



Financial Statements
With Independent Auditors' Report

June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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
September 29, 2017

FAMILY ASSISTANCE MINISTRIES

Statements of Financial Position

	June 30,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 158,516	\$ 134,070
Grants and accounts receivable	110,432	14,086
Inventory	13,410	-
Prepaid expenses	24,337	17,391
Property and equipment, net	2,663,449	2,218,818
Total Assets	\$ 2,970,144	\$ 2,384,365
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 33,253	\$ 18,630
Accrued expenses	31,221	46,709
Deferred revenue	24,349	34,369
Loans payable	1,440,350	1,485,000
Total liabilities	1,529,173	1,584,708
Net assets:		
Unrestricted	1,380,842	731,049
Temporarily restricted	60,129	68,608
Total net assets	1,440,971	799,657
Total Liabilities and Net Assets	\$ 2,970,144	\$ 2,384,365

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Activities

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Grants and contributions	\$ 1,402,643	\$ 428,592	\$ 1,831,235	\$ 1,169,931	\$ 311,057	\$ 1,480,988
Gifts-in-kind	2,654,820	-	2,654,820	1,943,664	-	1,943,664
Other income	73,380	-	73,380	73,563	-	73,563
Net assets released from restrictions:						
Satisfaction of donor restrictions	437,071	(437,071)	-	291,617	(291,617)	-
Total Support, Revenue, and Reclassifications	4,567,914	(8,479)	4,559,435	3,478,775 #	19,440 #	3,498,215
EXPENSES:						
Program services	3,278,180	-	3,278,180	2,787,439	-	2,787,439
Supporting activities:						
General and administrative	302,762	-	302,762	240,962	-	240,962
Fundraising	337,179	-	337,179	293,544	-	293,544
	639,941	-	639,941	534,506	-	534,506
Total Expenses	3,918,121	-	3,918,121	3,321,945	-	3,321,945
Change in Net Assets	649,793	(8,479)	641,314	156,830	19,440	176,270
Net Assets, Beginning of Year	731,049	68,608	799,657	574,219	49,168	623,387
Net Assets, End of Year	\$ 1,380,842	\$ 60,129	\$ 1,440,971	\$ 731,049	\$ 68,608	\$ 799,657

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Functional Expenses

	Years Ended June 30,							
	2017				2016			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
	General and Administrative	Fundraising			General and Administrative	Fundraising		
Gifts-in-kind	\$ 2,181,619	\$ 43,722	\$ 20,686	\$ 2,246,027	\$ 1,915,958	\$ 22,497	\$ 5,209	\$ 1,943,664
Wages	494,478	159,497	123,429	777,404	393,263	141,447	123,690	658,400
Benefits	109,417	32,351	26,126	167,894	94,965	29,195	24,924	149,084
Fundraising and appeals	-	-	162,625	162,625	-	-	136,402	136,402
Permanent supportive housing	66,285	-	-	66,285	21,651	-	-	21,651
Family house	93,327	-	-	93,327	-	-	-	-
Operating expenses	53,188	41,981	-	95,169	48,359	25,862	-	74,221
Depreciation	69,008	12,939	4,313	86,260	47,191	9,957	3,319	60,467
Client aid	81,336	-	-	81,336	94,201	-	-	94,201
Rent	49,089	12,272	-	61,361	48,016	12,004	-	60,020
Food bank program	47,056	-	-	47,056	39,383	-	-	39,383
Gilchrist house	25,186	-	-	25,186	33,262	-	-	33,262
Rapid rehousing	4,610	-	-	4,610	47,989	-	-	47,989
Vita program	2,699	-	-	2,699	1,802	-	-	1,802
Offsite locations	882	-	-	882	1,399	-	-	1,399
Total	\$ 3,278,180	\$ 302,762	\$ 337,179	\$ 3,918,121	\$ 2,787,439	\$ 240,962	\$ 293,544	\$ 3,321,945

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 641,314	\$ 176,270
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	86,260	60,467
Donated property and equipment	(363,247)	
Donated inventory	(13,410)	
Loan forgiveness	(51,000)	(51,000)
Net change in:		
Grants and accounts receivable	(96,346)	(3,295)
Prepaid expenses	(6,946)	(1,305)
Accounts payable	14,623	11,687
Accrued expenses	(15,488)	11,719
Deferred revenue	(10,020)	28,644
Net Cash Provided by Operating Activities	185,740	233,187
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(167,644)	(421,977)
Net Cash Used in Investing Activities	(167,644)	(421,977)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New loans payable	896,350	50,000
Principal payments on loans payable	(890,000)	-
Net Cash Provided by Financing Activities	6,350	50,000
Change in Cash and Cash Equivalents	24,446	(138,790)
Cash and Cash Equivalents, Beginning of Year	134,070	272,860
Cash and Cash Equivalents, End of Year	\$ 158,516	\$ 134,070
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, 2017 and 2016

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 – 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 since 2017.
- 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 wrap around services include: food, employment related assistance, mental health and substance abuse referrals, life skills classes, financial counseling, health home, early childhood developmental screenings, and other stabilizing assistance as needed.
- 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, 2017 and 2016

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, 2017 and 2016

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 in 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. However, FAM is subject to federal income tax on any unrelated business taxable income. In addition, FAM is not classified as a private foundation within the meaning of Section 509(c) of the IRC.

FAM files informational 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.

RECLASSIFICATION

Certain amounts in the 2016 statements of activities have been reclassified to conform with the 2017 presentation.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	June 30,	
	2017	2016
Land	\$ 1,247,965	\$ 1,247,965
Buildings and improvements	1,517,968	1,127,005
Leasehold improvements	69,645	61,974
Furniture and fixtures	208,441	86,795
Equipment	34,398	36,898
	<u> </u>	<u> </u>
Less accumulated depreciation	(414,968)	(341,819)
	<u> </u>	<u> </u>
	<u><u>\$ 2,663,449</u></u>	<u><u>\$ 2,218,818</u></u>

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2017 and 2016

4. 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, 2017 and 2016, a total of \$306,000 and \$255,000, respectively, had been forgiven. For the years ended June 30, 2017 and 2016, \$51,000 was forgiven each year and included as other income on the statements of activities. As of June 30, 2017 and 2016 the remaining balance was \$544,000 and \$595,000, respectively.

In April 2016, a board member loaned \$50,000 to FAM to assist funding the purchase of new property. The loan had an interest rate of 0% and was paid off in full in October 2016.

In July 2016, FAM secured a \$200,000 line of credit from a bank with an interest rate of 6.0%. As of June 30, 2017, the balance on the line of credit was \$51,350.

In April 2016, FAM borrowed \$840,000 from a bank as part of a new property purchase. The loan was secured by real property with variable interest-only payments. The loan was paid off in May 2017.

In May 2017, FAM entered into an agreement with Children and Families Commission of Orange County (the Commission) to accept funding of \$845,000 for the purpose of paying off the above mortgage as well as associated closing costs, which will be forgiven based on agreed upon terms. The total purchase price of the property was approximately \$1.2 million. The four-unit property is estimated to allow for 24-28 beds with the capacity to serve up to eight homeless families at any given time. The Commission will forgive the funded amount as shelter is provided to families with children under 5. The initial rate is \$550, which increases by 3% annually, per month for each unit. The amount due to the Commission is secured by the first trust deed of the property referenced above. No amounts have been forgiven as of June 30, 2017.

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

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2017 and 2016

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2017	2016
Family House	\$ 30,000	\$ -
Gilchrist House	-	12,500
Other	30,129	56,108
	<u>\$ 60,129</u>	<u>\$ 68,608</u>

6. LEASES:

FAM leases permanent supportive housing and a thrift store under operating leases ending March 2018 and July 2019, respectively. FAM also leases office and warehouse space under an operating lease which is subject to annual increases based on the Consumer Price Index ending April 2023. The amount of the annual increases is unknown, therefore, not reflected in the future payments below. Lease expense for the years ended June 30, 2017 and 2016, was \$121,005 and \$112,422, respectively.

<u>Year Ending June 30,</u>	
2018	\$ 203,314
2019	113,064
2020	71,814
2021	68,064
Thereafter	<u>124,784</u>
	<u>\$ 581,040</u>

7. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 29, 2017, which is the date the financial statements were available to be issued.