



FAMILY ASSISTANCE MINISTRIES

Financial Statements
With Independent Auditors Report

June 30, 2019 and 2018

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, which comprise the statements of financial position as of June 30, 2019 and 2018, 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 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.

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, 2019 and 2018, and the changes in activities, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Family Assistance Ministries has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Brea, California
October 16, 2019

FAMILY ASSISTANCE MINISTRIES

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 223,536	\$ 328,054
Grants and accounts receivable	97,640	63,900
Inventory	51,407	49,522
Prepaid expenses	26,722	30,735
Property and equipment, net	2,562,761	2,606,871
Total Assets	\$ 2,962,066	\$ 3,079,082
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 21,659	\$ 30,107
Accrued expenses	51,251	38,167
Deferred revenue	4,500	12,310
Loans payable	1,293,350	1,344,350
Total liabilities	1,370,760	1,424,934
Net assets:		
Without donor restriction	1,496,284	1,562,492
With donor restriction	95,022	91,656
Total net assets	1,591,306	1,654,148
Total Liabilities and Net Assets	\$ 2,962,066	\$ 3,079,082

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Grants and contributions	\$ 1,838,974	\$ 203,992	\$ 2,042,966	\$ 1,695,668	\$ 394,163	\$ 2,089,831
Gifts-in-kind	4,719,190	-	4,719,190	3,761,272	-	3,761,272
Other income	341,665	-	341,665	222,293	-	222,293
Net assets released from restrictions:						
Satisfaction of donor restrictions	200,626	(200,626)	-	362,636	(362,636)	-
Total Support, Revenue, and Reclassifications	7,100,455	3,366	7,103,821	6,041,869	31,527	6,073,396
EXPENSES:						
Program services	6,171,885	-	6,171,885	4,988,124	-	4,988,124
Supporting activities:						
General and administrative	596,235	-	596,235	545,944	-	545,944
Fundraising	398,543	-	398,543	326,151	-	326,151
	994,778	-	994,778	872,095	-	872,095
Total Expenses	7,166,663	-	7,166,663	5,860,219	-	5,860,219
Change in Net Assets	(66,208)	3,366	(62,842)	181,650	31,527	213,177
Net Assets, Beginning of Year	1,562,492	91,656	1,654,148	1,380,842	60,129	1,440,971
Net Assets, End of Year	\$ 1,496,284	\$ 95,022	\$ 1,591,305	\$ 1,562,492	\$ 91,656	\$ 1,654,148

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Functional Expenses

	Years Ended June 30,							
	2019				2018			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
	General and Administrative	Fundraising			General and Administrative	Fundraising		
Gifts-in-kind	\$ 4,627,557	\$ 49,343	\$ 20,868	\$ 4,697,768	\$ 3,646,633	\$ 52,192	\$ 15,597	\$ 3,714,422
Salaries and benefits	786,311	358,646	220,908	1,365,865	682,159	293,365	149,836	1,125,360
Events and marketing	5,370	46,251	129,751	181,372	2,809	27,349	136,962	167,120
Client services	406,147	-	-	406,147	338,675	-	-	338,675
Depreciation and interest	85,373	16,069	5,274	106,716	82,747	15,515	5,172	103,434
Occupancy and office expense	226,716	89,474	8,428	324,618	204,079	95,211	6,017	305,307
Professional services	25,356	30,674	10,012	66,042	21,340	57,227	8,061	86,628
Other	9,055	5,778	3,302	18,135	9,682	5,085	4,506	19,273
Total	<u>\$ 6,171,885</u>	<u>\$ 596,235</u>	<u>\$ 398,543</u>	<u>\$ 7,166,663</u>	<u>\$ 4,988,124</u>	<u>\$ 545,944</u>	<u>\$ 326,151</u>	<u>\$ 5,860,219</u>

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (62,842)	\$ 213,178
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	105,487	103,433
Donated property and equipment	(19,540)	(10,741)
Donated inventory	(1,885)	(36,112)
Gain on disposal of equipment	-	124
Loan payable forgiveness	(51,000)	(51,000)
Net change in:		
Grants and accounts receivable	(33,740)	46,532
Prepaid expenses	4,013	(6,398)
Accounts payable	(8,448)	(3,146)
Accrued expenses	13,084	6,946
Deferred revenue	(7,810)	(12,039)
Net Cash Used in Provided by Operating Activities	(62,681)	250,777
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(41,837)	(36,239)
Net Cash Used in Investing Activities	(41,837)	(36,239)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on loans payable	-	(45,000)
Net Cash Used in Financing Activities	-	(45,000)
Change in Cash and Cash Equivalents	(104,518)	169,538
Cash and Cash Equivalents, Beginning of Year	328,054	158,516
Cash and Cash Equivalents, End of Year	\$ 223,536	\$ 328,054

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2019 and 2018

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. For the years ended June 30, 2019 and 2018, FAM's cash balances exceeded federally insured limits by approximately \$0 and \$25,000, respectively. FAM does not believe these funds to be at substantial risk of loss due to the federal insurance coverage.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2019 and 2018

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:

Net assets without donor restriction are currently available at the discretion of the board for use in the operations and those resources invested in property and equipment.

Net assets with donor restriction 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 net assets with donor restriction 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 net assets with donor restriction to net assets without donor restriction 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, 2019 and 2018

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(a) 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.

ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. FAM adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), a Statement of Expenses by Functional and Natural Classification was added.

3. LIQUIDITY AND FUNDS AVAILABLE:

FAM has \$321,176 of financial assets available for operation expenditures within one year of the balance sheet date consisting of cash and accounts receivable. FAM has certain donor-restricted net assets that are available for general expenditures within one year of June 30, 2019, because the restrictions are expected to be met by conducting the normal activities of the business in the coming year. In addition, FAM has a committed line of credit in the amount of \$300,000 which it could draw upon to manage unanticipated liquidity needs.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2019 and 2018

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	June 30,	
	2019	2018
Land	\$ 1,247,965	\$ 1,247,965
Buildings and improvements	1,525,563	1,525,563
Leasehold improvements	87,935	87,935
Furniture and fixtures	116,911	105,397
Equipment	197,420	156,388
	<u>3,175,794</u>	<u>3,123,248</u>
Less accumulated depreciation	<u>(613,033)</u>	<u>(516,377)</u>
	<u>\$ 2,562,761</u>	<u>\$ 2,606,871</u>

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, 2019 and 2018, a total of \$408,000 and \$357,000, respectively, had been forgiven. For the years ended June 30, 2019 and 2018, \$51,000 was forgiven each year and included as other income on the statements of activities. As of June 30, 2019 and 2018 the remaining balance was \$442,000 and \$493,000, respectively.

In July 2016, FAM secured a \$300,000 line of credit from a bank with an interest rate of 7.5% maturing in July 2020. As of June 30, 2019, the balance on the line of credit was \$6,350.

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 a bridge loan used to acquire property 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 per occupied unit, per month. The monthly credit per unit increase by 3% each year. The amount due to the Commission is secured by the first trust deed of the property. No amounts have been forgiven as of June 30, 2019.

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

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2019 and 2018

6. NET ASSETS:

Net assets with donor restriction consist of:

	June 30,	
	2019	2018
Client Aid	\$ 43,354	\$ 50,377
Family House	40,000	25,000
Salaries	-	13,893
Warehouse project	11,668	-
Other	-	2,386
	<u>\$ 95,022</u>	<u>\$ 91,656</u>

7. LEASES:

FAM leases permanent supportive housing and a thrift store under operating leases ending through January 2020. 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, 2019 and 2018, was \$302,605 and \$261,612, respectively.

<u>Year Ending June 30,</u>	
2020	\$ 161,358
2021	72,277
2022	72,277
2023	60,231
	<u>\$ 366,143</u>

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 16, 2019, which is the date the financial statements were available to be issued.