community Development - Resolve	May 2039	751,880	751,880
Dept. of Housing and Community Development - Phase III	November 2020	1,000,000	1,000,000
Federal Home Loan Bank - Phase I	July 2021	896,000	896,000
Federal Home Loan Bank - Phase IV	April 2026	600,000	600,000
Federal Home Loan Bank - Phase V	June 2027	500,000	500,000
Federal Home Loan Bank - Escondido	June 2031	1,080,000	1,080,000
San Diego Housing Commission - Phase V	July 2070	1,437,053	1,437,053
San Diego Housing Commission - Phase I	October 2070	675,000	675,000
San Diego Housing Commission - Phase II	May/June 2072	4,225,499	4,225,499
San Diego Housing Commission - Phase III	May 2075	2,000,806	2,000,806
San Diego Housing Commission - Phase IV	August 2077	1,491,566	1,491,566
Total Forgivable Grants-Loans		<u>\$ 21,925,893</u>	<u>\$ 21,925,893</u>

Accrued interest totaling approximately \$3,272,000 at June 30, 2020 has not been accrued, because the probability of actual payment of interest is remote based on the cash flow of the projects.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Organization, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Program costs	\$ <u>608,962</u>	\$ <u>153,728</u>
Total Net Assets with Donor Restrictions	<u>\$ 608,962</u>	<u>\$ 153,728</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Program support	\$ 134,532	\$ 142,799
Escondido construction	-	230,209
Total Net Assets Released From Restrictions	<u>\$ 134,532</u>	<u>\$ 373,008</u>

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 9 - Commitments and Contingencies:

Grants and Contracts

The Organization receives revenue from government grants and contracts which are subject to audit. No provision has been made for liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits is not significant.

The Organization acquires property for Veteran Rehabilitation Services using grants from various federal, state, and local funding sources subject to operating requirements imposed by donor agencies. Continued operations of the sites for specified charitable purposes over various required number of years is a condition for making grants non-refundable. If operations were ceased, some equity funding grants would have to be repaid.

Operating Leases

The Organization has entered into various operating lease agreements for its office locations. The Organization holds non-cancelable operating leases which expire at various dates through September 2020. Rent expense totaled \$85,561 and \$85,651 for the years ended June 30, 2020 and 2019, respectively.

Minimum future lease payments are due as follows:

Years Ended June 30		
2021	\$	62,493
2022		26,617
Total	\$	89,110

Payroll Protection Program Loan

In May 2020, the Organization received a loan totaling \$1,578,000 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in May 2022. The Organization has recognized the \$591,606 as revenue for the year ended June 30, 2020, since they believe that they have satisfied the terms and conditions of forgiveness of the PPP. The remaining \$986,394 has been included in deferred revenue at June 30, 2020. The Organization expects to satisfy the terms and conditions of forgiveness of this portion of the PPP during the year ended June 30, 2021.

Retirement Plan

The Organization sponsors a 403(b) pension plan (the “Plan”) covering all of its employees. An employee will become a participant in the Plan on the first day of employment. Employees must complete one year of service to be eligible for employer contributions. Participants may make Elective Deferral Contributions up to 100% of compensation, up to the maximum dollar amount established by the Internal Revenue Code (IRC) of pretax annual compensation, as defined in the Plan. Participants age 50 and older may make catch-up contributions to a maximum dollar amount established by the IRC. The Plan also provides for a Company contribution at the discretion of the Company. Employer contributions totaled \$148,977 and \$125,395 for the years ended June 30, 2020 and 2019, respectively.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 9 - Commitments and Contingencies: (Continued)

Coronavirus Pandemic Contingency:

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. The Organization is considered an essential business. In addition, multiple jurisdictions in the U.S. have declared states of emergency and issued shelter in place orders. It is anticipated that these conditions will continue for some time. The potential impacts to the Organization include disruptions or restrictions on the employee's ability to work, the tenant's ability to pay the required monthly rent, and reduction in grant revenue and contributions from fundraising activities. These conditions may have an impact on operating costs. The future effects of these issues are unknown.

Note 10 - Subsequent Event:

On July 14, 2020, the Company refinanced the construction loan held by Pacific Western Bank, with permanent financing totaling \$12,129,452. The permanent financing was provided through a loan of \$3,866,529 that is payable in monthly interest-only payments through June 30, 2021, and then monthly principal and interest payments totaling \$17,200, with interest at 3.75% per annum. The remainder of the permanent financing totaling \$8,262,923 was provided through the City of Escondido, and California Housing and Community Development. These loans bear interest at 3% per annum, and are payable from annual surplus cash as provided for in the loan agreements.

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

	Veterans Village of San Diego	VVSD Escondido, LLC	Eliminations	Consolidated
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 1,648,610	\$ 104,994	\$ -	\$ 1,753,604
Security deposits	-	59,740	-	59,740
Accounts receivable, net	1,399,158	45,461	-	1,444,619
Due from related parties	1,378,548	-	(1,378,548)	-
Prepaid expenses and other assets	152,465	4,191	-	156,656
Total Current Assets	<u>4,578,781</u>	<u>214,386</u>	<u>(1,378,548)</u>	<u>3,414,619</u>
<u>Noncurrent Assets:</u>				
Restricted reserves	211,287	-	-	211,287
Investment in VVSD Escondido, LLC	1,054,579	-	(1,054,579)	-
Property and equipment, net	29,633,710	15,020,962	-	44,654,672
Total Noncurrent Assets	<u>30,899,576</u>	<u>15,020,962</u>	<u>(1,054,579)</u>	<u>44,865,959</u>
TOTAL ASSETS	<u>\$ 35,478,357</u>	<u>\$ 15,235,348</u>	<u>\$ (2,433,127)</u>	<u>\$ 48,280,578</u>

LIABILITIES AND NET ASSETS

	Veterans Village of San Diego	VVSD Escondido, LLC	Eliminations	Consolidated
<u>Current Liabilities:</u>				
Accounts payable	\$ 433,420	\$ 13,696	\$ -	\$ 447,116
Accrued expenses	615,769	-	-	615,769
Due to related parties	-	1,378,548	(1,378,548)	-
Deferred revenue	1,194,210	1,898	-	1,196,108
Security deposits	-	59,740	-	59,740
Current portion of notes payable	42,703	-	-	42,703
Total Current Liabilities	<u>2,286,102</u>	<u>1,453,882</u>	<u>(1,378,548)</u>	<u>2,361,436</u>
<u>Noncurrent Liabilities:</u>				
Notes payable, net of current portion	446,592	10,271,270	-	10,717,862
Accrued interest payable	379,359	-	-	379,359
Forgivable loans	20,845,893	1,080,000	-	21,925,893
Total Noncurrent Liabilities	<u>21,671,844</u>	<u>11,351,270</u>	<u>-</u>	<u>33,023,114</u>
Total Liabilities	<u>23,957,946</u>	<u>12,805,152</u>	<u>(1,378,548)</u>	<u>35,384,550</u>
<u>Net Assets:</u>				
Without donor restrictions	10,911,449	2,430,196	(1,054,579)	12,287,066
With donor restrictions	608,962	-	-	608,962
Total Net Assets	<u>11,520,411</u>	<u>2,430,196</u>	<u>(1,054,579)</u>	<u>12,896,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,478,357</u>	<u>\$ 15,235,348</u>	<u>\$ (2,433,127)</u>	<u>\$ 48,280,578</u>

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

	Veterans Village of San Diego	VVSD Escondido, LLC	VVSD Housing Corp	Eliminations	Consolidated
<u>Current Assets:</u>					
Cash and cash equivalents	\$ 2,831,165	\$ 137,859	\$ -	\$ -	\$ 2,969,024
Accounts receivable, net	992,617	-	-	-	992,617
Due from related parties	867,317	-	-	(867,317)	-
Prepaid expenses and other assets	167,514	-	-	-	167,514
Total Current Assets	<u>4,858,613</u>	<u>137,859</u>	<u>-</u>	<u>(867,317)</u>	<u>4,129,155</u>
<u>Noncurrent Assets:</u>					
Restricted reserves	199,287	-	-	-	199,287
Investment in VVSD Escondido, LLC	1,054,579	-	-	(1,054,579)	-
Property and equipment, net	30,177,190	15,461,245	-	-	45,638,435
Total Noncurrent Assets	<u>31,431,056</u>	<u>15,461,245</u>	<u>-</u>	<u>(1,054,579)</u>	<u>45,837,722</u>
TOTAL ASSETS	<u>\$ 36,289,669</u>	<u>\$ 15,599,104</u>	<u>\$ -</u>	<u>\$ (1,921,896)</u>	<u>\$ 49,966,877</u>

LIABILITIES AND NET ASSETS

	Veterans Village of San Diego	VVSD Escondido, LLC	VVSD Housing Corp	Eliminations	Consolidated
<u>Current Liabilities:</u>					
Accounts payable	\$ 425,933	\$ -	\$ -	\$ -	\$ 425,933
Accrued expenses	406,183	113,519	-	-	519,702
Due to related parties	-	856,762	10,555	(867,317)	-
Deferred revenue	1,664,950	6,992	-	-	1,671,942
Current portion of notes payable	924,042	-	-	-	924,042
Total Current Liabilities	<u>3,421,108</u>	<u>977,273</u>	<u>10,555</u>	<u>(867,317)</u>	<u>3,541,619</u>
<u>Noncurrent Liabilities:</u>					
Notes payable, net of current portion	400,231	10,379,763	-	-	10,779,994
Accrued interest payable	341,859	-	-	-	341,859
Forgivable loans	20,845,893	1,080,000	-	-	21,925,893
Total Noncurrent Liabilities	<u>21,587,983</u>	<u>11,459,763</u>	<u>-</u>	<u>-</u>	<u>33,047,746</u>
Total Liabilities	<u>25,009,091</u>	<u>12,437,036</u>	<u>10,555</u>	<u>(867,317)</u>	<u>36,589,365</u>
<u>Net Assets (Deficit):</u>					
Without donor restrictions	11,126,850	3,162,068	(10,555)	(1,054,579)	13,223,784
With donor restrictions	153,728	-	-	-	153,728
Total Net Assets (Deficit)	<u>11,280,578</u>	<u>3,162,068</u>	<u>(10,555)</u>	<u>(1,054,579)</u>	<u>13,377,512</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,289,669</u>	<u>\$ 15,599,104</u>	<u>\$ -</u>	<u>\$ (1,921,896)</u>	<u>\$ 49,966,877</u>

**VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Veterans Village of San Diego			VVSD Escondido, LLC			VVSD Housing Corp	Consolidated			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:											
Grants and contracts	\$ 16,506,654	\$ -	\$ 16,506,654	\$ 138,194	\$ -	\$ 138,194	\$ -	\$ (138,194)	\$ 16,506,654	\$ -	\$ 16,506,654
Rental income	418,244	-	418,244	440,727	-	440,727	-	-	858,971	-	858,971
Contributions	132,060	589,766	721,826	-	-	-	-	-	132,060	589,766	721,826
In-kind contributions	90,700	-	90,700	-	-	-	-	-	90,700	-	90,700
Other revenue	27,369	-	27,369	16,486	-	16,486	-	-	43,855	-	43,855
Interest income	16,760	-	16,760	30	-	30	-	-	16,790	-	16,790
Net assets released from restriction	134,532	(134,532)	-	-	-	-	-	-	134,532	(134,532)	-
Total Revenue and Support	<u>17,326,319</u>	<u>455,234</u>	<u>17,781,553</u>	<u>595,437</u>	<u>-</u>	<u>595,437</u>	<u>-</u>	<u>(138,194)</u>	<u>17,783,562</u>	<u>455,234</u>	<u>18,238,796</u>
Expenses:											
Program services	<u>15,675,463</u>	<u>-</u>	<u>15,675,463</u>	<u>1,327,309</u>	<u>-</u>	<u>1,327,309</u>	<u>-</u>	<u>(138,194)</u>	<u>16,864,578</u>	<u>-</u>	<u>16,864,578</u>
Supporting Services:											
Management and general	1,648,053	-	1,648,053	-	-	-	-	-	1,648,053	-	1,648,053
Fundraising	218,204	-	218,204	-	-	-	-	-	218,204	-	218,204
Total Supporting Services	<u>1,866,257</u>	<u>-</u>	<u>1,866,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,866,257</u>	<u>-</u>	<u>1,866,257</u>
Total Expenses	<u>17,541,720</u>	<u>-</u>	<u>17,541,720</u>	<u>1,327,309</u>	<u>-</u>	<u>1,327,309</u>	<u>-</u>	<u>(138,194)</u>	<u>18,730,835</u>	<u>-</u>	<u>18,730,835</u>
Change in Net Assets	(215,401)	455,234	239,833	(731,872)	-	(731,872)	-	-	(947,273)	455,234	(492,039)
Net Assets at Beginning of Year	11,126,850	153,728	11,280,578	3,162,068	-	3,162,068	(10,555)	(1,054,579)	13,223,784	153,728	13,377,512
Deconsolidation of VVSD HC	-	-	-	-	-	-	10,555	-	10,555	-	10,555
NET ASSETS AT END OF YEAR	<u>\$ 10,911,449</u>	<u>\$ 608,962</u>	<u>\$ 11,520,411</u>	<u>\$ 2,430,196</u>	<u>\$ -</u>	<u>\$ 2,430,196</u>	<u>\$ -</u>	<u>\$ (1,054,579)</u>	<u>\$ 12,287,066</u>	<u>\$ 608,962</u>	<u>\$ 12,896,028</u>

**VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Veterans Village of San Diego			VVSD Escondido, LLC			VVSD Housing Corp	Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:											
Grants and contracts	\$ 12,233,082	\$ -	\$ 12,233,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,233,082	\$ -	\$ 12,233,082
Other revenue	1,246,658	-	1,246,658	-	-	-	-	-	1,246,658	-	1,246,658
In-kind contributions	998,459	-	998,459	-	-	-	-	-	998,459	-	998,459
Contributions	459,802	128,150	587,952	-	-	-	-	-	459,802	128,150	587,952
Rental income	330,916	-	330,916	29,361	-	29,361	-	-	360,277	-	360,277
Interest income	10,818	-	10,818	-	-	-	-	-	10,818	-	10,818
Net assets released from restriction	142,799	(142,799)	-	230,209	(230,209)	-	-	-	373,008	(373,008)	-
Total Revenue and Support	<u>15,422,534</u>	<u>(14,649)</u>	<u>15,407,885</u>	<u>259,570</u>	<u>(230,209)</u>	<u>29,361</u>	<u>-</u>	<u>-</u>	<u>15,682,104</u>	<u>(244,858)</u>	<u>15,437,246</u>
Expenses:											
Program services	<u>13,701,193</u>	<u>-</u>	<u>13,701,193</u>	<u>137,118</u>	<u>-</u>	<u>137,118</u>	<u>-</u>	<u>-</u>	<u>13,838,311</u>	<u>-</u>	<u>13,838,311</u>
Supporting Services:											
Management and general	1,543,239	-	1,543,239	7,964	-	7,964	-	-	1,551,203	-	1,551,203
Fundraising	128,689	-	128,689	-	-	-	-	-	128,689	-	128,689
Total Supporting Services	<u>1,671,928</u>	<u>-</u>	<u>1,671,928</u>	<u>7,964</u>	<u>-</u>	<u>7,964</u>	<u>-</u>	<u>-</u>	<u>1,679,892</u>	<u>-</u>	<u>1,679,892</u>
Total Expenses	<u>15,373,121</u>	<u>-</u>	<u>15,373,121</u>	<u>145,082</u>	<u>-</u>	<u>145,082</u>	<u>-</u>	<u>-</u>	<u>15,518,203</u>	<u>-</u>	<u>15,518,203</u>
Change in Net Assets	49,413	(14,649)	34,764	114,488	(230,209)	(115,721)	-	-	163,901	(244,858)	(80,957)
Capital Contribution	-	-	-	40,000	-	40,000	-	(40,000)	-	-	-
Net Assets at Beginning of Year	<u>11,077,437</u>	<u>168,377</u>	<u>11,245,814</u>	<u>3,007,580</u>	<u>230,209</u>	<u>3,237,789</u>	<u>(10,555)</u>	<u>(1,014,579)</u>	<u>13,059,883</u>	<u>398,586</u>	<u>13,458,469</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,126,850</u>	<u>\$ 153,728</u>	<u>\$ 11,280,578</u>	<u>\$ 3,162,068</u>	<u>\$ -</u>	<u>\$ 3,162,068</u>	<u>\$ (10,555)</u>	<u>\$ (1,054,579)</u>	<u>\$ 13,223,784</u>	<u>\$ 153,728</u>	<u>\$ 13,377,512</u>

**VIETNAM VETERANS OF SAN DIEGO
SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENSES OF PHASE III, IV, AND V
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Phase III</u>	<u>Phase IV</u>	<u>Phase V</u>
<u>Revenue:</u>			
Rent revenue	\$ 96,865	\$ 80,637	\$ 72,057
Contribution	-	-	40
Total Revenue	<u>96,865</u>	<u>80,637</u>	<u>72,097</u>
<u>Expenses:</u>			
Program Expenses:			
Bad debts	2,279	2,415	(124)
Contract services	18,702	2,664	2,739
Dues and subscriptions	1,285	336	3,006
Insurance	221	2,264	1,028
Legal and accounting	8,629	2,590	92
Minor equipment purchases	3,265	807	66
Miscellaneous under \$300	686	339	365
Participant support	1,816	669	1
Payroll taxes and benefits	9,879	6,509	5,603
Rent	2,375	1,627	200
Repairs and maintenance	26,025	13,238	10,468
Salaries and wages	47,780	28,204	25,331
Staff training and certifications	120	11	1
Supplies	5,191	311	162
Telephone	16,372	5,666	4,403
Utilities	20,012	21,242	24,610
Total Program Expenses	<u>164,637</u>	<u>88,892</u>	<u>77,951</u>
General administrative expenses	25,532	13,300	1,076
Total Expenses	<u>190,169</u>	<u>102,192</u>	<u>79,027</u>
Expenses in Excess of Revenue	<u>\$ (93,304)</u>	<u>\$ (21,555)</u>	<u>\$ (6,930)</u>

**VETERANS VILLAGE OF SAN DIEGO
COMPUTATION OF OPERATING CASH FLOW/SURPLUS CASH FOR PHASE III, IV, AND V
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Phase III</u>	<u>Phase IV</u>	<u>Phase V</u>
Operating Income	\$ 96,865	\$ 80,637	\$ 72,097
Operating Expenses	<u>(190,169)</u>	<u>(102,192)</u>	<u>(79,027)</u>
Net from Operations	(93,304)	(21,555)	(6,930)
Other Activity:			
Mandatory debt service	-	-	-
Deposits into reserve account	(12,000)	-	-
Withdrawals from replacement reserve account included in operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Activity	<u>(12,000)</u>	<u>-</u>	<u>-</u>
Operating Cash Flow/Surplus Cash	<u><u>\$ (105,304)</u></u>	<u><u>\$ (21,555)</u></u>	<u><u>\$ (6,930)</u></u>

**VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grants/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Passed Through to Subrecipient</u>	<u>Federal Expenditures</u>	<u>Total Expenditures</u>
U.S. Department of Housing and Urban Development:					
Direct Program:					
Continuum of Care Program:					
	14.267				
U.S. Department of HUD		CA1692L9D011700	\$ -	\$ 77,822	\$ 77,822
U.S. Department of HUD		CA1692L9D011801	-	139,598	139,598
U.S. Department of HUD		CA1434L9D011702	-	110,030	110,030
U.S. Department of HUD		CA1434L9D011803	-	153,134	153,134
Total Direct Program			<u>-</u>	<u>480,584</u>	<u>480,584</u>
Pass-Through Programs From:					
Home Investment Partnerships Program:					
	14.239				
San Diego Housing Commission		Loan	-	1,979,924	1,979,924
San Diego Housing Commission		Loan	-	1,434,846	1,434,846
San Diego Housing Commission		Loan	-	1,491,566	1,491,566
Total Home Investment Partnerships Program			<u>-</u>	<u>4,906,336</u>	<u>4,906,336</u>
Economic Development Initiative:					
	14.251				
San Diego Housing Commission		Loan	-	745,575	745,575
Total Pass-Through Programs			<u>-</u>	<u>5,651,911</u>	<u>5,651,911</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>6,132,495</u>	<u>6,132,495</u>
U.S. Department of Labor:					
Direct Program:					
Homeless Veterans' Reintegration Program:					
	17.805				
U.S. Department of Labor		HV-32293-18-60-5-6	-	500,000	500,000
Total Direct Program			<u>-</u>	<u>500,000</u>	<u>500,000</u>
Pass-Through Programs From:					
WIOA Adult Program:					
	17.258				
Employment Development Department State of California		K8110734	-	228,002	228,002
Employment Development Department State of California		AA011073	-	11,800	11,800
Total WIOA Adult Program			<u>-</u>	<u>239,802</u>	<u>239,802</u>
Total WIOA Cluster			<u>-</u>	<u>239,802</u>	<u>239,802</u>
Total Pass-Through Programs			<u>-</u>	<u>239,802</u>	<u>239,802</u>
Total U.S. Department of Labor			<u>-</u>	<u>739,802</u>	<u>739,802</u>

**VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grants/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Passed Through to Subrecipient</u>	<u>Federal Expenditures</u>	<u>Total Expenditures</u>
U.S. Department of Treasury:					
Pass-Through Program From:					
Coronavirus Relief Fund					
County of San Diego	21.019	553463	-	7,817	7,817
Total Pass-Through Program			-	7,817	7,817
Total U.S. Department of Treasury			-	7,817	7,817
U.S. Department of Veteran Affairs:					
Direct Programs:					
Veterans Rehabilitation - Alcohol and Drug Dependence:					
U.S Department of Veteran Affairs	64.019	VA262-15-D-0246	-	28,649	28,649
VA Homeless Providers Grant and Per Diem Program:					
U.S Department of Veteran Affairs	64.024	18-305-CA	-	55,124	55,124
U.S Department of Veteran Affairs		19-305-CA	-	115,077	115,077
U.S Department of Veteran Affairs		18-356-CA	-	38,821	38,821
U.S Department of Veteran Affairs		19-356-CA	-	208,859	208,859
U.S Department of Veteran Affairs		VVSD525-0073-664-BH-18-0	-	525,150	525,150
U.S Department of Veteran Affairs		VVSD525-0072-664-CT-18-0	-	447,836	447,836
U.S Department of Veteran Affairs		VVSD525-0072-664-CT-18-0	-	1,406,274	1,406,274
U.S Department of Veteran Affairs		VVSD525-0976-664-SI-19	-	291,578	291,578
Total VA Homeless Providers Grant and Per Diem Program			-	3,088,719	3,088,719
VA Supportive Services for Veteran Families Program:					
U.S Department of Veteran Affairs	64.033	19-CA-173	-	903,358	903,358
U.S Department of Veteran Affairs		20-CA-173	-	1,916,227	1,916,227
U.S Department of Veteran Affairs (CARES ACT)		CA-173-CA	-	716,086	716,086
Total VA Supportive Services for Veteran Families Program			-	3,535,671	3,535,671
Total Direct Programs			-	6,653,039	6,653,039
Total U.S. Department of Veterans Affairs			-	6,653,039	6,653,039
U.S. Department of Health and Human Services:					
Pass-Through Program From:					
Medical Assistance Program					
County of San Diego	93.778	553463	-	1,595,933	1,595,933
Block Grants for Prevention and Treatment of Substance Abuse:					
County of San Diego	93.959	553463	-	291,004	291,004
Total Pass-Through Program			-	291,004	291,004
Total U.S. Department of Health and Human Services			-	1,886,937	1,886,937
Total Expenditures of Federal Awards	30		-\$	\$ 15,420,090	\$ 15,420,090

VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Veterans Village of San Diego, 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 Veterans Village of San Diego, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Veterans Village of San Diego.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either of the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Veterans Village of San Diego has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3 - Loan Program:

The following is the activity of the loans payable for the year ended June 30, 2020:

CFDA Number	Program Name	Loans Outstanding at June 30, 2019	Loans Awarded for the Year Ended June 30, 2020	Loan Principal Repaid for the Year Ended June 30, 2020	Loans Outstanding at June 30, 2020
14.239	Home Investment Partnerships Program:				
	San Diego Housing Commission	\$ 1,979,924	\$ -	\$ -	\$ 1,979,924
	San Diego Housing Commission	1,434,846	-	-	1,434,846
	San Diego Housing Commission	<u>1,491,566</u>	<u>-</u>	<u>-</u>	<u>1,491,566</u>
	Total Home Investment Partnerships Program	<u>4,906,336</u>	<u>-</u>	<u>-</u>	<u>4,906,336</u>
14.251	Economic Development Initiative:				
	San Diego Housing Commission	<u>745,575</u>	<u>-</u>	<u>-</u>	<u>745,575</u>
	Total Loans	<u>\$ 5,651,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,651,911</u>



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**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
Veterans Village of San Diego and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Veterans Village of San Diego and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Veterans Village of San Diego and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Veterans Village of San Diego and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Veterans Village of San Diego and Subsidiary internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Veterans Village of San Diego and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Leaf & Cole LLP

San Diego, California
November 9, 2020



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**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
Veterans Village of San Diego and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited Veterans Village of San Diego and Subsidiary'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 Veterans Village of San Diego and Subsidiary's major federal programs for the year ended June 30, 2020. Veterans Village of San Diego and Subsidiary'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 Veterans Village of San Diego and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Veterans Village of San Diego and Subsidiary'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 Veterans Village of San Diego and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, Veterans Village of San Diego and Subsidiary 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 Veterans Village of San Diego and Subsidiary 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 Veterans Village of San Diego and Subsidiary'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 Veterans Village of San Diego and Subsidiary's internal control over compliance.

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

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

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

Leaf & Cole LLP

San Diego, California
November 9, 2020

**VETERANS VILLAGE OF SAN DIEGO AND SUBSIDIARIES
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 on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	No

Noncompliance material to consolidated financial statements noted? _____ Yes X No

Federal Awards

Type of auditor's report issued on compliance for the major programs: Unmodified

Internal control over major programs:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	No

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

Identification of the major programs:

<u>CDFA Number</u>	<u>Name of Federal Program or Cluster</u>
17.258	WIOA Cluster
64.024	VA Homeless Providers Grant and Per Diem Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None