

HAMILTON FAMILIES

JUNE 30, 2020

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Hamilton Families
Independent Auditors' Report
and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
HAMILTON FAMILIES
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **HAMILTON FAMILIES (Hamilton)**, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, 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.

Auditors' 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. 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 Hamilton'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 Hamilton'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamilton Families as of June 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Hamilton's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated November 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
October 27, 2020

Hamilton Families

Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 4,479,088	\$ 2,999,242
Government contracts receivable	1,666,510	2,626,955
Pledges and grants receivable	658,388	706,465
Investments	21,644,294	22,476,281
Prepaid expenses and other assets	301,659	291,722
Property and equipment, net	3,954,911	4,070,496
Total assets	\$ 32,704,850	\$ 33,171,161
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 361,964	\$ 472,907
Accrued salaries and related expenses	648,409	461,521
Loans payable	1,730,080	
Total liabilities	2,740,453	934,428
Net Assets:		
Without donor restrictions:		
Board designated	566,549	549,861
Undesignated	13,734,851	11,736,465
Total unrestricted	14,301,400	12,286,326
With donor restrictions	15,662,997	19,950,407
Total net assets	29,964,397	32,236,733
Total liabilities and net assets	\$ 32,704,850	\$ 33,171,161

See accompanying notes to financial statements.

Hamilton Families

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Government contracts	\$ 11,369,683		\$ 11,369,683	\$ 11,879,453
Grants and contributions	4,268,660	\$ 942,154	5,210,814	8,139,789
In-kind contributions	832,583		832,583	300,029
Special events (net of direct expenses of \$114,454 for 2020)	276,812		276,812	210,602
Investment income, net	597,821		597,821	480,406
Other income	38,804		38,804	50,870
Net assets released from restrictions	5,229,564	(5,229,564)	-	-
Total revenue and support	22,613,927	(4,287,410)	18,326,517	21,061,149
Expenses:				
Program services:				
Transitional housing	1,841,639		1,841,639	1,561,107
Family residence	3,218,520		3,218,520	2,567,378
Housing solutions	6,494,214		6,494,214	5,588,487
Heading home	5,085,414		5,085,414	4,865,326
Fundraising	1,084,982		1,084,982	739,773
General and administrative	2,874,084		2,874,084	2,534,380
Total expenses	20,598,853	-	20,598,853	17,856,451
Change in Net Assets	2,015,074	(4,287,410)	(2,272,336)	3,204,698
Net Assets, beginning of year	12,286,326	19,950,407	32,236,733	29,032,035
Net Assets, end of year	\$ 14,301,400	\$ 15,662,997	\$ 29,964,397	\$ 32,236,733

See accompanying notes to financial statements.

Hamilton Families

Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020									2019 Total
	Program Services					Supporting Services				
	Transitional Housing	Family Residence	Rapid-Rehousing		Subtotal	Fundraising	General and Administrative	Total		
		Housing Solutions	Heading Home							
Salaries	\$ 1,058,026	\$ 1,813,987	\$ 1,785,236	\$ 1,381,426	\$ 6,038,675	\$ 516,421	\$ 1,817,259	\$ 8,372,355	\$ 7,368,404	
Employee benefits	191,146	347,227	283,133	274,045	1,095,551	54,079	202,250	1,351,880	1,376,349	
Payroll taxes	78,421	128,170	124,926	108,582	440,099	34,537	114,708	589,344	525,053	
Rental subsidies and move-in assistance			3,068,387	2,416,960	5,485,347			5,485,347	5,074,028	
Post-rental housing assistance			167,640	8,000	175,640			175,640	61,988	
Participant activities and supplies	89,585	228,928	361,357	259,503	939,373	2,735	754	942,862	346,499	
Building repairs and maintenance	51,158	97,778	1,240	989	151,165	1,782	12,018	164,965	189,146	
Computer services	46,928	108,932	54,704	57,602	268,166	25,414	46,910	340,490	405,843	
Consultants and contractors	13,228	26,218	24,210	79,926	143,582	325,204	249,187	717,973	380,484	
Equipment maintenance and rental	8,391	16,487	8,035	8,001	40,914	1,670	5,682	48,266	40,666	
Fees and subscription	1,596	1,274	5,455	3,319	11,644	27,034	28,334	67,012	54,528	
Food services	8,773	169,502	23,878	12,169	214,322		38	214,360	126,885	
Insurance	12,947	24,968	24,879	25,678	88,472	4,389	15,032	107,893	99,373	
Office supplies	7,977	15,280	13,982	12,220	49,459	1,864	20,984	72,307	82,107	
Payroll service	5,783	11,092	11,173	11,469	39,517	2,083	6,751	48,351	51,422	
Printing			66	99	165	8,025	1,331	9,521	10,201	
Rent	195	130	334,861	238,141	573,327	36,649	144,480	754,456	618,101	
Staff training and development	17,065	56,186	45,937	47,474	166,662	11,972	59,983	238,617	174,560	
Transportation	5,729	10,575	50,723	39,845	106,872	650	5,866	113,388	114,662	
Utilities	106,034	115,426	30,978	49,433	301,871	8,375	26,161	336,407	300,095	
Depreciation	137,588	46,360	55,932	48,151	288,031		50,723	338,754	281,647	
Miscellaneous	1,069		17,482	2,382	20,933	22,099	65,633	108,665	174,410	
Expenses as shown on the Statement of Activities and Changes in Net Assets	1,841,639	3,218,520	6,494,214	5,085,414	16,639,787	1,084,982	2,874,084	20,598,853	17,856,451	
Other expenses: Fundraising costs						114,454		114,454	103,593	
Total Expenses	\$ 1,841,639	\$ 3,218,520	\$ 6,494,214	\$ 5,085,414	\$ 16,639,787	\$ 1,199,436	\$ 2,874,084	\$ 20,713,307	\$ 17,960,044	

See accompanying notes to financial statements.

Hamilton Families

Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Operating Activities:		
Change in net assets	\$ (2,272,336)	\$ 3,204,698
Adjustment to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	338,754	281,647
Loss on disposal	33,456	
Realized and unrealized gain on investments	(156,325)	(218,477)
Tenant improvement abatement		120,622
Changes in operating assets and liabilities:		
Government contracts receivable	960,445	(707,064)
Pledges and grants receivable	48,077	7,311,914
Prepaid expenses and other assets	(9,937)	70,857
Accounts payable and accrued expenses	(110,943)	181,323
Accrued salaries and related expenses	186,888	144,515
Net cash (used) provided by operating activities	(981,921)	10,390,035
Investing Activities:		
Purchases of investments	(511,686)	(13,257,062)
Proceeds from investments	1,500,000	
Purchases of property and equipment	(256,627)	(379,855)
Net cash provided (used) by investing activities	731,687	(13,636,917)
Financing Activities:		
Proceeds from loan payable	1,730,080	
Net cash provided by investing activities	1,730,080	-
Change in Cash and Cash Equivalents and Restricted Cash	1,479,846	(3,246,882)
Cash and Cash Equivalents and Restricted Cash, beginning of year	2,999,242	6,246,124
Cash and Cash Equivalents and Restricted Cash, end of year	\$ 4,479,088	\$ 2,999,242
Noncash Investing Activities:		
Leasehold improvements in accounts payables		\$ 24,743
Components of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents	\$ 3,749,777	\$ 2,297,098
Restricted cash	729,311	702,144
	\$ 4,479,088	\$ 2,999,242

See accompanying notes to financial statements.

Hamilton Families

Notes to Financial Statements

Note 1 - Organization:

Hamilton Families (Hamilton) is a California non-profit public benefit corporation established in 1985. Hamilton's mission is to end family homelessness in the San Francisco Bay Area. Hamilton Families provide emergency, transitional, and supportive services to connect families to permanent housing. Private and corporate donors, governmental agencies, and a dedicated group of volunteers, partner with Hamilton staff to help families in San Francisco leave homelessness behind permanently. Hamilton Families offers comprehensive support services, including homelessness prevention, case management, counseling, health and wellness services, educational and recreational programs for children, aftercare services, housing referral, advocacy, direct financial assistance, and resources and referrals to external providers.

Rapid Re-Housing

The Rapid Rehousing programs were designed to move families into permanent and independent housing as quickly as possible, and to assist at-risk families to avoid eviction. Rapid re-housing is comprised of two interrelated programs Housing Solutions and Heading Home. The core elements of the programs include: the allocation of more resources toward the goal of preventing families from entering shelter or transitional housing; enhanced home-based support services; temporary rental subsidies; and rapidly re-housing families who are in our community-based shelter programs. Hamilton works with families to clear eviction and credit problems, follow a savings plan, secure rental units, and access move-in grants. Families continue to benefit from services and support for a full year after they are placed in permanent housing. Housing Specialists meet with the families in their community by home visits, providing personal direction/advocacy, and in helping families access local community resources such as counseling, child care, health care, mental or substance abuse resources, parenting classes, employment opportunities and support groups.

Housing Solutions provides rapid re-housing services, with an average length of time in the program of 12 months. After a year, families are eligible to graduate from the program. Families may apply for an extension of the rental subsidy program on a case-by-case basis.

Heading Home is an expansion of the Housing Solutions program. This program is based on a model that helps families move into housing and focuses on improving the rate of success of long-term stability for families. This program supports families with children in the San Francisco Unified School District only. This program includes innovation and piloting of new methodologies to enhance families' stability. Heading Home provides rapid rehousing services for up to 20 months.

Hamilton Families

Notes to Financial Statements

Transitional Housing

This program offers 20 families temporary housing in their own apartments and comprehensive support services for up to 18 months. The Transitional Housing Program gives families time to identify and address the causes of their homelessness. Families are provided ongoing case management, counseling, educational and recreational programs for children, advocacy, workforce development resources, and other community-based referrals. Families receive weekly case management to improve budgeting, parenting skills, and other life skills while preparing for economic and housing stability. In November 2015, Hamilton opened a second transitional housing program in San Francisco, to house up to seven families experiencing homelessness with an open child welfare case through the Department of Children, Youth and Families.

Family Residence - Shelter

Hamilton Families operates the largest family Shelter Program for families experiencing homelessness in San Francisco, offering a safe place to sleep, three meals a day and critical social services to 50 families a night for up to six months. Families at the shelter receive comprehensive services such as case management, health and wellness services, budgeting, housing search assistance, job training, educational and recreational programs for children and other community-based referrals.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Hamilton reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

The portion of net assets that is neither subject to time or donor-imposed restrictions and may be expended for any purpose in performing the objective of Hamilton. Net assets without donor restrictions may be designated for use by management or the Board of Directors. As of June 30, 2020, Hamilton maintains an operating reserve of \$566,549.

Net Assets With Donor Restrictions

The portion of net assets which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Hamilton. Hamilton does not hold assets that require to be maintained in perpetuity.

Hamilton Families

Notes to Financial Statements

b. Revenue Recognition

Contributions and grants are recognized when the donor/grantor makes an unconditional promise to give to Hamilton. Amounts that are restricted by the donor/grantor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows when a material impact is noted and are discounted at an appropriate discount rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Government contracts are recognized when Hamilton incurs expenditures related to the required services. Amounts billed or received in advance are recorded as deferred revenue until the related services are performed. Amounts due at June 30, 2020, are included in government contracts receivable and are expected to be collected in fiscal year 2021.

A portion of the Hamilton's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Hamilton has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. Hamilton was awarded cost-reimbursable grants of approximately \$19,300,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

c. Cash and Cash Equivalents

Cash and cash equivalents include money market accounts and all highly liquid debt instruments purchased with maturities of three months or less.

Cash and cash equivalents include restricted operating and capital reserve balances as required by its government contracts; the balances are included under restricted cash. At June 30, 2020, replacement reserves amounted to \$426,294 and operating reserves amounted to \$250,590 for a total of \$676,884 (See Note 8). Restricted cash also includes amounts held for program participants at the Transitional and Shelter programs of \$52,427.

Hamilton Families

Notes to Financial Statements

d. Property and Equipment

Property and equipment purchased with estimated useful lives in excess of one year and costs over \$2,500 are capitalized at cost. Donated assets are capitalized at the fair market value on the date of receipt. Depreciation is computed on the straight-line method using estimated useful lives varying between five and forty years. Leasehold improvements are amortized over the life of the lease or the useful life of the asset, whichever is shorter.

e. Investments

Investments are reported at fair value. Investments received through gifts are recorded at estimated fair value at the date of donation. Gains or losses are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

f. Fair Value Measurement

Hamilton carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Hamilton classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Donated Materials and Services

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind contributions of \$832,583 primarily consisted of legal services, support for children's education and activities, and household goods for families.

A number of unpaid volunteers have made significant contributions of their time to Hamilton. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Hamilton Families

Notes to Financial Statements

h. Functional Allocation of Expenses

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Hamilton.

i. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j. Tax Exempt Status

Hamilton is exempt from paying federal and state income taxes under Internal Revenue Code Section 501(c)(3) and under California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for such taxes in the accompanying financial statements.

Hamilton follows the guidance on Accounting for Uncertainty in Income Taxes according to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740. As of June 30, 2020, management evaluated Hamilton's tax positions and concluded that Hamilton had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements.

k. Prior Year Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include the sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Hamilton's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

l. Recent Accounting Pronouncements

Pronouncement Adopted:

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of July 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

Hamilton Families

Notes to Financial Statements

Pronouncement Effective in the Future:

In February 2016, the FASB issued ASU 2016-02 - *Leases (Topic 842)*. Under the ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2021. Early application will be permitted for all organizations. Hamilton is currently evaluating the impact of this pronouncement on its financial statements.

m. Subsequent Events

Hamilton evaluated subsequent events with respect to the financial statements for the year ended June 30, 2020 through October 27, 2020, the date these financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as disclosed in Note 3.

Note 3 - Pledges and Grants Receivable:

Pledges and grants receivable consist of the following at June 30, 2020:

Pledges from individuals	\$	280,288
Pledges from foundations		378,100
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	\$	658,388

At June 30, 2020, all pledges and grants receivable are collectable in less than one year.

Heading Home Campaign:

The Heading Home Campaign (the Campaign) is a \$30,000,000 initiative to help 800 homeless families find housing by 2021 as a part of an effort to end long-term family homelessness in San Francisco. The Campaign is an expansion of Hamilton's Housing Solutions program. At June 30, 2020, \$827,623 of cash collections was received as part of the grant from the City and County of San Francisco to support the campaign.

Excluded from the total amount raised is one conditional pledge outstanding at June 30, 2020, which includes a matching gift of \$1,000,000 of which \$1,000,000 remains to be earned. The total amount of funds raised and conditionally committed at June 30, 2020, is \$1,000,000. Subsequent to year end, Hamilton met the conditions and the pledge was collected and recognized as revenue in August 2020.

Hamilton Families

Notes to Financial Statements

For the year ended June 30, 2020, \$5,085,414 was expended in relation to funds raised by the Campaign, which includes \$2,424,960 of participant financial assistance, \$1,764,053 of personnel costs, \$657,835 of administrative costs (15%), and \$238,566 of other program operations and activities. These are included on the Statement of Functional Expenses. For the year ended June 30, 2020, \$4,215,778 of restricted contributions were released from restriction. In addition, \$827,623 of funding from the City and County of San Francisco was utilized for the program.

Note 4 - Investments and Fair Value Measurements:

Investments

Investments are summarized as follows:

Money market funds	\$ 3,157,024
U.S. treasury notes	18,487,270
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	\$ 21,644,294

Fair Value Measurement

Investments include money market funds and U.S. treasury notes that had a fair value of \$21,644,294 and are classified as Level 1.

Note 5 - Property and Equipment, Net:

Property and equipment consist of the following at June 30, 2020:

Land	\$ 738,016
Buildings and improvements	5,168,448
Leasehold improvements	1,301,265
Furniture and equipment	664,842
Automobiles	328,302
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	8,200,873
Less: accumulated depreciation	4,245,962
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	\$ 3,954,911

Depreciation expense for the year ended June 30, 2020, was \$338,754.

Hamilton Families

Notes to Financial Statements

Note 6 - Line of Credit:

In 2019 Hamilton renewed a revolving line of credit (LOC) of \$1,000,000 to finance operations as necessary. The LOC has an interest rate of prime plus the applicable margin of 2% per annum and matures December 2020. The LOC is collateralized by all of the assets of Hamilton Families, excluding the buildings. Hamilton did not utilize the LOC during 2020.

Note 7 - Loan Payable:

Hamilton received loan proceeds in the amount of \$1,730,080 with a maturity date of April 29, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as Hamilton uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Hamilton intends to use the proceeds for purposes consistent with the PPP. While Hamilton currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, Hamilton cannot assure that it will not take actions that could cause Hamilton to be ineligible for forgiveness of the loan, in whole or in part.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2020 are as follows:

Heading home	\$ 11,143,614
Children's services	76,010
Rental assistance and supplies	260,086
Other	9,998
Forgivable loan payable	4,173,291
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Total	\$ 15,662,999

Hamilton Families

Notes to Financial Statements

Net assets with donor restrictions were released from donor restrictions during the year ended June 30, 2020 as follows:

Heading home	\$ 4,215,778
Children's services	132,286
Rental assistance and supplies	286,398
Marketing campaign	350,000
Other	245,102
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Total	\$ 5,229,564

Forgivable loan payable

Hamilton constructed a transitional housing facility which was partially financed by a \$4,173,291 loan administered by the Mayor's Office of Housing. The loan is secured by a deed of trust on the land and improvements and assignment of rents. The term of the loan is for 75 years, expiring in 2075. Hamilton's obligation to repay the loan will be waived at the end of the loan term providing that the facility is maintained for qualifying low-income occupants (as defined) and there are no events of default as defined in the agreement.

No interest will be charged on the loan amount unless the loan is in default. In the event of default, compound interest at 10% will be charged for the period from initial borrowing through the date of repayment of the loan.

Management has determined that the likelihood of Hamilton violating the terms of the loan agreement is remote. Therefore, during the year ended June 30, 2005, the loan was reclassified as a temporarily restricted contribution. This amount will remain temporarily restricted until the loan matures in 2075.

The terms of the loan, under a regulatory agreement, provide for the establishment and maintenance of replacement reserves and operating reserves in separate FDIC insured interest bearing accounts. The replacement reserve is funded by an annual deposit of approximately \$25,000. The operating reserve was initially funded with \$30,000 and is currently fully funded. Any additional deposits to the operating reserve are discretionary. At June 30, 2020, replacement reserves amounted to \$426,294 and operating reserves amounted to \$250,590, for a total of \$676,884.

Hamilton Families

Notes to Financial Statements

Note 9 - Availability of Financial Assets and Liquidity:

Hamilton's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Financial assets at June 30, 2020:	
Cash and cash equivalents	\$ 4,479,088
Government contracts receivable	1,666,510
Pledges and grants receivable	658,388
Investments	21,644,294
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Total financial assets	28,448,280
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Less amounts not available to be used within one year:	
Resident trust account	(52,427)
Transitional housing restricted cash	(676,884)
Net assets with purpose and time restrictions	(11,489,708)
Net assets designated by board	(566,549)
Add: net assets with restrictions to be met in less than a year:	
Heading home	11,016,721
Other purpose restricted assets	346,093
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	(1,157,793)
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Financial assets available to meet general expenditures over the next twelve months	\$ 27,035,527
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Hamilton strives to maintain financial assets to meet 90 days of operating expenses (approximately \$5,000,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Certain financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the financial statements.

There are also net assets without donor restrictions designated as an operating reserve by the Board of Directors, which could be undesignated by the Board of Directors and made available for general operations as needed. Hamilton also maintains a line of credit to be used for operations as needed, see Note 6. Investments above also include a portion of undesignated net assets without donor restrictions, which specific purpose has not been determined by the Board; the purpose of which will be determined during fiscal year 2021 and it is the Board's intent to deploy resources to programs and sustainability of Hamilton.

Hamilton Families

Notes to Financial Statements

Note 10 - Commitments and Contingencies:

a. Operating Leases

Hamilton has several operating lease agreements for its various locations including lease agreements for copiers and office equipment which expire through July 2024. Estimated future minimum annual lease payments are as follows:

Year Ended	
June 30,	
2021	\$ 779,000
2022	814,000
2023	520,000
2024	391,000
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Total	\$ 2,504,000

Rent expense under all operating leases amounted to \$754,456 for the year ended June 30, 2020.

b. Contingencies

Certain grants and contracts that Hamilton administers and receives reimbursement are subject to audit and final acceptance by the local, state and federal funding agencies. Current and prior year costs of such grants are subject to adjustment upon audit.

c. Collective Bargaining Agreement

Approximately 50% of Hamilton's employees are members of the Professional Employees International Union, Local No. 29 AFL-CIO. Hamilton's contract with the union goes through January 2, 2021.

Note 11 - Retirement Plan:

Hamilton has a 403(b) retirement plan (the Plan). The Plan covers substantially all Hamilton employees who have attained the age of twenty-one and have met a one-year service requirement, as defined. Eligible employees may contribute any portion of their compensation up to the statutory maximum amount.

Hamilton, at its discretion, may make a matching contribution equal to a discretionary percentage of employee deferrals. The Plan also provides for discretionary employer profit sharing contributions. All employer contributions are subject to vesting over a period of four years. Total employer contributions for the year ended June 30, 2020, amounted to \$24,098.

Hamilton Families

Notes to Financial Statements

Note 12 - Concentration of Risk:

Hamilton has defined its financial instruments which are potentially subject to credit risk. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The financial instruments consist principally of cash and receivables.

Periodically, throughout the year, Hamilton maintained balances in various operation and money market accounts in excess of federally insured limits.

All receivables consist primarily of unsecured amounts due from individuals, corporations, foundations, and government agencies. The credit risk associated with receivables is substantially mitigated by the large number of entities comprising the receivable balance, and 72% of the receivables are due from government agencies.

For the year ended June 30, 2020, Hamilton received approximately 62% of its revenue from operations from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

Note 13 - Related Party Transactions:

Hamilton has a conflict of interest policy for related party transactions with Board members, committee members, and staff. The policy requires annual disclosures and discussion of potential conflicts at meetings, so that Board members, committee members, and staff may continue to serve Hamilton through their professional knowledge and expertise. For the year ended June 30, 2020, contributions from the Board of Directors comprised approximately \$1,014,000 or 19% of contributions.

Note 14 - Pandemic and Market Volatility:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state, and local jurisdictions. Shelter-in-place orders have been instituted in many cities and states, including California, impacting business operations in most industries and sectors.

Financial market volatility has also significantly increased with a general decrease in major market equity indices' value. Considering Hamilton's investment policy and allocation, we do not expect the volatility in market valuations to impact Hamilton's financial investments. Furthermore, Hamilton does anticipate significant changes in its projected revenues and expenses for the fiscal year 2020-2021.