



FAMILY ASSISTANCE MINISTRIES

Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

Family Assistance Ministries has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update ASU No. 2018-08, *Clarifying the Scope and the accounting Guidance for Contributions Received and Contributions Made*, as described in Note 2. This has not had a material effect on the presentation of the June 30, 2020 financial statements. Our opinion is not modified with respect to this matter.

Capin Crause LLP

Brea, California
October 14, 2020

FAMILY ASSISTANCE MINISTRIES

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 783,999	\$ 223,536
Grants and accounts receivable	122,525	97,640
Inventory	20,991	51,407
Prepaid expenses	26,967	26,722
Property and equipment, net	2,458,098	2,562,761
Total Assets	\$ 3,412,580	\$ 2,962,066
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 18,329	\$ 21,659
Accrued expenses	86,311	51,251
Deferred revenue	8,750	4,500
Loans payable	1,247,350	1,293,350
Total liabilities	1,360,740	1,370,760
Net assets:		
Without donor restriction	1,887,064	1,496,284
With donor restriction	164,776	95,022
Total net assets	2,051,840	1,591,306
Total Liabilities and Net Assets	\$ 3,412,580	\$ 2,962,066

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 1,488,197	\$ 198,257	\$ 1,686,454	\$ 1,220,095	\$ 203,992	\$ 1,424,087
Grants	1,142,238	-	1,142,238	618,879	-	618,879
Gifts-in-kind	5,978,622	-	5,978,622	4,719,190	-	4,719,190
Other income	277,996	-	277,996	341,665	-	341,665
Net assets released from restrictions:						
Satisfaction of donor restrictions	128,503	(128,503)	-	200,626	(200,626)	-
Total Support, Revenue, and Reclassifications	9,015,556	69,754	9,085,310	7,100,455	3,366	7,103,821
EXPENSES:						
Program services	7,558,757	-	7,558,757	6,171,885	-	6,171,885
Supporting activities:						
General and administrative	668,544	-	668,544	596,235	-	596,235
Fundraising	397,475	-	397,475	398,543	-	398,543
	1,066,019	-	1,066,019	994,778	-	994,778
Total Expenses	8,624,776	-	8,624,776	7,166,663	-	7,166,663
Change in Net Assets	390,780	69,754	460,534	(66,208)	3,366	(62,842)
Net Assets, Beginning of Year	1,496,284	95,022	1,591,306	1,562,492	91,656	1,654,148
Net Assets, End of Year	\$ 1,887,064	\$ 164,776	\$ 2,051,840	\$ 1,496,284	\$ 95,022	\$ 1,591,306

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Functional Expenses

	Years Ended June 30,							
	2020				2019			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
	General and Administrative	Fundraising			General and Administrative	Fundraising		
Gifts-in-kind	\$ 5,935,576	\$ 64,900	\$ 11,427	\$ 6,011,903	\$ 4,627,557	\$ 49,343	\$ 20,868	\$ 4,697,768
Salaries and benefits	846,347	393,094	224,665	1,464,106	786,311	358,646	220,908	1,365,865
Grants for client services	402,406	-	-	402,406	406,147	-	-	406,147
Occupancy and office expense	253,279	87,364	4,221	344,864	226,716	89,474	8,428	324,618
Events and marketing	2,137	17,407	131,381	150,925	5,370	46,251	129,751	181,372
Professional services	22,088	84,628	18,406	125,122	25,356	30,674	10,012	66,042
Depreciation expense	91,158	17,092	5,697	113,947	85,373	16,069	5,274	106,716
Other	5,766	4,059	1,678	11,503	9,055	5,778	3,302	18,135
Total	<u>\$ 7,558,757</u>	<u>\$ 668,544</u>	<u>\$ 397,475</u>	<u>\$ 8,624,776</u>	<u>\$ 6,171,885</u>	<u>\$ 596,235</u>	<u>\$ 398,543</u>	<u>\$ 7,166,663</u>

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 460,534	\$ (62,842)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	113,947	105,487
Donated property and equipment	(3,311)	(19,540)
Donated inventory	-	(1,885)
Loss on disposal of equipment	7,319	-
Loan payable forgiveness	(301,300)	(51,000)
Contributions restricted for property and equipment	(68,790)	-
Net change in:		
Grants and accounts receivable	(24,885)	(33,740)
Prepaid expenses	(245)	4,013
Inventory	30,416	-
Accounts payable	(3,330)	(8,448)
Accrued expenses	35,060	13,084
Deferred revenue	4,250	(7,810)
Net Cash Provided by (Used) by Operating Activities	249,665	(62,681)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(13,292)	(41,837)
Net Cash Used in Investing Activities	(13,292)	(41,837)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	250,300	-
Proceeds from line of credit	5,000	-
Contributions restricted for property and equipment	68,790	-
Net Cash Provided by Financing Activities	324,090	-
Change in Cash and Cash Equivalents	560,463	(104,518)
Cash and Cash Equivalents, Beginning of Year	223,536	328,054
Cash and Cash Equivalents, End of Year	\$ 783,999	\$ 223,536
SUPPLEMENTAL DISCLOSURE:		
Forgiveness of loan payable	\$ (301,300)	\$ (51,000)

See notes to financial statements

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2020 and 2019

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:

- Homeless Prevention: supporting those at the verge of homelessness to maintain housing and stabilize through financial assistance, budgeting, access to food services and case management.
- Diversion services: provision of problem solving support through case management in order to quickly resolve a person's homeless episode while not accessing services associate with the homeless system of care.
- 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 in permanent housing.
- 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.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

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, 2020 and 2019, FAM's cash balances exceeded federally insured limits by approximately \$230,000 and \$0, respectively. FAM does not believe these funds to be at substantial risk of loss due to the federal insurance coverage.

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.

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.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued;

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.

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. For the years ended June 30, 2020 and 2019, expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and department. Currently, there are no joint costs that have been allocated among program, general and administrative, and fundraising functions.

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Family Assistance Ministries adopted the provisions of this new standard during the year ended June 30, 2020. This new standard provides guidance on determining whether a transaction should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. This standard did not have a material impact on the presentation of the June 30, 2020 financial statements.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

FAM had \$741,749 and \$226,154, of financial assets available for operation expenditures within one year of the balance sheet date consisting of cash and accounts receivable for the years ended June 30, 2020 and 2019, respectively. FAM has certain donor-restricted net assets that are available for general expenditures within one year of June 30, 2020 and 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.

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	June 30,	
	2020	2019
Land	\$ 1,247,965	\$ 1,247,965
Buildings and improvements	1,525,563	1,525,563
Leasehold improvements	89,205	87,935
Furniture and fixtures	114,912	116,911
Equipment	206,077	197,420
	3,183,722	3,175,794
Less accumulated depreciation	(725,624)	(613,033)
	\$ 2,458,098	\$ 2,562,761

5. LOANS PAYABLE:

Long-term debt consists of the following as of:

	June 30,	
	2020	2019
Debt maturing in 2029 with the City of San Clemente Redevelopment Agency. The loan is subject to a pro-rata reduction of the loan amount if the property is not sold, disposed of, or refinanced and must be solely used as a homeless shelter. There is no stated interest rate unless FAM violates the requirements. The annual forgiveness is stated at \$51,000 for the year ending June 30, 2021. For the remaining years the debt will be forgiven at a rate of \$34,000 each year.	\$ 391,000	\$ 442,000

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2020 and 2019

5. LOANS PAYABLE, continued:

Long-term debt consists of the following as of:

	June 30,	
	2020	2019
Balance carried forward	391,000	442,000
Debt maturing in 2036 with the Childrens and Families Commission of Orange County (the Commission) to secure property to use as a shelter. The Commission will forgive the funded amount at a rate of \$550 per occupied unit of housing, per month, increasing at a rate of 3% each year. No amounts have been forgiven as of June 30, 2020 at the Commission's discretion.	845,000	845,000
In July 2016, FAM secured a \$300,000 line of credit from a bank with an interest rate of 7.25% maturing in July 2020.	11,350	6,350
	\$ 1,247,350	\$ 1,293,350

Long-term debt will be forgiven as follows:

Year Ending June 30,		
2021	\$	51,000
2022		34,000
2023		34,000
2024		34,000
2025		34,000
Thereafter		1,049,000
		1,236,000

Future minimum payments for long-term debt is as follows:

Year Ending June 30,		
2021		11,350
	\$	1,247,350

LOAN COVENANT

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

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2020 and 2019

6. NET ASSETS WITH DONOR RESTRICTIONS CONSIST OF:

	June 30,	
	2020	2019
Client Aid	\$ 59,577	\$ 43,354
Family House	31,000	40,000
Capital Campaign - equipment	68,790	-
Warehouse project	5,409	11,668
	<u>\$ 164,776</u>	<u>\$ 95,022</u>

7. LEASES:

FAM leases permanent supportive housing and a thrift store under operating leases ending through July 2021. 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. Therefore, the future payments below are disclosed at the monthly lease price at June 30, 2020. Lease expense for the years ended June 30, 2020 and 2019, was \$313,316 and \$302,605, respectively.

<u>Year Ending June 30,</u>	
2020	\$ 280,286
2021	91,860
2022	62,279
	<u>\$ 434,425</u>

8. RISKS AND UNCERTAINTIES:

FAM's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the FAM's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the FAM's donor population and revenue, absenteeism in the Organization's workforce, and a decline in value of assets held by the Organization, including inventories, property and equipment, and marketable securities. The financial impact cannot be estimated at this time.

FAMILY ASSISTANCE MINISTRIES

Notes to Financial Statements

June 30, 2020 and 2019

8. RISKS AND UNCERTAINTIES, continued:

PAYCHECK PROTECTION PROGRAM LOAN

During the year ending June 30, 2020, FAM received a Paycheck Protection Program loan of \$250,300. This loan is eligible for forgiveness based on FAM incurring various qualifying expenses such as normal payroll costs and utilities. FAM incurred \$668,000 in qualifying expenses as of June 30, 2020. Because FAM has overcome the required barriers related to these funds, the \$250,300 of qualifying expenses have been recorded as grants in the statement of activities. The interest rate of the loan is 1% and \$250,300 is estimated to be fully forgiven.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 14, 2020, which is the date the financial statements were available to be issued.