

Family Supportive Housing, Inc.

Financial Statements
and Other Audit Report

September 30, 2020
(With Comparative Totals for 2019)



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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, 2020, 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.



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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, 2020, 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 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note 12 of the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of COVID-19 cannot be reasonably estimated through the report date of February 24, 2021. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021, 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 2019 financial statements, and our report dated January 31, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

February 24, 2021

Family Supportive Housing, Inc.
Statement of Financial Position
September 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,527,376	\$ 1,493,124
Pledges receivable	-	417
Grants receivable	553,504	62,346
Security deposits	176	3,279
Prepaid expenses	16,475	26,690
Total current assets	2,097,531	1,585,856
Property and equipment, net	11,717,065	11,859,937
Other assets		
Restricted cash	204,082	204,082
Grants receivable, net of current portion	150,000	-
Total assets	\$ 14,168,678	\$ 13,649,875
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 9,189	\$ 14,662
Accrued liabilities	107,981	74,762
Other payable	-	57,349
Total current liabilities	117,170	146,773
Paycheck Protection Program forgivable loan	309,168	-
Total liabilities	426,338	146,773
Net assets		
Without donor restrictions		
Operating fund	1,381,193	1,404,083
Property and equipment fund	11,717,065	11,859,937
Total without donor restrictions	13,098,258	13,264,020
With donor restrictions	644,082	239,082
Total net assets	13,742,340	13,503,102
Total liabilities and net assets	\$ 14,168,678	\$ 13,649,875

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

Family Supportive Housing, Inc.
Statement of Activities
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)

	<u>Without Donor Restrictions</u>		With Donor Restrictions	2020 Total	2019 Total
	Operating Fund	Property and Equipment Fund			
Support and revenue					
Contributions	\$ 1,171,895	\$ 65,668	\$ 660,000	\$ 1,897,563	\$ 876,563
Government grants	624,720	-	-	624,720	320,751
Special events, net	174,299	-	-	174,299	271,187
In-kind contributions	486,347	-	-	486,347	267,230
Program fees	14,910	-	-	14,910	38,168
Interest	3,759	-	-	3,759	4,586
Other revenue	42,386	-	-	42,386	1,567
Net assets released from restriction	<u>255,000</u>	<u>-</u>	<u>(255,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,773,316</u>	<u>65,668</u>	<u>405,000</u>	<u>3,243,984</u>	<u>1,780,052</u>
Functional expenses					
Program services					
Shelter Program	1,552,152	177,259	-	1,729,411	1,439,153
Bridges After-Care Program	582,119	16,683	-	598,802	311,257
COVID-19 Financial Assistance Program	147,109	-	-	147,109	-
Voyager Child Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,421</u>
Total program services	<u>2,281,380</u>	<u>193,942</u>	<u>-</u>	<u>2,475,322</u>	<u>1,856,831</u>
Support services					
Management and general	240,451	8,342	-	248,793	206,301
Fundraising	<u>274,375</u>	<u>6,256</u>	<u>-</u>	<u>280,631</u>	<u>217,908</u>
Total support services	<u>514,826</u>	<u>14,598</u>	<u>-</u>	<u>529,424</u>	<u>424,209</u>
Total functional expenses	<u>2,796,206</u>	<u>208,540</u>	<u>-</u>	<u>3,004,746</u>	<u>2,281,040</u>
Change in net assets	(22,890)	(142,872)	405,000	239,238	(500,988)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 1,381,193</u>	<u>\$ 11,717,065</u>	<u>\$ 644,082</u>	<u>\$ 13,742,340</u>	<u>\$ 13,503,102</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, 2020
(With Comparative Totals for 2019)

	Program Services				Support Services			2020 Total	2019 Total
	Shelter Program	Bridges After- Care Program	COVID-19 Financial Assistance Program	Total Program Services	Management and General	Fundraising	Total Support Services		
Salaries and related expenses	\$ 936,132	\$ 152,927	\$ -	\$ 1,089,059	\$ 153,178	\$ 213,401	\$ 366,579	\$ 1,455,638	\$ 1,209,944
Salaries	85,418	13,954	-	99,372	13,977	19,472	33,449	132,821	149,236
Employee benefits	84,677	13,833	-	98,510	13,855	19,303	33,158	131,668	96,997
Payroll taxes	13,506	2,206	-	15,712	2,210	3,079	5,289	21,001	30,331
Insurance - workers' compensation	1,119,733	182,920	-	1,302,653	183,220	255,255	438,475	1,741,128	1,486,508
Total salaries and related expenses									
Client assistance	6,622	350,403	144,638	501,663	-	-	-	501,663	168,644
Depreciation	177,259	16,683	-	193,942	8,342	6,256	14,598	208,540	194,714
Food	146,337	25,824	-	172,161	-	-	-	172,161	140,319
Repairs and maintenance	71,585	3,977	-	75,562	3,977	-	3,977	79,539	46,252
Utilities	48,861	4,599	862	54,322	2,299	862	3,161	57,483	57,519
Professional fees	8,310	-	-	8,310	42,550	-	42,550	50,860	41,645
Janitorial	36,395	3,425	643	40,463	1,713	642	2,355	42,818	12,945
Insurance - other	27,120	2,553	-	29,673	1,276	957	2,233	31,906	29,970
Office and administrative	11,839	1,317	175	13,331	1,810	9,542	11,352	24,683	21,089
Refuse disposal	16,258	1,530	287	18,075	765	287	1,052	19,127	18,217
Telephone	13,511	1,272	238	15,021	636	238	874	15,895	13,561
Kitchen supplies	12,470	-	-	12,470	-	-	-	12,470	9,921
Property taxes	8,488	799	150	9,437	399	150	549	9,986	8,662
Licenses and fees	8,252	459	-	8,711	459	-	459	9,170	5,756
Miscellaneous	7,281	633	116	8,030	502	123	625	8,655	9,035
Development	-	-	-	-	-	5,157	5,157	5,157	2,130
Payroll service fees	2,570	420	-	2,990	421	586	1,007	3,997	4,060
Employee benefits	2,526	413	-	2,939	413	576	989	3,928	3,686
Laundry	2,739	-	-	2,739	-	-	-	2,739	2,915
Automobile	1,043	1,563	-	2,606	-	-	-	2,606	1,849
Interest expense	212	12	-	224	11	-	11	235	255
Child care	-	-	-	-	-	-	-	-	1,388
	<u>\$ 1,729,411</u>	<u>\$ 598,802</u>	<u>\$ 147,109</u>	<u>\$ 2,475,322</u>	<u>\$ 248,793</u>	<u>\$ 280,631</u>	<u>\$ 529,424</u>	<u>\$ 3,004,746</u>	<u>\$ 2,281,040</u>
Percentage of total	<u>58 %</u>	<u>20 %</u>	<u>5 %</u>	<u>83 %</u>	<u>8 %</u>	<u>9 %</u>	<u>17 %</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, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 239,238	\$ (500,988)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	208,540	194,714
Changes in operating assets and liabilities		
Pledges receivable	417	802
Grants receivable	(641,158)	275,970
Security deposits	3,103	(208)
Prepaid expenses	10,215	(4,272)
Accounts payable	(5,473)	(2,291)
Accrued liabilities	33,219	9,083
Other payable	(57,349)	57,349
Net cash provided by (used in) operating activities	<u>(209,248)</u>	<u>30,159</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(65,668)</u>	<u>(45,099)</u>
Net cash used in investing activities	<u>(65,668)</u>	<u>(45,099)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program forgivable loan	<u>309,168</u>	<u>-</u>
Net cash provided by financing activities	<u>309,168</u>	<u>-</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	34,252	(14,940)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,697,206</u>	<u>1,712,146</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,731,458</u>	<u>\$ 1,697,206</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,527,376	\$ 1,493,124
Restricted cash	<u>204,082</u>	<u>204,082</u>
	<u>\$ 1,731,458</u>	<u>\$ 1,697,206</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 235	\$ 255
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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, 2020
(With Comparative Totals for 2019)

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, 2020
(With Comparative Totals for 2019)

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.

Homeless Prevention System/COVID-19 Financial Assistance Program - COVID-19 Financial Assistance Program helps the many residents who have been severely impacted by this unprecedented crisis and is headed up by Destination: Home and Sacred Heart Community Service, along with 68 nonprofit partners. Since March, 2020, the Organization has helped 286 families avoid losing their housing due to the severe impact of COVID-19.

- Phase I and Phase II: Family Supportive Housing, Inc. provided direct financial assistance and gift cards to qualifying applications (April-June, 2020).
- Phase III: Family Supportive Housing, Inc. aids qualifying applicants to pay back-rent accrued during the pandemic, and assistance to help cover a portion of upcoming rent payments.

Voyager Child Development Program

Voyager provides reliable, quality, on-site childcare for infants and pre-school children at the Organization's San José 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 their 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.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2020
(With Comparative Totals for 2019)

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.
- *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 June 2018, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. The Organization has evaluated contributions received and has determined that there is no change as a result of the adoption of the standard.

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.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2020
(With Comparative Totals for 2019)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received. 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, 2020 there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

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, 2020 and 2019 was \$54,687 and \$39,433, respectively.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Program fees are recognized as revenue in the period in which the service is provided.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2020
(With Comparative Totals for 2019)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either grants and contributions support with or without restriction. 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.

Conditional promises to give are not recognized until they become unconditional, which is when donor stipulated barriers are overcome and the Organization is entitled to the assets transferred or promised.

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 10).

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, 2020 and 2019 was \$225 and \$825, respectively.

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.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2020
(With Comparative Totals for 2019)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's California returns for the years ended September 30, 2016 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, 2019, from which the summarized information was derived.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to September 30, 2020 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, 2020. Subsequent events have been evaluated through February 24, 2021, the date the financial statements became available to be issued.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2020
(With Comparative Totals for 2019)

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:

	2020	2019
Buildings	\$ 11,405,250	\$ 11,374,482
Land	1,729,952	1,729,952
Furniture, fixtures and equipment	190,297	190,297
Vehicles	41,160	41,160
Office equipment	34,486	34,486
Software	46,800	16,907
	13,447,945	13,387,284
Accumulated depreciation	(1,730,880)	(1,527,347)
	\$ 11,717,065	\$ 11,859,937

Depreciation expense for the years ended September 30, 2020 and 2019 was \$208,540 and \$194,714, respectively.

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, 2020 and 2019 was \$9,141,500, as follows:

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2020
(With Comparative Totals for 2019)

6. FORGIVABLE LOANS (continued)

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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 was \$500,000. As mentioned above, this loan was considered forgiven upon completion of the new shelter residence facility in April 2012.

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, 2020 and 2019 was \$350,000. 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
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7. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On April 16, 2020, the Organization obtained a Small Business Administration (SBA) Paycheck Protection Program Loan (PPP) through the Heritage Bank of Commerce, in the amount of \$309,168, with an interest rate of 1%. Payments of principal and interest were deferred for the first six months of the loan. The principal amount of the PPP loan is subject to forgiveness to the extent that proceeds are used to pay eligible program expenses including payroll costs, rent obligations, and utility payments. The Organization is in the process of applying for loan forgiveness.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
Purpose restriction		
Building a Better Future (new shelter residence capital campaign) - replacement reserve	\$ 204,082	\$ 204,082
Homework program	20,000	-
	224,082	204,082
Time restriction		
General operations	420,000	35,000
	420,000	35,000
	\$ 644,082	\$ 239,082

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

	2020	2019
Purpose restriction		
Childcare	\$ 50,000	\$ 45,000
Financial education and asset building	-	17,000
Building a Better Future (new shelter residence capital campaign) - replacement reserve	-	7,948
Homework program	20,000	3,124
	70,000	73,072
Time restriction		
Prior year grants receivable	185,000	185,000
	\$ 255,000	\$ 258,072

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9. 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, 2020 and 2019 was \$486,347 and \$267,230, respectively.

In-kind contributions consisted of the following:

	2020	2019
Rental assistance	\$ 327,588	\$ 130,969
Food	96,105	76,893
Holiday supplies	29,264	27,603
Maintenance supplies	23,188	23,421
COVID-19 supplies	5,162	-
Office supplies	3,575	6,326
Aftercare supplies	1,465	2,018
	\$ 486,347	\$ 267,230

10. 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.

11. RETIREMENT PLAN

The Organization maintains a tax deferred 403(b) retirement plan to provide retirement benefits for all eligible employees. The Plan provides for the Organization's employees to contribute an amount from their compensation, subject to limitations set by the Internal Revenue Code. The Organization has a separate defined contribution retirement plan, which allows the Organization to make an employer contribution up to a maximum of \$5,000 of all eligible employee compensation. Participants are immediately vested in their salary deferral and employer contributions. For the years ended September 30, 2020 and 2019, employer contributions totaled \$0 and \$5,000, respectively.

12. COMMITMENTS AND CONTINGENCIES

Forgivable loans

See Note 6.

Family Supportive Housing, Inc.
Notes to Financial Statements
September 30, 2020
(With Comparative Totals for 2019)

12. COMMITMENTS AND CONTINGENCIES (continued)

COVID-19 impact

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. The Organization has not had significant adverse impact as a result of the COVID-19 pandemic. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business. The Organization believes the ultimate impact of the COVID-19 pandemic on its operating results, cash flows and financial condition is likely to be determined by factors which are uncertain and unpredictable.

13. 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, 2020 and 2019 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 June 20, 2020 and was extended to October 15, 2021. There was no balance outstanding on this line of credit as of September 30, 2020 and 2019.

14. 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.

Grants receivable consists of amounts expected to be received within one year from September 30, 2020.

The following is a quantitative disclosure which describes assets and liquid resources that are available as of September 30, 2020 to fund general expenditures and other obligations within one year:

Financial assets	
Cash and cash equivalents	\$ 1,527,376
Grants receivable	703,504
	<u>2,230,880</u>
Less: amounts unavailable for general expenditure within one year due to:	
Restricted for a specified purpose	(20,000)
Time restricted beyond one year	(150,000)
	<u>(170,000)</u>
	<u>\$ 2,060,880</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, 2020, 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 February 24, 2021.

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

February 24, 2021