

**Audited Financial Statements  
and Other Information**



**June 30, 2020**

Quigley & Miron

**Downtown Streets, Inc.**  
**Audited Financial Statements and Other Information**  
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## Independent Auditor's Report

Board of Directors  
**Downtown Streets, Inc.**  
San Jose, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Downtown Streets, Inc., dba Downtown Streets Team (Organization), a nonprofit 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, including 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Downtown Streets, Inc., dba Downtown Streets Team as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Downtown Streets, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also 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 Schedule of Expenditures of Federal Awards 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 reports dated December 8, 2020, on our consideration of Downtown Streets, Inc.'s internal control over financial reporting, and 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 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 Downtown Streets, Inc.'s internal control over financial reporting and compliance.

Campbell, California  
December 8, 2020



**Downtown Streets, Inc.**  
**Statement of Financial Position**  
**June 30, 2020**  
**(with comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 575,711	\$ 273,312
Government grants receivable	1,579,615	1,740,275
Grants and contributions receivable	365,827	100,705
Other receivables	49,048	46,111
Prepaid expenses	217,646	178,445
Property and equipment, net—Note 3	116,821	128,245
Deposits	65,190	47,102
	<u><b>Total Assets</b></u>	<u><b>Total Assets</b></u>
	<u><b>\$ 2,969,858</b></u>	<u><b>\$ 2,514,195</b></u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 134,869	\$ 292,822
Salaries and employee benefits payable	198,650	109,516
Line of credit—Note 4		319,862
PPP advance—Note 5	150,288	
Deferred revenue	34,839	8,333
Rental deposits	13,052	13,052
	<u><b>Total Liabilities</b></u>	<u><b>Total Liabilities</b></u>
	<b>531,698</b>	<b>743,585</b>
<b>Net Assets</b>		
Without donor restrictions	1,792,977	1,596,319
With donor restrictions —Note 6	645,183	174,291
	<u><b>Total Net Assets</b></u>	<u><b>Total Net Assets</b></u>
	<b>2,438,160</b>	<b>1,770,610</b>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 2,969,858</b></u>	<u><b>\$ 2,514,195</b></u>

See notes to financial statements.

Downtown Streets, Inc.  
Statement of Activities  
Year Ended June 30, 2020  
(with comparative totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
<b>Operating Activities</b>				
<b>Public Support and Revenue</b>				
Federal grants	\$ 1,548,277	\$	\$ 1,548,277	\$ 1,372,707
Government grants	4,067,986		4,067,986	4,066,601
Grants and contributions	3,785,139	645,183	4,430,322	2,642,296
In-kind donations	38,627		38,627	7,217
Fee for service	76,252		76,252	39,999
Fundraising events				
Gross revenue	83,312		83,312	163,407
Less direct benefit to donors	(60,614)		(60,614)	(77,070)
<b>Fundraising Events, Net</b>	<b>22,698</b>	<b>645,183</b>	<b>22,698</b>	<b>86,337</b>
Other income	9,048		9,048	1,551
Net assets released from restrictions	174,291	(174,291)		
<b>Total Public Support and Revenue</b>	<b>9,722,318</b>	<b>470,892</b>	<b>10,193,210</b>	<b>8,216,708</b>
<b>Expenses</b>				
Program services	7,928,315		7,928,315	6,454,032
Supporting services				
Management and general	1,336,706		1,336,706	845,800
Fundraising	407,350		407,350	349,173
<b>Total Expenses</b>	<b>9,672,371</b>		<b>9,672,371</b>	<b>7,649,005</b>
<b>Change in Net Assets         From Operations</b>	<b>49,947</b>	<b>470,892</b>	<b>520,839</b>	<b>567,703</b>
<b>Nonoperating Activities</b>				
Rental income—Note 10	146,711		146,711	141,828
<b>Total Nonoperating Activities</b>	<b>146,711</b>		<b>146,711</b>	<b>141,828</b>
<b>Change in Net Assets</b>	<b>196,658</b>	<b>470,892</b>	<b>667,550</b>	<b>709,531</b>
<b>Net Assets at Beginning of Year</b>	<b>1,596,319</b>	<b>174,291</b>	<b>1,770,610</b>	<b>1,061,079</b>
<b>Net Assets at End of Year</b>	<b>\$ 1,792,977</b>	<b>\$ 645,183</b>	<b>\$ 2,438,160</b>	<b>\$ 1,770,610</b>

See notes to financial statements.

**Downtown Streets, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**  
**(with comparative totals for 2019)**

	<u>Supporting Services</u>			<u>Fundraising Events</u>	<u>2020 Total</u>	<u>2019 Total</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>			
<b>Expenses</b>						
Salaries	\$ 3,818,390	\$ 700,826	\$ 279,697	\$	\$ 4,798,913	\$ 3,731,802
Employee benefits— Note 7	525,189	106,129	30,122		661,440	528,012
Payroll taxes	309,064	54,855	21,799		385,718	314,190
<b>Total Personnel Expenses</b>	<b>4,652,643</b>	<b>861,810</b>	<b>331,618</b>		<b>5,846,071</b>	<b>4,574,004</b>
Vouchers	1,746,954				1,746,954	1,488,543
Occupancy	416,109	168,851			584,960	510,281
Professional fees	384,095	119,132	11,822		515,049	264,091
Supplies	157,894	32,905	21,015		211,814	171,883
Transportation	119,185	13,899	4,086		137,170	123,492
Program outreach services	97,314	15,891	12,158		125,363	76,428
Office expenses	71,477	16,153	3,970		91,600	116,420
Dues and subscriptions	24,251	39,820	19,421		83,492	58,280
Telephone	60,539	21,838	906		83,283	57,340
Insurance	66,051	13,884			79,935	58,454
Depreciation	48,274				48,274	41,371
Computer expenses	38,549	6,391	650		45,590	24,167
Meetings and trainings	30,860	10,672			41,532	57,508
Interest	4,955	15,423			20,378	19,196
Cost of direct benefits to donors				60,614	60,614	77,070
Printing	9,165	37	1,704		10,906	7,547
<b>Total Expenses by Function</b>	<b>7,928,315</b>	<b>1,336,706</b>	<b>407,350</b>	<b>60,614</b>	<b>9,732,985</b>	<b>7,726,075</b>
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors				(60,614)	(60,614)	(77,070)
<b>Total Expenses</b>	<b>\$ 7,928,315</b>	<b>\$ 1,336,706</b>	<b>\$ 407,350</b>	<b>\$</b>	<b>\$ 9,672,371</b>	<b>\$ 7,649,005</b>

See notes to financial statements.

**Downtown Streets, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2020**  
**(with comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 667,550	\$ 709,531
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated stock	(209,197)	(3,789)
Proceeds on sale of donated stock	209,197	3,789
Depreciation	48,274	41,371
Changes in operating assets:		
Government grants receivable	160,660	(641,962)
Grants and contributions receivable	(265,122)	75,395
Other receivables	(2,937)	(46,111)
Prepaid expenses	(39,201)	(80,201)
Deposits	(18,088)	(2,000)
Changes in operating liabilities:		
Accounts payable and accrued expenses	(157,953)	180,513
Salaries and employee benefits payable	89,134	44,746
PPP advance	150,288	
Deferred revenue	26,506	(7,343)
<b>Net Cash Provided by Operating Activities</b>	<b>659,111</b>	<b>273,939</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(36,850)	(8,897)
Loan to related party	231,515	
Repayments of loan receivable from related party	(231,515)	
<b>Net Cash Used in Investing Activities</b>	<b>(36,850)</b>	<b>(8,897)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from amounts due to related parties		141,307
Payments on amounts due to related parties		(210,307)
Payments on note payable		(50,000)
Proceeds from line of credit		322,319
Payments on line of credit	(319,862)	(202,457)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(319,862)</b>	<b>862</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>302,399</b>	<b>265,904</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>273,312</b>	<b>7,408</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 575,711</b>	<b>\$ 273,312</b>

See notes to financial statements.

**Downtown Streets, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020**  
**(with comparative totals for 2019)**

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization—Downtown Streets, Inc., dba Downtown Streets Team, (Organization) was incorporated in 2005 as a California nonprofit corporation dedicated to eliminating current and preventing future homelessness. The Organization began in 2005 in Palo Alto, California and currently operates in 15 cities spanning seven counties in the Bay Area. Since 2005, the Organization has assisted over 2,000 Team Members in securing employment and/or finding permanent housing. Through community-based beautification projects, Team Members have removed over 3,000 tons of debris from urban waterways. In exchange for volunteering to clean up their communities, Team Members are provided with a basic needs stipend that they may use on food, medicine, clothing, hygiene supplies, transportation, storage, and communication, among other things. Team Members have access to case management and employment services which serve to help them eliminate the barriers that keep them from jobs and housing. Through their efforts, Team Members regain self-worth and benefit from a sense of community which propels them to a higher quality of life and out of homelessness. The Organization is principally funded through contributions and government contracts.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization recognizes grants and contributions as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statement of activities as net assets released from restrictions. It is the policy of the Organization to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of activities to eliminate and prevent homelessness and interest income on bank balances. Nonoperating activities are limited to rental income and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

**Downtown Streets, Inc.**

**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered *'more likely than not'* to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2020 and 2019. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Recently Adopted Accounting Principle—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) are to account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors are to use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU No. 2018-08 has been adopted by the Organization for the year ended June 30, 2020, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements and noted that there was no material effect on the financial statements.

Cash and Cash Equivalents—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash consists of balances in checking and savings accounts and in certificates of deposit at banks.

Property and Equipment—Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions of property and equipment valued at less than \$3,000 are expensed when purchased or donated. Depreciation is provided on the straight-line method over estimated useful lives of the related assets (principally five years).

Concentrations of Credit and Business Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and receivables. The Organization maintains its cash and cash equivalents at high quality financial institutions where funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. In the normal course of business, the Organization's cash and cash equivalent balances may exceed the FDIC insurance limit. Receivables are due from organizations and governmental agencies well-known to the Organization with excellent payment histories; all amounts receivable at June 30, 2020 and 2019 are due within one year.

The Organization's management has assessed the credit risk associated with the deposit accounts and receivables held at June 30, 2020 and 2019, and has determined that an allowance for potential losses due to credit risk is not necessary.

**Downtown Streets, Inc.**

**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Risks and Uncertainties—In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Downtown Streets, Inc is continuing to conduct its program activities and to monitor the ongoing impact of the pandemic response on overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on Downtown Streets, Inc, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Use of Estimates—The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Revenue Recognition—Revenues from federal and government grants are reported as increases in net assets without donor restrictions as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as government grants receivable.

In-Kind Donations—The Organization records various types of in-kind donations, including office space, professional services and tangible assets. Donated services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of office space and tangible assets are recognized at fair value when received.

In-kind donations of \$38,627 and \$7,217 for the years ended June 30, 2020 and 2019, respectively, have been recorded in the in-kind donations caption of the statements of activities at their fair value and included in the statement of functional expenses as follows:

	<u>2020</u>	<u>2019</u>
Supplies	\$ 38,207	\$ 7,217
Program outreach services	420	
<b>Totals</b>	<b><u>\$ 38,627</u></b>	<b><u>\$ 7,217</u></b>

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, employee benefits, and payroll taxes are allocated on the basis of estimates of time and effort. All other functional expenses are allocated directly to the function benefitted.

Statement of Cash Flows—During the years ended June 30, 2020 and 2019, the Organization paid no income taxes and paid interest expense of \$20,377 and \$19,196, respectively.

Reclassifications—Certain amounts in 2019 have been reclassified to conform with the 2020 financial statement presentation.

**Downtown Streets, Inc.****Notes to Financial Statements—Continued****Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Comparative Totals for 2019—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**Note 2—Availability of Financial Assets and Liquidity**

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2,000,000).

The following represents the availability and liquidity of the Organization’s financial assets at June 30, 2020 to cover operating expenses for the next fiscal year:

Cash and cash equivalents, net of donor restrictions	\$ 296,355
Government grants receivable	1,579,615
Grants and contributions receivable	25,827
Other receivables	49,048
	<u>1,950,845</u>
<b>Current Availability of Financial Assets</b>	<b><u>\$ 1,950,845</u></b>

Additionally, the Organization has a \$400,000 line of credit it can draw upon which is available to support general expenditures.

**Note 3—Property and Equipment, Net**

Property and equipment, net at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 188,646	\$ 151,796
Mobile showers	97,448	97,448
	<u>286,094</u>	<u>249,244</u>
Less accumulated depreciation	(169,273)	(120,999)
	<u>116,821</u>	<u>128,245</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 116,821</u></b>	<b><u>\$ 128,245</u></b>

Depreciation expense recorded for the years ended June 30, 2020 and 2019 was \$48,274 and \$41,371.

**Note 4—Line of Credit**

During the year ended June 30, 2019, the Organization opened a \$400,000 line of credit with a bank, bearing interest at the bank’s prime interest rate, currently at 5.5%, plus 1%, requiring monthly payments of interest only and secured by substantially all the assets of the Organization; the line of credit has a current maturity date of December 31, 2020. At June 30, 2020 there was no balance due on the line of credit. At June 30, 2019 the outstanding balance on the line of credit was \$319,862.

**Downtown Streets, Inc.**  
**Notes to Financial Statements—Continued**

**Note 5—PPP Advance**

On April 30, 2020, the Organization received \$1,108,144 of Paycheck Protection Program (PPP) funding from the Small Business Administration through a bank in response to the COVID-19 pandemic. While these funds carry loan repayment terms, it is the opinion of management and the board of directors that all funds received will be forgiven under the present terms of PPP in the upcoming fiscal year. Total grant revenue recognized during the year ended June 30, 2020 amounted to \$957,856 based on qualifying expenditures incurred. At June 30, 2020, the outstanding balance on the PPP advance was \$150,288, which is expected to be forgiven in full.

**Note 6—Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Stanislaus	\$ 90,946	\$ 49,841
Santa Clara County	68,307	
Sacramento	39,164	
Marin County	29,469	
Santa Cruz	19,279	
Alameda County	11,898	
Data Management	11,673	
San Mateo	8,620	
Dropdown Downtown		23,745
<b>Total Subject to Purpose Restrictions</b>	<b>279,356</b>	<b>73,586</b>
Subject to time restrictions:		
San Francisco Team	340,000	100,705
General expenditures	25,827	
<b>Total Subject to Time Restrictions</b>	<b>365,827</b>	<b>100,705</b>
<b>Total Net Assets with Donor Restrictions</b>	<b><u>\$ 645,183</u></b>	<b><u>\$ 174,291</u></b>

Net assets released from donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Santa Clara County	\$ 49,841	\$ 90,497
Dropdown Downtown	23,745	
San Francisco Team		50,000
Alameda County		45,150
<b>Total Satisfaction of Purpose Restrictions</b>	<b>73,586</b>	<b>185,647</b>
Satisfaction of time restrictions:		
General expenditures	100,705	
<b>Total Satisfaction of Time Restrictions</b>	<b>100,705</b>	
<b>Total Net Assets Released from Donor Restrictions</b>	<b><u>\$ 174,291</u></b>	<b><u>\$ 185,647</u></b>

**Downtown Streets, Inc.**  
**Notes to Financial Statements—Continued**

**Note 7—Employee Benefit Plan**

The Organization has adopted a 401(k) plan (the Plan) that covers employees who are at least 21 years of age and have completed 1,000 hours of service in 12 months of employment. Participants may elect to defer up to 80% of their annual salaries under the Plan, subject to Internal Revenue Service limitations. The Plan provides for matching of 100% of deferrals up to the first 6% of compensation. Employees vest immediately in all voluntary contributions to the Plan. The Organization's contribution to the Plan was \$102,944 and \$67,797 for the years ended June 30, 2020 and 2019, respectively.

**Note 8—Contingencies**

The Organization provides program participants with vouchers for meals, lodging, phone services and/or gasoline. The Organization has taken the position that the distribution of vouchers to the team members is not a substitute for compensation for work performed in the context of the program. As such, the team members are considered volunteers and the value of the vouchers is not subject to payroll tax or other wage laws. The Organization relies on advice of counsel in support of this position.

If this position were challenged by the U.S. Department of Labor or California Division of Labor Standards Enforcement, the Organization could be liable for resulting payroll taxes, penalties and other wage law requirements. The amount of any such liability is not known as of June 30, 2020.

In the ordinary course of business, the Organization may be involved in legal proceedings and regulatory investigations. Management believes that the outcome of any such matters existing at June 30, 2020 will be resolved without material adverse effect on the Organization's future financial position, changes in net assets, or cash flows.

**Note 9—Commitments**

The Organization leases various office and meeting spaces throughout its service area and office equipment. The future minimum annual rental commitments by year for its leases with a remaining term greater than one year are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 290,122
2022	210,055
2023	35,009
	<hr/>
<b>Total</b>	<b>\$ <u>535,186</u></b>

The Organization also leases various office and meeting spaces leases on a month-to-month basis. Rental expense for all operating leases, including required common area costs and utilities, for the years ended June 30, 2020 and 2019 was \$570,042 and \$429,689, respectively, and is included in the Occupancy caption on the statement of functional expenses.

**Note 10—Rental income**

The Organization currently sub leases space to various tenants on a month-to-month basis including to a related party described in Note 11. Rental income associated with these month-to-month leases amounted to \$146,711 and \$141,828 for the years ended June 30, 2020 and 2019, respectively.

## **Downtown Streets, Inc.**

### **Notes to Financial Statements—Continued**

#### **Note 11—Related Party Transactions**

The Organization provided administrative and fundraising services provided to Peninsula Healthcare Connections, Inc. (PHC), a separate nonprofit organization with two common officers to Downtown Streets, Inc. During the year ended June 30 2019, the Organization received \$5,000 for these services. No such services were provided during the year ended June 30, 2020. These amounts are reported as fee for service contracts in the statement of activities. The Organization also shares certain common expenses with PHC to receive volume discounts, with the PHC portion reimbursed to the Organization. During the years ended June 30, 2020, and 2019, PHC reimbursed the Organization \$35,804 and \$95,071, respectively for incurred expenses. The Organization made a series of short-term loans to PHC during the year ended June 30, 2020 which totaled \$231,515, and were repaid in full at June 30, 2020.

The Organization subleases a portion of its primary administrative offices to PHC under a month-to-month lease; such rental income received during the years ended June 30, 2020 and 2019 totaled \$57,000 and \$38,000, respectively.

#### **Note 12—Recent Accounting Pronouncement**

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

#### **Note 13—Subsequent Events**

Management evaluated subsequent events through December 8, 2020, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

**Downtown Streets, Inc.**  
**Schedule of Expenditure of Federal Awards**  
**Year Ended June 30, 2020**

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Grant Amount	Grant Period	Federal Expenditures
<b>U.S. Department of Agriculture</b>					
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants					
Passed through: County of Santa Clara	10.537	SSA-DS-CFET-FFY	\$ 229,452	10/01/19-09/30/20	\$ 27,234
<b>Total CFDA No. 10.537</b>					<b>27,234</b>
SNAP Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program					
Passed through: County of Santa Cruz	10.561	20W4054	277,133	10/01/19-09/30/20	100,786
<b>Total SNAP Cluster, CFDA Nos. 10.551 and 10.561</b>					<b>100,786</b>
<b>Total U.S. Department of Agriculture</b>					<b>128,020</b>
<b>U.S. Department of Housing and Urban Development</b>					
CDBG—Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Passed through: City of San Jose Sunnyvale Community Services	14.218	CPS-16-017C	500,000	07/01/18-06/30/20	490,385
City of Palo Alto	14.218	1920-829560	432,493	07/01/19-06/30/20	319,300
City of Hayward	14.218	C20175756	724,578	07/01/19-06/30/20	316,423
City of Modesto	14.218	C-19095	234,999	07/01/19-06/30/20	201,066
Alameda County	14.218	B-19-MC-06-0002	100,000	07/01/19-06/30/21	30,999
Marin County	14.218	C-17500	262,180	12/17/19-06/30/21	18,779
	14.218	CM-19	319,130	07/01/19-06/30/20	12,600
<b>Total CDBG—Entitlement Grants Cluster, CFDA Nos. 14.218 and 14.225</b>					<b>1,389,552</b>
<b>Total U.S. Department of Housing and Urban Development</b>					<b>1,389,552</b>
<b>U.S. Department of Health and Human Services</b>					
Community Services Block Grant					
Passed through: City of Oakland	93.569	18F-5002	40,000	01/01/19-12/31/19	30,705
<b>Total CFDA No. 93.569</b>					<b>30,705</b>
<b>Total U.S. Department of Health and Human Services</b>					<b>30,705</b>
<b>Total Expenditures of Federal Awards</b>					<b>\$ 1,548,277</b>

See notes to the schedule of expenditures of federal awards.

**Downtown Streets, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Downtown Streets, Inc., dba Downtown Streets Team, under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with 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). Because the schedule presents only a selected portion of the operations of Downtown Streets, Inc., dba Downtown Streets Team, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Downtown Streets, Inc., dba Downtown Streets Team.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the schedule represent adjustments or credits made in the normal course of operations to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note C – Indirect Cost Rate**

Downtown Streets, Inc. has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Downtown Streets, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2020**

There were no prior year audit findings.

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## **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***

Board of Directors  
**Downtown Streets, Inc.**  
San Jose, California

We have audited 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, the financial statements of Downtown Streets, Inc. (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 December 8, 2020.

### **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 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 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 of 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 report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Campbell, California  
December 8, 2020

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## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance**

Board of Directors  
**Downtown Streets, Inc.**  
San Jose, California

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

We have audited the compliance of Downtown Streets, Inc. (Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our compliance audit 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 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 its major federal award program for the year ended June 30, 2020.

### **Report on Internal Control over Compliance**

The Organization's management 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 as a basis for designing 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 weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

### **Purpose of This Report**

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Campbell, California  
December 8, 2020

**Downtown Streets, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Downtown Streets, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses or significant deficiencies were identified during the audit.
3. No instances of noncompliance material to the financial statements of Downtown Streets, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies were identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program of Downtown Streets, Inc. expresses an unmodified opinion.
6. There were no audit findings that required reporting in this schedule in accordance with Title 2 U.S. *Code of Federal Regulations* section 200.516(a).
7. The program tested as a major program was the Department of Housing and Urban Development Entitlement Grants Cluster, Community Development Block Grants/Entitlement Grants, CFDA No. 14.218 and Community Development Block Grants/Special Purpose Grants/Insular Areas, CFDA No. 14.225.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Downtown Streets, Inc. was determined to be a low risk auditee.

**B. Findings— Financial Statements Audit**

None

**C. Findings and Questioned Costs— Major Federal Award Program**

None

**Downtown Streets, Inc.**  
**Corrective Active Plan**  
**Year Ended June 30, 2020**

As there were no audit findings or questioned costs for the year ended June 30, 2020, a corrective action plan is not required.