



Financial Statements
With Independent Auditors' Report

June 30, 2016 and 2015

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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 statements of financial position of Family Assistance Ministries as of June 30, 2016 and 2015, and the changes in activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
October 21, 2016

FAMILY ASSISTANCE MINISTRIES

Statements of Financial Position

	June 30,	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents	\$ 134,070	\$ 272,860
Grants and accounts receivable	14,086	10,791
Prepaid expenses	17,391	16,086
Property and equipment, net	<u>2,218,818</u>	<u>1,004,808</u>
Total Assets	<u>\$ 2,384,365</u>	<u>\$ 1,304,545</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 18,630	\$ 6,943
Accrued expenses	46,709	22,490
Deferred revenue	34,369	5,725
Loans payable	<u>1,485,000</u>	<u>646,000</u>
Total liabilities	<u>1,584,708</u>	<u>681,158</u>
Net assets:		
Unrestricted	731,049	574,219
Temporarily restricted	<u>68,608</u>	<u>49,168</u>
Total net assets	<u>799,657</u>	<u>623,387</u>
Total Liabilities and Net Assets	<u>\$ 2,384,365</u>	<u>\$ 1,304,545</u>

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Activities

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Grants and contributions	\$ 1,169,931	\$ 311,057	\$ 1,480,988	\$ 1,059,389	\$ 92,505	\$ 1,151,894
Gifts-in-kind	1,969,641	-	1,969,641	1,725,665	-	1,725,665
Other income	73,563	-	73,563	81,155	-	81,155
Net assets released from restrictions:						
Satisfaction of donor restrictions	291,617	(291,617)	-	143,627	(143,627)	-
Total Support, Revenue, and Reclassifications	3,504,752	19,440	3,524,192	3,009,836	(51,122)	2,958,714
EXPENSES:						
Program services	2,818,625	-	2,818,625	2,418,813	-	2,418,813
Supporting activities:						
General and administrative	240,962	-	240,962	192,828	-	192,828
Fundraising	288,335	-	288,335	250,998	-	250,998
	529,297	-	529,297	443,826	-	443,826
Total Expenses	3,347,922	-	3,347,922	2,862,639	-	2,862,639
Change in Net Assets	156,830	19,440	176,270	147,197	(51,122)	96,075
Net Assets, Beginning of Year	574,219	49,168	623,387	427,022	100,290	527,312
Net Assets, End of Year	\$ 731,049	\$ 68,608	\$ 799,657	\$ 574,219	\$ 49,168	\$ 623,387

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Functional Expenses

	Years Ended June 30,							
	2016				2015			
	Program Services	Supporting Activities			Program Services	Supporting Activities		
	General and Administrative	Fundraising	Total		General and Administrative	Fundraising	Total	
Wages	\$ 393,263	\$ 141,447	\$ 123,690	\$ 658,400	\$ 295,086	\$ 88,168	\$ 64,263	\$ 447,517
Benefits	94,965	29,195	24,924	149,084	85,522	19,700	22,879	128,101
Gifts-in-kind	1,947,144	22,497	-	1,969,641	1,704,462	21,203	-	1,725,665
Food bank program	39,383	-	-	39,383	34,461	-	-	34,461
Client aid	94,201	-	-	94,201	85,752	-	-	85,752
Gilchrist house	33,262	-	-	33,262	40,795	-	-	40,795
Rapid rehousing	47,989	-	-	47,989	38,139	-	-	38,139
Family shelter	21,651	-	-	21,651	-	-	-	-
Vita program	1,802	-	-	1,802	3,129	-	-	3,129
Offsite locations	1,399	-	-	1,399	-	-	-	-
Fundraising and appeals	-	-	136,402	136,402	-	-	161,211	161,211
Rent	48,016	12,004	-	60,020	35,379	8,845	-	44,224
Depreciation	47,191	9,957	3,319	60,467	42,320	7,935	2,645	52,900
Operating expenses	48,359	25,862	-	74,221	53,768	46,977	-	100,745
Total	\$ 2,818,625	\$ 240,962	\$ 288,335	\$ 3,347,922	\$ 2,418,813	\$ 192,828	\$ 250,998	\$ 2,862,639

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 176,270	\$ 96,075
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,467	52,900
Loan forgiveness	(51,000)	(68,000)
Net change in:		
Grants and accounts receivable	(3,295)	2,392
Prepaid expenses	(1,305)	941
Accounts payable	11,687	(11,760)
Accrued expenses	11,719	(4,750)
Deferred revenue	28,644	3,025
Net Cash Provided by Operating Activities	233,187	70,823
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(421,977)	(20,355)
Net Cash Used in Investing Activities	(421,977)	(20,355)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New loans payable	50,000	-
Net Cash Provided by Financing Activities	50,000	-
Change in Cash and Cash Equivalents	(138,790)	50,468
Cash and Cash Equivalents, Beginning of Year	272,860	222,392
Cash and Cash Equivalents, End of Year	\$ 134,070	\$ 272,860
SUPPLEMENTAL DISCLOSURE:		
Assets acquired through loans payable	\$ 840,000	\$ -
Initial measurement of asset retirement obligation	\$ 12,500	\$ -

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION:

Family Assistance Ministries (FAM) is a faith-based non-profit organization assisting those in need in Orange County since 1999 with resources for food, shelter, and personalized supportive counsel and aid. FAM helps clients bridge the gap from dependency to self-sufficiency. FAM's first client needed rental assistance to avoid eviction. Within thirty days, he was employed, self-sufficient and no longer needing assistance.

Program services primarily consist of hunger and homeless prevention services, as described below:

- Emergency Family Shelter (launching December 2016) – a safe shelter for homeless families, to include dads, providing assistance with reunifying the family, workforce development, financial planning, finding a health home and launching to permanent housing.
- Gilchrist House Interim Shelter/Bridge Housing - housing for homeless women and mothers with children since 2003 offering assistance with workforce development, financial planning, finding a health home and launching to permanent housing.
- Permanent Supportive Housing - helping chronic homeless with a mental or physical disability, providing housing and wrap around services to ensure success in maintaining stable housing.
- Rapid Re-Housing – rehousing homeless off the streets providing short-term emergency financial assistance with long-term wrap around services.
- FAM's services include, substance abuse referrals, counseling, employment related assistance, mental health care referrals, and life skills classes.
- Walk-in Resource Center - FAM's homeless and hunger prevention programs provide assistance through emergency, diversion, and prevention services offering: 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 and go-forward financial plan.

FAM's primary sources of revenue consist of grants, gifts-in-kind, and tax-deductible contributions.

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 checking and savings accounts at banks and cash on hand. These accounts may, at times, exceed federally insured limits. FAM has not experienced any losses on such accounts.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 5 to 27.5 years.

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 statements 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, 2016 and 2015

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 statements of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities.

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.

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 statements of activities. As of June 30, 2016 and 2015, 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.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2016 and 2015

3. PROPERTY AND EQUIPMENT:
Property and equipment consist of:

	June 30,	
	2016	2015
Land	\$ 1,247,965	\$ 272,388
Building and improvements	1,127,005	877,035
Leasehold improvements	61,974	35,428
Furniture and fixtures	86,795	20,006
Equipment	36,898	81,302
	2,560,637	1,286,159
Less accumulated depreciation	(341,819)	(281,351)
	<u>\$ 2,218,818</u>	<u>\$ 1,004,808</u>

4. LEASES:

FAM leases office space under operating leases ending April 2017. Lease expense for the years ended June 30, 2016 and 2015, was \$60,020 and \$44,223, respectively, and was evenly expensed over the term of the lease. The minimum future payments are:

<u>Year Ending June 30,</u>	
2017	\$ 55,229
	<u>\$ 55,229</u>

In conjunction with its lease agreement FAM is responsible for certain leasehold improvements. The remaining leasehold improvements that are to be completed in subsequent years are estimated to cost approximately \$40,000.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2016 and 2015

5. LOANS 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, 2016 and 2015, a total of \$255,000 and \$204,000, respectively, had been forgiven. For the years ended June 30, 2016 and 2015, \$51,000 and \$68,000, respectively, was forgiven and included as other income on the statements of activities.

In April 2016, a board member loaned \$50,000 to FAM to assist funding the purchase of new property. The loan has an interest rate of 0% and is payable by October 2016 with no payments having been made as of June 30, 2016.

In April 2016, FAM borrowed \$840,000 from a bank as part of a new property purchase. The loan is secured by real property with variable interest-only payments. The loan is due April 2018 with no payments made as of June 30, 2016.

There are no specific covenants required for any of the loans payable.

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2016	2015
Gilchrist House	\$ 12,500	\$ -
Vehicles	-	30,246
Other	56,108	18,922
	<u>\$ 68,608</u>	<u>\$ 49,168</u>

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2016 and 2015

7. RELATED PARTY TRANSACTIONS:

A FAM board member brokered the new property purchase. \$10,500 in realtor commissions were given back to FAM. There were no such related party transactions during the year ended June 30, 2015.

8. SUBSEQUENT EVENTS:

Subsequent to year-end, FAM and the City of San Clemente extended the property lease an additional six years. The lease was previously set to expire in 2017 (see footnote 4).

Additionally, in July 2016, FAM retained a line of credit with a bank in the amount of \$200,000. As of the audit report date, \$51,000 have been drawn on this line of credit.

FAM was notified that the organization would receive a grant from The Children and Family's Commission Orange County in the amount of \$840,000 which is intended to pay off the related first trust deed (see footnote 5).

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.