

Family Supportive Housing, Inc.

Financial Statements
and Other Audit Report

September 30, 2019
(With Comparative Totals for 2018)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17
Other Audit Report	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Family Supportive Housing, Inc.
San Jose, California

We have audited the accompanying financial statements of Family Supportive Housing, Inc. (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of September 30, 2019, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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.



An independent firm
associated with Moore
Global Network Limited

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Supportive Housing, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 3 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Family Supportive Housing, Inc.'s 2018 financial statements, and our report dated January 17, 2019 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino^{LLP}
San Jose, California

January 31, 2020

Family Supportive Housing, Inc.
Statement of Financial Position
September 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,493,124	\$ 1,500,116
Pledges receivable	417	1,219
Grants receivable	62,346	338,316
Security deposits	3,279	3,071
Prepaid expenses	26,690	22,418
Total current assets	1,585,856	1,865,140
Property and equipment, net	11,859,937	12,009,552
Restricted cash	204,082	212,030
Total assets	\$ 13,649,875	\$ 14,086,722
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 14,662	\$ 16,953
Accrued liabilities	74,762	65,679
Other payable	57,349	-
Total current liabilities	146,773	82,632
Net assets		
Without donor restrictions		
Operating fund	1,404,083	1,559,384
Property and equipment fund	11,859,937	12,009,552
Total without donor restrictions	13,264,020	13,568,936
With donor restrictions	239,082	435,154
Total net assets	13,503,102	14,004,090
Total liabilities and net assets	\$ 13,649,875	\$ 14,086,722

The accompanying notes are an integral part of these financial statements.

Family Supportive Housing, Inc.
Statement of Activities
For the Year Ended September 30, 2019
(With Comparative Totals for 2018)

	<u>Without Donor Restrictions</u>		With Donor Restrictions	2019 Total	2018 Total
	Operating Fund	Property and Equipment Fund			
Support and revenue					
Contributions	\$ 777,412	\$ 37,151	\$ 62,000	\$ 876,563	\$ 872,079
Government grants	320,751	-	-	320,751	396,396
Special events, net	271,187	-	-	271,187	259,538
In-kind contributions	267,230	-	-	267,230	390,039
Program fees	38,168	-	-	38,168	39,893
Interest	4,586	-	-	4,586	4,284
Other revenue	1,567	-	-	1,567	4,425
Net assets released from restriction	<u>250,124</u>	<u>7,948</u>	<u>(258,072)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,931,025</u>	<u>45,099</u>	<u>(196,072)</u>	<u>1,780,052</u>	<u>1,966,654</u>
Functional expenses					
Program services					
Shelter Program	1,273,646	165,507	-	1,439,153	1,503,645
Bridges After-Care Program	305,332	5,841	-	311,257	400,723
Voyager Child Development Program	<u>96,685</u>	<u>9,736</u>	<u>-</u>	<u>106,421</u>	<u>116,647</u>
Total program services	<u>1,675,663</u>	<u>181,084</u>	<u>-</u>	<u>1,856,831</u>	<u>2,021,015</u>
Support services					
Management and general	198,596	7,789	-	206,301	194,246
Fundraising	212,067	5,841	-	217,908	198,015
Total support services	<u>410,663</u>	<u>13,630</u>	<u>-</u>	<u>424,209</u>	<u>392,261</u>
Total functional expenses	<u>2,086,326</u>	<u>194,714</u>	<u>-</u>	<u>2,281,040</u>	<u>2,413,276</u>
Change in net assets	(155,301)	(149,615)	(196,072)	(500,988)	(446,622)
Net assets, beginning of year	<u>1,559,384</u>	<u>12,009,552</u>	<u>435,154</u>	<u>14,004,090</u>	<u>14,450,712</u>
Net assets, end of year	<u>\$ 1,404,083</u>	<u>\$ 11,859,937</u>	<u>\$ 239,082</u>	<u>\$ 13,503,102</u>	<u>\$ 14,004,090</u>

The accompanying notes are an integral part of these financial statements.

Family Supportive Housing, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2019
(With Comparative Totals for 2018)

	Program Services				Support Services			2019 Total	2018 Total
	Shelter Program	Bridges After- Care Program	Voyager Child Development Program	Total Program Services	Management and General	Fundraising	Total Support Services		
Salaries and related expenses									
Salaries	\$ 763,396	\$ 100,102	\$ 68,073	\$ 931,571	\$ 118,963	\$ 159,410	\$ 278,373	\$ 1,209,944	\$ 1,181,765
Employee benefits	96,004	11,933	8,115	116,052	14,181	19,003	33,184	149,236	142,444
Payroll taxes	61,199	8,025	5,457	74,681	9,537	12,779	22,316	96,997	99,853
Insurance - workers' compensation	19,137	2,509	1,707	23,353	2,982	3,996	6,978	30,331	49,668
Total salaries and related expenses	<u>939,736</u>	<u>122,569</u>	<u>83,352</u>	<u>1,145,657</u>	<u>145,663</u>	<u>195,188</u>	<u>340,851</u>	<u>1,486,508</u>	<u>1,473,730</u>
Depreciation	165,507	5,841	9,736	181,084	7,789	5,841	13,630	194,714	195,378
Client assistance	15,293	153,351	-	168,644	-	-	-	168,644	247,539
Food	119,271	21,048	-	140,319	-	-	-	140,319	173,524
Utilities	48,890	1,726	2,876	53,492	2,301	1,726	4,027	57,519	54,799
Repairs and maintenance	41,627	1,156	2,313	45,096	1,156	-	1,156	46,252	41,024
Insurance - other	25,475	899	1,498	27,872	1,199	899	2,098	29,970	33,715
Professional fees	4,130	-	-	4,130	37,515	-	37,515	41,645	43,015
Office and administrative	6,861	663	676	8,200	4,424	10,850	15,274	23,474	21,444
Refuse disposal	15,484	547	911	16,942	729	546	1,275	18,217	17,771
Telephone	10,171	678	678	11,527	1,356	678	2,034	13,561	19,200
Janitorial	11,003	-	1,295	12,298	647	-	647	12,945	22,019
Kitchen supplies	9,921	-	-	9,921	-	-	-	9,921	12,675
Miscellaneous	6,544	355	260	7,159	1,635	241	1,876	9,035	26,144
Property taxes	7,363	260	433	8,056	346	260	606	8,662	8,347
Licenses and fees	5,181	-	288	5,469	287	-	287	5,756	7,365
Payroll service fees	2,561	336	228	3,125	400	535	935	4,060	4,133
Laundry	2,915	-	-	2,915	-	-	-	2,915	2,668
Employee benefits	480	719	489	1,688	854	1,144	1,998	3,686	2,889
Automobile	740	1,109	-	1,849	-	-	-	1,849	1,568
Child care	-	-	1,388	1,388	-	-	-	1,388	4,329
	<u>\$ 1,439,153</u>	<u>\$ 311,257</u>	<u>\$ 106,421</u>	<u>\$ 1,856,831</u>	<u>\$ 206,301</u>	<u>\$ 217,908</u>	<u>\$ 424,209</u>	<u>\$ 2,281,040</u>	<u>\$ 2,413,276</u>
Percentage of total	<u>63 %</u>	<u>13 %</u>	<u>5 %</u>	<u>81 %</u>	<u>9 %</u>	<u>10 %</u>	<u>19 %</u>	<u>100 %</u>	

The accompanying notes are an integral part of these financial statements.

Family Supportive Housing, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (500,988)	\$ (446,622)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	194,714	195,378
Changes in operating assets and liabilities		
Pledges receivable	802	(32)
Grants receivable	275,970	224,842
Security deposits	(208)	(2,895)
Prepaid expenses	(4,272)	1,313
Accounts payable	(2,291)	11,027
Other payable	57,349	-
Accrued liabilities	9,083	122
Net cash provided by (used in) operating activities	<u>30,159</u>	<u>(16,867)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(45,099)</u>	<u>(11,149)</u>
Net cash used in investing activities	<u>(45,099)</u>	<u>(11,149)</u>
Net decrease in cash, cash equivalents and restricted cash	(14,940)	(28,016)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,712,146</u>	<u>1,740,162</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,697,206</u>	<u>\$ 1,712,146</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,493,124	\$ 1,500,116
Restricted cash	<u>204,082</u>	<u>212,030</u>
	<u>\$ 1,697,206</u>	<u>\$ 1,712,146</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 255	\$ 304
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The accompanying notes are an integral part of these financial statements.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

1. NATURE OF OPERATIONS

Family Supportive Housing, Inc. (the "Organization") was incorporated in April 1986 (under the name Concern for the Poor, Inc. dba The San Jose Family Shelter). The Organization formally changed its name in 2003.

OUR VISION: All families experiencing homelessness have the support, resources and skills that they need to become self-sufficient.

OUR MISSION: To provide temporary housing and targeted support to guide families from crisis to independent lives in our community.

Family Supportive Housing, Inc. is committed to the entire family and encourages families to stay intact while addressing their needs for food, shelter, education and employment. A long-held commitment to family is the guiding force of the entire Organization which resonates in the heart of everything the Organization does. There are a few options for extremely low-income parents with children to live in our community and the Organization offers a respite, an opportunity to make life altering changes and a system to aid in finding permanent housing.

2. PROGRAM SERVICES

Shelter Program

With nearly 30 years of experience working with families in need, the Organization has developed a set of services that empower families to move from homelessness to independent, self-sufficient lives in the community. The Organization's San Jose Family Shelter is the only shelter in Santa Clara County that exclusively serves homeless families. It operates 35 efficiency apartments 365 days per year; prepares 186,000 hot meals in a commercial kitchen and dining room; and provides needed medical screenings, childcare, laundry facilities, transportation assistance and The Clothes Closet for clients. The Organization helps families break the cycle of poverty and homelessness by focusing attention first on meeting critical survival needs of homeless children and their parents, and then on identifying barriers to their self-sufficient living in the community.

Homework Enrichment Program - Homework Enrichment provides daily, supervised academic assistance, skill development and enrichment activities to about 150 children in grades K-12 each year.

Rapid Rehousing - In collaboration with the City of San Jose, the Rapid Rehousing program provides short-term subsidies to attain and retain stable housing. Financial assistance is tied to case management efforts that focus on growing income, attaining living-wage careers and transitioning in place in existing housing leases. All families that participate in the San Jose Family Shelter program are assessed for eligibility to this subsidy program, which benefits families with moderate housing barriers.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

2. PROGRAM SERVICES (continued)

Shelter Program (continued)

Homeless Prevention System/Assisted Rapid Rehousing - The newest component to Family Supportive Housing, Inc., these programs focus on assisting families even before they become homeless. A Family Case Coordinator is responsible for assessing all new incoming calls to the San Jose Family Shelter waitlist to determine whether there are any referrals to be made to the Homeless Prevention System to prevent the family from losing their present housing. The Family Case Coordinator will also engage in an in-depth conversation with new callers to determine if there are other support systems that the family hasn't yet tapped into that can prevent them from becoming homeless and entering the system at all. In preventing homelessness before it starts, the Organization is providing stability to families with mild-to-moderate needs, and reserving priority resources for families with moderate-to-high needs.

Voyager Child Development Program

Voyager provides reliable, quality, onsite childcare for infants and pre-school children at the Organization's San Jose Family Shelter. Voyager is State licensed and free of charge to families staying at the Organization's Shelter. By providing a safe and loving environment for the families young children, the Organization allows parents to concentrate their time and energy on seeking employment and permanent housing.

Bridges After-Care Program

Bridges After-Care provides ongoing supportive services to families that have moved into housing in order to decrease the possibility of them relapsing back into homelessness. Case managers focus on incorporating community resources and problem-solving skills that will empower families to self-sufficiently stabilize their families for the long-term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of Family Supportive Housing, Inc. have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. The Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes and the unrestricted property and equipment fund.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets with donor restrictions* - include contributions received from donors that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments.

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted and permanently restricted) to two (without donor restrictions and with donor restrictions).
2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 - e. Methods used to allocate costs among program and support functions.
 - f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on its cash accounts.

Pledges receivable

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received, and as assets, decreases of liabilities or expenses depending on the form of the benefits received. All unconditional promises to give are receivable in less than one year. The Organization considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grants receivable

The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$2,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 75 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Impairment of long-lived assets

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the year ended September 30, 2019 there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of September 30, and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of September 30, 2019 and 2018 was \$39,433 and \$35,339, respectively.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without or with donor restrictions depending on the existence and nature of donor restrictions. When the restriction is met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

In-kind contributions

Donated equipment, donated rent and donated goods are recorded at their estimated fair value as of the date of the donation. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations (see Note 9).

Expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended September 30, 2019 and 2018 was \$825 and \$1,086, respectively.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Family Supportive Housing, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the years ended September 30, 2016 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's California returns of the years ended September 30, 2015 and beyond remain subject to possible examination by the Franchise Tax Board.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to September 30, 2019 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended September 30, 2019. Subsequent events have been evaluated through January 31, 2020, the date the financial statements became available to be issued.

4. RESTRICTED CASH

Replacement reserve

Under the terms of the conditional grant agreement with the City of San Jose, a replacement reserve was established and will be maintained until the expiration of the restriction. The Organization shall use its best efforts to fund the Replacement Reserve Account by deposits of at least two hundred (\$200) per unit per year (equal to \$7,000 per year) due annually on the first day of May. Funds held in the Replacement Reserve Account may be applied to cover any costs of replacing eligible replacement items, as defined in the agreement, in connection with the improvements.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 11,374,482	\$ 11,368,702
Land	1,729,952	1,729,952
Furniture, fixtures and equipment	190,297	189,666
Vehicles	41,160	41,160
Office equipment	34,486	49,226
Software	<u>16,907</u>	<u>46,920</u>
	13,387,284	13,425,626
Accumulated depreciation	<u>(1,527,347)</u>	<u>(1,416,074)</u>
	<u>\$ 11,859,937</u>	<u>\$ 12,009,552</u>

Depreciation expense for the years ended September 30, 2019 and 2018 was \$194,714 and \$195,378, respectively.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

6. FORGIVABLE LOANS

The Organization received forgivable loans which were used for the development of its new shelter residence facility. These loans are considered forgiven upon completion of the new shelter residence facility in April 2012, due to management's intent and reasonable assurance to comply with certain terms and conditions of the loans throughout the loan terms, consisting primarily of restricted use of the building living units for extremely low-income families. If default occurs, the loans will become payable in full along with accrued interest, where applicable. These loans have been accounted for as grant income and included in unrestricted net assets in April 2012, the date of the new shelter residence facility completion. The total principal balance of the forgiven loans as of September 30, 2019 and 2018 was \$9,141,500, as follows:

City of San Jose

Conditional grant funds of \$6,291,500 with a 75-year loan term bearing 0% interest. The principal outstanding balance as of September 30, 2019 and 2018 was \$6,291,500. As mentioned above, this loan was considered forgiven upon completion of the new shelter residence facility in April 2012.

County of Santa Clara

Affordable Housing Funds of \$1,000,000 with a 55-year loan term bearing 3% simple interest. The principal outstanding balance as of September 30, 2019 and 2018 was \$1,000,000. As mentioned above, this loan was considered forgiven upon completion of the new shelter residence facility in April 2012.

California Department of Housing and Community Development

Emergency Housing Assistance Program funds of \$1,000,000 with a 10-year loan term bearing 3% interest. The principal outstanding balance as of September 30, 2019 and 2018 was \$1,000,000. As mentioned above, this loan was considered forgiven upon completion of the new shelter residence facility in April 2012.

Opportunity Fund Northern California

Housing Trust of Santa Clara County funds of \$500,000 with a 55-year loan term bearing 0% interest. The loan converted to permanent financing at completion. The principal outstanding balance as of September 30, 2019 and 2018 was \$500,000. As mentioned above, this loan was considered forgiven upon completion of the new shelter residence facility in April 2012.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

6. FORGIVABLE LOANS (continued)

Heritage Bank of Commerce

Affordable Housing Program funds through Heritage Bank of Commerce \$350,000 with a 55-year loan term bearing 0% interest. The principal outstanding balance as of September 30, 2019 and 2018 was \$350,000. As mentioned above, this loan was considered forgiven upon completion of the new shelter residence facility in April 2012.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2019	2018
Purpose restriction		
Building a Better Future (new shelter residence capital campaign) - replacement reserve	\$ 204,082	\$ 212,030
Homework program	-	3,124
	204,082	215,154
Time restriction		
General operations - FYE 9/30/20	35,000	35,000
General operations - FYE 9/30/19	-	185,000
	35,000	220,000
	\$ 239,082	\$ 435,154

Net assets with donor restrictions released from restriction during the year were as follows:

	2019	2018
Purpose restriction		
Childcare	\$ 45,000	\$ 46,299
Financial education and asset building	17,000	15,715
Building a Better Future (new shelter residence capital campaign) - replacement reserve	7,948	11,148
Homework program	3,124	34,876
	73,072	108,038
Time restriction		
Prior year grants receivable	185,000	185,000
	\$ 258,072	\$ 293,038

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

8. IN-KIND CONTRIBUTIONS

The Organization receives a large volume of food, clothing, donated rent and other materials for use in its programs. All items donated were recorded at estimated fair value and were used in the Shelter Program and the Bridges After-Care Program. The total value of these items for the years ended September 30, 2019 and 2018 was \$267,230 and \$390,039, respectively. The total value of in-kind governmental food donations for the years ended September 30, 2019 and 2018 was \$4,797 and \$3,956, respectively.

9. DONATED SERVICES

The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. In accordance with generally accepted accounting standards the value of these services is not reflected in the financial statements.

10. COMMITMENTS AND CONTINGENCIES

Forgivable loans

See Note 6.

11. LINE OF CREDIT

The Organization established a revolving line of credit with Heritage Bank of Commerce in April 2016. Borrowings under the line of credit for the years ended September 30, 2019 and 2018 were limited to a maximum of \$250,000. Interest on outstanding loans is payable monthly at the bank's prime rate plus 2.25% and will not be less than 6.75%. The credit line matured on April 6, 2019 and was extended to June 20, 2020. There was no balance outstanding on this line of credit as of September 30, 2019 and 2018.

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Pledges receivable consist of amounts expected to be received within one year from September 30, 2019. These receivables will be available to support general operations.

Grants receivable consists of amounts expected to be received within one year from September 30, 2019.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2019
(With Comparative Totals for 2018)

12. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a quantitative disclosure which describes assets and liquid resources that are available as of September 30, 2019 to fund general expenditures and other obligations within one year:

Financial assets	
Cash and cash equivalents	\$ 1,493,124
Pledges receivable	417
Grants receivable	62,346
Restricted cash	<u>204,082</u>
	1,759,969
Restricted for a specified purpose	<u>(204,082)</u>
	<u>\$ 1,555,887</u>

OTHER AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Family Supportive Housing, Inc.
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Supportive Housing, Inc. (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
San Jose, California

January 31, 2020