



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Family Assistance Ministries
San Clemente, CA 92673

We have audited the accompanying financial statements of Family Assistance Ministries (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Family Assistance Ministries as of June 30, 2013, 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.

Coastline Accounting Services

November 13, 2013

FAMILY ASSISTANCE MINISTRIES

FINANCIAL STATEMENTS

YEAR ENDED
JUNE 30, 2013

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CONTENTS

	<u>PAGE NO.</u>
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS:	
Statement of Financial Position	5
Statement of Activities	7
Statement of Functional Expenses	9
Statement of Cash Flows	10
Notes to Financial Statements	11

FAMILY ASSISTANCE MINISTRIES
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents (Notes 1 and 2)	\$ 161,782
Grants Receivable	32,369
Prepaid Insurance	510
Deposits	<u>12,997</u>
Total Current Assets	207,658

PROPERTY AND EQUIPMENT, AT COST (Note 1)

Residential Real Estate	1,089,588
Building Improvements	59,835
Vehicles	6,879
Office Furniture and Equipment	61,577
Leasehold Improvements	<u>32,373</u>
Total Property and Equipment	1,250,252
Less: Accumulated Depreciation	<u>(180,085)</u>
Net Property and Equipment	<u>1,070,167</u>

TOTAL ASSETS \$ 1,277,825

See Accompanying Notes and Independent Auditor's Report
(5)

FAMILY ASSISTANCE MINISTRIES
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Accrued Payroll Taxes	\$ 432
Accrued Expenses (Note 5)	14,113
Security Deposits	450
Loan Payable - City of San Clemente Redevelopment Agency (Note 6)	<u>765,000</u>
Total Liabilities	779,995

NET ASSETS:

Unrestricted (Note 1)	197,830
Temporarily Restricted (Notes 1 and 3)	-
Permanently Restricted (Notes 1 and 4)	<u>300,000</u>
Total Net Assets	<u>497,830</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,277,825</u></u>
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FAMILY ASSISTANCE MINISTRIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions:				
Businesses	78,968	0	0	78,968
Churches and Service Orgs	37,291	0	0	37,291
Appeal Letters	133,291	0	0	133,291
Individuals	128,202	0	0	128,202
Other	42,500	0	0	42,500
Online	38,019	0	0	38,019
Senior Assistance	0	38,500	0	38,500
Net Assets Released from Restriction (Note 3)	38,500	(38,500)	0	0
Total Contributions	496,771	0	0	496,771
Special Events:				
Hunger Walk Revenue	85,602	0	0	85,602
Hunger Walk Expense	(14,113)	0	0	(14,113)
Other Fundraising Income	1,729	0	0	1,729
Net Support from Fundraising	73,218	0	0	73,218
Other Support:				
Grants from Business and Private Foundations	110,240	0	0	110,240
Program Fees and Contract Service Revenue	140,671	0	0	140,671
In-Kind Donations (Note 1)	2,441,720	0	0	2,441,720
Total Other Support	2,692,631	0	0	2,692,631
Interest Income	26	0	0	26
TOTAL SUPPORT AND REVENUES	3,262,646	0	0	3,262,646

See Accompanying Notes and Independent Auditor's Report
(7)

FAMILY ASSISTANCE MINISTRIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:				
Program Services:				
Gilchrist House	216,108	0	0	216,108
Walk-In Center	2,862,423	0	0	2,862,423
Supporting Services:				
Administration	184,296	0	0	184,296
TOTAL EXPENSES	3,262,827	0	0	3,262,827
CHANGE IN NET ASSETS	(181)	0	0	(181)
NET ASSETS AT BEGINNING OF YEAR	198,011	0	300,000	498,011
NET ASSETS AT END OF YEAR	197,830	0	300,000	497,830

See Accompanying Notes and Independent Auditor's Report
(8)

FAMILY ASSISTANCE MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013

	Program Services	Administration	Totals
Salaries and Benefits	\$ 304,792	\$ 67,368	\$ 372,160
Payroll Taxes	24,328	4,368	28,696
Client Aid	2,601,980	0	2,601,980
Appeal Letters	0	55,130	55,130
Association Fees	5,343	1,336	6,679
Bank Charges	0	189	189
Dues and Subscriptions	0	265	265
Insurance	21,943	10,333	32,276
Maintenance and Repair	3,611	3,611	7,222
Meals	0	803	803
Office Supplies	2,668	3,893	6,561
Outside Services	10,800	15,285	26,085
Postage	0	297	297
Printing	0	116	116
Professional Services	4,606	7,591	12,197
Rent (Note 8)	40,623	10,156	50,779
Utilities	14,218	3,555	17,773
Depreciation (Note 1)	43,619	0	43,619
TOTAL EXPENSES	\$ 3,078,531	\$ 184,296	\$ 3,262,827

See Accompanying Notes and Independent Auditor's Report
(9)

FAMILY ASSISTANCE MINISTRIES

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in Net Assets	\$ (181)
Adjustments to Reconcile Increase in Net Assets to Net Cash	
Used by Operating Activities:	
Depreciation	43,619
(Increase) Decrease in Operating Assets:	
Grants Receivable	94,787
Prepaid Insurance	3,176
Deposits	(1,807)
Increase (Decrease) in Operating Assets:	
Accrued Payroll Taxes	(5)
Accrued Expenses	5,113
Security Deposits	225
	<u>144,927</u>
Net Cash Provided by Operating Activities	144,927
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital Expenditures	<u>(4,950)</u>
Net Cash (Used) by Investing Activities	(4,950)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Loan Forgiveness	<u>(42,500)</u>
Net Cash (Used) by Financing Activities	<u>(42,500)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,477
BEGINNING CASH AND CASH EQUIVALENTS	<u>64,305</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 161,782</u></u>
SUPPLEMENTAL DISCLOSURES (NONCASH TRANSACTIONS):	
Donated Food and Other Items	<u><u>\$ 2,441,720</u></u>

See Accompanying Notes and Independent Auditor's Report

FAMILY ASSISTANCE MINISTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Significant Accounting Policies

Organization:

Family Assistance Ministries is a faith-based non-profit organization assisting those in need in Southern Orange County with resources for food, shelter and personalized supportive counsel and aid. Family Assistance Ministries helps clients bridge the gap from dependency to self sufficiency.

Family Assistance Ministries was founded in 1999 to serve those in need. The Organization's first client needed rental assistance to avoid eviction. Within thirty days this person was employed and becoming a self sufficient and productive member of their community.

Program Services:

Gilchrist House Transitional Shelter - Provides transitional housing for homeless women and children ages 14 and under. Gilchrist House has twenty six transitional beds and three cribs available for stays of up to twelve months. The women commit to weekly meetings with case managers initially to chart a course of self-sufficiency, and then to track progress and revise program goals as needed. The Organization's services include mental health care, substance abuse referrals and/or counseling, employment related assistance and life skills classes.

Walk-In Center - The Organization's Homeless Prevention Program provides assistance through food, utility, shelter, education, medical, dental, vision, rental, transportation, workforce development, counseling and basic needs assistance. A case manager works with every client, providing basic financial literacy instruction and helping to create a customized written budget.

Basis of Presentation:

The financial statements of Family Assistance Ministries (the Organization) have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other assets and liabilities.

Financial Statement Presentation:

The Organization follows the financial statement presentation recommended by the Financial Accounting Standards Board. Accordingly, the Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Funds - The Unrestricted Fund is the general operating fund of the Organization. All receipts not temporarily or permanently restricted by the donor are accounted for in this fund. Expenses of this fund include management and program expenses.

See Accompanying Notes and Independent Auditor's Report

FAMILY ASSISTANCE MINISTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Significant Accounting Policies (Cont.)

Temporarily Restricted Funds - Contributions of cash and other assets that are limited by donor stipulations as to time or purpose are recorded in the Temporarily Restricted Fund. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

Permanently Restricted Funds - Contributions of cash and other assets with donor-imposed restrictions that require the assets to be permanently maintained are reported as Permanently Restricted Funds.

Cash and Cash Equivalents:

For purposes of the 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.

Property and Equipment:

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. As of June 30, 2013, there were no restricted contributed assets.

Property and equipment are depreciated using the straight-line method and various accelerated methods over the estimated useful lives of the assets, ranging from five to twenty seven and a half years. Depreciation expense for the year ended June 30, 2013 was \$43,619.

Grants:

For amounts received under grant contracts, periodic audits may be performed by the Grantor and certain costs may be questioned as not being reimbursable expenditures under the terms of the contracts. Such audits could lead to reimbursement to the Grantor. The Organization's management believes disallowances, if any, would be immaterial.

Contributed Services:

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise.

FAMILY ASSISTANCE MINISTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Significant Accounting Principles (Cont.)

However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The estimated value of volunteer services as of June 30, 2013 was \$116,832.

Income Taxes:

The Organization is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to June 30, 2009.

Use of Estimates:

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

Compensated Absences:

Management does not accrue for vested vacation pay and other compensated absences. It is not practical to determine the liability for compensated absences, and based on the Organization's compensation policies, the amount of the accrual cannot be material to any aspect of the financial statements.

FAMILY ASSISTANCE MINISTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2013 consists of the following:

	Reconciled Balance	Bank Statement Balance
Sunwest Bank		
Checking A/C # 2101000136	\$ 11,022	\$ 12,909
Checking A/C # 151006277	0	0
Checking A/C # 151003266	0	0
Checking A/C # 151006202	0	34,505
Savings A/C # 171000227	50,144	50,144
Farmers and Merchants Bank		
Checking A/C# 23009241	92588	101243
Savings A/C# 23206950	0	0
HUD Checking A/C# 23009268	7828	7828
Fidelity Investments		
A/C # Z69-236039	100	100
Petty Cash	100	0
Totals	<u>\$ 161,782</u>	<u>\$ 206,729</u>

At June 30, 2013, the Organization maintained \$97,558 and \$109,071 on deposit at two institutions, of which \$97,558 and \$109,071 are insured by the Federal Deposit Insurance Corporation.

The Emergency Food and Shelter Program Grant requires that a separate bank account, Sunwest Checking A/C# 151003266, be maintained for transactions pertaining to the grant.

Housing and Urban Development (HUD) requires that a separate bank account, Sunwest Checking A/C# 151006202 and Farmers and Merchants Bank A/C# 23009268, be maintained for transactions pertaining to the grant.

FAMILY ASSISTANCE MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, or by the occurrence of other events specified by the donor.

Monies received by the Fred Wagner Memorial Trust are restricted for the benefit of low income senior citizens living in San Clemente, California. Funds can be used for temporary living expenses, such as, rent, utilities and prescriptions. As of June 30, 2013 all funds received were expended, there is no balance in temporarily restricted net assets.

NOTE 4 - Permanently Restricted Net Assets

Permanently restricted net assets require the assets be maintained for use, as restricted by the donor, for as long as the assets are held by the Organization.

Permanently restricted net assets at June 30, 2013 were \$300,000 received from the United States Department of Housing (HUD) and are to be used in the purchase, acquisition and rehabilitation of Gilchrist House.

NOTE 5 - Accrued Expenses

Accrued expenses as of June 30, 2013 consist of the following:

Accounting/Audit Fees	\$ 9,213
Bookkeeping Fees	2,400
Appeal Letters	<u>2,500</u>
Total Accrued Expenses	<u>\$ 14,113</u>

NOTE 6- Loan Payable

In November 2009, the City of San Clemente Redevelopment Agency loaned \$800,000 to the Organization for the acquisition and rehabilitation of the property located at 602 Calle Canasta, San Clemente, CA (Gilchrist House).

The loan was divided into two parts, the first portion of the loan, \$680,000, is to be used solely for the purchase of the property and the remaining portion of the loan, \$120,000, is to be used for rehabilitation.

In November 2010, the City of San Clemente Redevelopment Agency loaned an additional \$50,000 to the Organization for improvements to be made on the property located at 602 Calle Canasta, San Clemente, CA (Gilchrist House).

See Accompanying Notes and Independent Auditor's Report

FAMILY ASSISTANCE MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6- Loan Payable (Cont.)

The initial loan term is for a period of twenty years and is subject to a pro-rata reduction of the loan amount if all the conditions are met. The conditions require that the property not be sold, disposed of or refinanced and to be used for occupancy as a homeless shelter for the initial twenty years. Should these restrictions be maintained, the loan is reduced by 5% each year beginning in November 2011. If any of the restrictions are violated, the entire pro-rata amount is due on demand. There is no interest rate, since the entire loan amount is due on demand at default.

As of June 30, 2013, \$42,500 was forgiven based on the above requirements. The forgiveness was recorded as contribution income. The remaining loan balance as of June 30, 2013 was \$765,000.

NOTE 7- Operating Leases

The Organization leases office space from a non-related company. The building rent expense is currently \$4,182 per month and is set to increase periodically through the lease expiration date of April 2017. The Organization is planning to take on additional space in 2016, resulting in an increase in anticipated rental expense shown below.

Total rent expense for the year ended June 30, 2013 was \$50,779.

Future minimum lease payments under non-cancelable leases are as follows:

2014	\$ 54,363
2015	62,230
2016	89,164
2017	84,873
2018	-
	<hr/>
	<u>\$ 290,630</u>

NOTE 8 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through November 13, 2013, the date which the financial statements were available to be issued. Effective July 1, 2013, the Organization will conform to the industry standard of valuing in-kind donations at the weighted-average wholesale price per pound, by product category, as determined by a cost study conducted for Feeding America.