



Financial Statements  
With Independent Auditors' Report

June 30, 2014

# FAMILY ASSISTANCE MINISTRIES

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Family Assistance Ministries  
San Clemente, California

We have audited the accompanying financial statements of Family Assistance Ministries (FAM), which comprise the statement of financial position as of June 30, 2014, 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.

### ***Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to FAM'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 FAM'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.

Board of Directors  
Family Assistance Ministries  
San Clemente, California

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of Family Assistance Ministries as of June 30, 2014, and the changes in activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Brea, California  
November 21, 2014

# FAMILY ASSISTANCE MINISTRIES

## Statement of Financial Position

June 30, 2014

### ASSETS:

Cash and cash equivalents	\$ 222,392
Grants and accounts receivable	13,183
Prepaid expenses	17,027
Property and equipment, net	<u>1,037,353</u>

Total Assets \$ 1,289,955

### LIABILITIES AND NET ASSETS:

Accounts payable	\$ 18,703
Accrued expenses	27,240
Deferred revenue	2,700
Loan payable	<u>714,000</u>

Total liabilities 762,643

### Net assets:

Unrestricted	427,022
Temporarily restricted	<u>100,290</u>
Total net assets	<u>527,312</u>

Total Liabilities and Net Assets \$ 1,289,955

See notes to financial statements

# FAMILY ASSISTANCE MINISTRIES

## Statement of Activities

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND RECLASSIFICATIONS:</b>			
Grants and contributions	\$ 889,281	\$ 190,512	\$ 1,079,793
Gifts-in-kind	1,753,832	-	1,753,832
Other income	63,762	-	63,762
Net assets released from restrictions:			
Satisfaction of donor restrictions	90,222	(90,222)	-
	2,797,097	100,290	2,897,387
<b>EXPENSES:</b>			
Program services	2,508,711	-	2,508,711
Supporting activities:			
General and administrative	131,452	-	131,452
Fundraising	227,742	-	227,742
	359,194	-	359,194
Total Expenses	2,867,905	-	2,867,905
Change in Net Assets	(70,808)	100,290	29,482
Net Assets, Beginning of Year	497,830	-	497,830
Net Assets, End of Year	\$ 427,022	\$ 100,290	\$ 527,312

See notes to financial statements

# FAMILY ASSISTANCE MINISTRIES

## Statement of Functional Expenses

For the Year Ended June 30, 2014

	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising	
Wages	\$ 289,885	\$ 54,324	\$ 75,673	\$ 419,882
Benefits	101,315	11,378	15,805	128,498
Gifts-in-kind	1,753,832	-	-	1,753,832
Food bank program	34,848	-	-	34,848
Client aid	118,814	-	-	118,814
Gilchrist house	33,069	-	-	33,069
Fundraising and appeals	-	-	133,738	133,738
Rent	60,653	15,163	-	75,816
Depreciation	40,418	7,578	2,526	50,522
Operating expenses	75,877	43,009	-	118,886
<b>Total</b>	<b>\$ 2,508,711</b>	<b>\$ 131,452</b>	<b>\$ 227,742</b>	<b>\$ 2,867,905</b>

See notes to financial statements

# FAMILY ASSISTANCE MINISTRIES

## Statement of Cash Flows

For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 29,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	50,522
Loan forgiveness	(51,000)
Net change in:	
Grants and accounts receivable	19,186
Prepaid expenses	(3,520)
Accounts payable	4,590
Accrued expenses	26,358
Deferred revenue	2,700
Net Cash Provided by Operating Activities	<u>78,318</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of equipment	<u>(17,708)</u>
Net Cash Used in Investing Activities	<u>(17,708)</u>
Change in Cash and Cash Equivalents	60,610
Cash and Cash Equivalents, Beginning of Year	<u>161,782</u>
Cash and Cash Equivalents, End of Year	<u>\$ 222,392</u>

See notes to financial statements

# FAMILY ASSISTANCE MINISTRIES

## Notes to Financial Statements

June 30, 2014

1. NATURE OF ORGANIZATION:

Family Assistance Ministries (FAM) 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. FAM helps clients bridge the gap from dependency to self-sufficiency.

FAM was founded in 1999 to serve those in need. FAM'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 primarily consist of two distinct aspects:

- Gilchrist House Transitional Shelter - Provides transitional housing for homeless women and women with children ages 14 and under. Gilchrist 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 to chart a course to self-sufficiency, and then to track progress and revise program goals as needed. FAM's services include mental health care, substance abuse referrals, counseling, employment related assistance, and life skills classes.

- Walk-in Resource Center - FAM's homeless and hunger prevention programs provide assistance through food, utility, shelter, education, health insurance, rent, transportation, workforce development, counseling, and other basic needs. A case manager works with every client, providing basic financial instruction and helping to create a customized budget.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of FAM have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by FAM are described below.

**CASH AND CASH EQUIVALENTS**

For statements of financial position and cash flow purposes, cash and cash equivalents consist primarily of cash on hand. These accounts may, at times, exceed federally insured limits. FAM has not experienced any losses on such accounts.

**PROPERTY AND EQUIPMENT**

All expenditures of \$1,000 or more for property and equipment are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets, ranging from 3 to 27.5 years.

# FAMILY ASSISTANCE MINISTRIES

## Notes to Financial Statements

June 30, 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NET ASSETS

The financial statements report amounts by class of net assets:

*Unrestricted net assets* are currently available at the discretion of the board for use in the operations and those resources invested in property and equipment.

*Temporarily restricted net assets* are contributed with donor stipulations for specific programs and purposes, as well as grants not yet received.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

#### SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to FAM. Conditional promises-to-give are recognized as revenue when the conditions on which they depend are substantially met. FAM receives gifts-in-kind, which are recorded as support at the estimated fair market value on the date of the gift based on standardized values or individual research.

Contributions are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when funds are spent to purchase or construct the property or other long-lived asset.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

# FAMILY ASSISTANCE MINISTRIES

## Notes to Financial Statements

June 30, 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities.

#### ALLOCATION OF JOINT COSTS

FAM has implemented the Joint Cost topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). For the year ended June 30, 2014, there were no joint costs.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. During the year-ended June 30, 2014, FAM changed its method of valuing gifts-in-kind to better match industry standards.

#### INCOME TAX STATUS

FAM is qualified as a California nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding California provisions. No provision for federal or state income taxes have been included in the financial statements. Contributions by the public are deductible for income tax purposes.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2014, FAM had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

FAM files information tax returns in the U.S. and California. FAM is subject to income tax examinations for the current year and certain prior years based on applicable laws and regulations.

#### RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

# FAMILY ASSISTANCE MINISTRIES

## Notes to Financial Statements

June 30, 2014

3. PROPERTY AND EQUIPMENT:

Property and equipment as of June 30, 2014, consist of:

Land	\$ 272,388
Building and improvements	877,035
Leasehold improvements	32,373
Furniture and fixtures	20,006
Equipment	<u>66,158</u>
	1,267,960
Less accumulated depreciation	<u>(230,607)</u>
	<u><u>\$ 1,037,353</u></u>

4. LEASES:

FAM leases office space under operating leases ending April 2017. Lease expense for the year ended June 30, 2014, was \$75,816, and is evenly expensed over the term of the lease. The minimum future payments are:

<u>Year Ending June 30,</u>	
2015	\$ 62,230
2016	89,164
2017	<u>84,373</u>
	<u><u>\$ 235,767</u></u>

# FAMILY ASSISTANCE MINISTRIES

## Notes to Financial Statements

June 30, 2014

5. LOAN PAYABLE:

In November 2009, the City of San Clemente Redevelopment Agency (the City) loaned \$800,000 to FAM for the acquisition and rehabilitation of Gilchrist House.

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

In November 2010, the City loaned an additional \$50,000 to FAM for improvements to be made on the property.

The initial loan term is for a period of twenty years and is subject to 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 is to be used for occupancy as a homeless shelter. If any of the restrictions are violated, the entire pro-rata amount is due on demand. There is no stated interest rate unless FAM violates the requirements. As of June 30, 2014, a total of \$136,000 had been forgiven. For the year ended June 30, 2014, \$51,000 was forgiven and included as other income on the statement of activities.

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30, 2014, consist of:

Gilchrist House	\$ 50,000
Vehicles	37,510
Other	12,780
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	\$ 100,290
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7. RELATED PARTY TRANSACTIONS:

FAM board members have provided services on behalf of clients for various legal activities. These services were provided free of charge and have no direct impact on FAM.

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.