

HAMILTON FAMILIES

JUNE 30, 2021

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, 2021, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
November 10, 2021

Hamilton Families

Statement of Financial Position

<i>June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 3,204,513	\$ 4,479,088
Government contracts receivable	2,191,220	1,666,510
Pledges and grants receivable	677,870	658,388
Investments	20,714,674	21,644,294
Prepaid expenses and other assets	238,568	301,659
Property and equipment, net	3,608,895	3,954,911
Total assets	\$ 30,635,740	\$ 32,704,850
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 102,604	\$ 361,964
Accrued salaries and related expenses	779,675	648,409
Loan payable - Paycheck Protection Program	1,730,080	1,730,080
Total liabilities	2,612,359	2,740,453
Net Assets:		
Without donor restrictions:		
Board designated	567,875	566,549
Undesignated	13,286,848	13,734,851
Total unrestricted	13,854,723	14,301,400
With donor restrictions	14,168,658	15,662,997
Total net assets	28,023,381	29,964,397
Total liabilities and net assets	\$ 30,635,740	\$ 32,704,850

See accompanying notes to financial statements.

Hamilton Families

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Government contracts	\$ 12,121,007		\$ 12,121,007	\$ 11,369,683
Grants and contributions	1,579,245	\$ 2,613,160	4,192,405	5,210,814
In-kind contributions	532,686		532,686	832,583
Special events (net of direct expenses of \$60,857 for 2021)	457,438		457,438	276,812
Investment income, net	71,957		71,957	597,821
Other income	147,917		147,917	38,804
Net assets released from restrictions	4,107,499	(4,107,499)	-	-
Total revenue and support	19,017,749	(1,494,339)	17,523,410	18,326,517
Expenses:				
Program services:				
Transitional housing	2,120,088		2,120,088	1,841,639
Family residence	3,559,545		3,559,545	3,218,520
Housing solutions	7,623,429		7,623,429	6,494,214
Heading home	4,136,150		4,136,150	5,085,414
Fundraising	988,242		988,242	1,084,982
General and administrative	2,767,052		2,767,052	2,874,084
Total expenses	21,194,506	-	21,194,506	20,598,853
Change in Net Assets before Other Changes	(2,176,757)	(1,494,339)	(3,671,096)	(2,272,336)
Other Changes in Net Assets:				
Forgiveness of Paycheck Protection Program Loan (Note 7)	1,730,080		1,730,080	-
Change in Net Assets	(446,677)	(1,494,339)	(1,941,016)	(2,272,336)
Net Assets, beginning of year	14,301,400	15,662,997	29,964,397	32,236,733
Net Assets, end of year	\$ 13,854,723	\$ 14,168,658	\$ 28,023,381	\$ 29,964,397

See accompanying notes to financial statements.

Hamilton Families

Statement of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021									2020 Total
	Program Services					Supporting Services			Total	
	Transitional Housing	Family Residence	Housing Services		Subtotal	Fundraising	General and Administrative			
		Housing Solutions	Heading Home							
Salaries	\$ 1,265,637	\$ 2,064,351	\$ 2,228,103	\$ 1,227,334	\$ 6,785,425	\$ 597,327	\$ 1,754,421	\$ 9,137,173	\$ 8,372,355	
Employee benefits	219,540	370,801	298,267	230,593	1,119,201	67,217	205,136	1,391,554	1,351,880	
Payroll taxes	92,688	149,834	151,958	94,345	488,825	43,875	121,407	654,107	589,344	
Rental subsidies and move-in assistance			3,910,970	2,152,212	6,063,182		5,918	6,069,100	5,485,347	
Post-rental housing assistance			121,004	2,523	123,527			123,527	175,640	
Participant activities and supplies	108,786	149,753	277,921	12,348	548,808	8,249	583	557,640	942,862	
Building repairs and maintenance	52,106	80,256	536	961	133,859		9,631	143,490	164,965	
Computer services	32,447	57,905	45,950	39,880	176,182	27,536	45,656	249,374	340,490	
Consultants and contractors	10,952	260,525	40,085	14,704	326,266	127,765	261,707	715,738	717,973	
Equipment maintenance and rental	8,014	15,638	8,750	6,732	39,134	2,496	7,740	49,370	48,266	
Fees and subscription	2,450	5,140	5,102	4,956	17,648	38,435	29,646	85,729	67,012	
Food services	1,278	118,223	8,660		128,161		-	128,161	214,360	
Insurance	16,720	27,170	22,781	19,018	85,689	4,180	14,587	104,456	107,893	
Office supplies	6,214	10,536	4,643	5,013	26,406	593	41,083	68,082	72,307	
Payroll service	8,969	14,575	12,221	10,204	45,969	2,242	7,848	56,059	48,351	
Printing		264	418	432	1,114	2,481	73	3,668	9,521	
Rent			366,116	170,597	536,713	38,157	132,145	707,015	754,456	
Staff training and development	11,359	29,251	19,810	14,814	75,234	2,668	17,291	95,193	238,617	
Transportation	5,687	17,417	26,223	27,717	77,044	38	(1,229)	75,853	113,388	
Utilities	142,637	119,681	36,926	36,988	336,232	7,989		381,320	336,407	
Depreciation	133,116	68,225	47,742	48,152	297,235		55,694	352,929	338,754	
Miscellaneous	1,488		(10,757)	16,627	7,358	16,994	20,616	44,968	108,665	
Expenses as shown on the Statement of Activities and Changes in Net Assets	2,120,088	3,559,545	7,623,429	4,136,150	17,439,212	988,242	2,767,052	21,194,506	20,598,853	
Other expenses: Fundraising costs						60,857		60,857	114,454	
Total Expenses	\$ 2,120,088	\$ 3,559,545	\$ 7,623,429	\$ 4,136,150	\$ 17,439,212	\$ 1,049,099	\$ 2,767,052	\$ 21,255,363	\$ 20,713,307	

See accompanying notes to financial statements.

Hamilton Families

Statement of Cash Flows

<i>Year Ended June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
Operating Activities:		
Change in net assets	\$ (1,941,016)	\$ (2,272,336)
Adjustment to reconcile changes in net assets to net cash used by operating activities:		
Forgiveness of Paycheck Protection Program loan (Note 7)	(1,730,080)	
Depreciation	352,929	338,754
Loss on disposal of assets	4,320	33,456
Realized and unrealized (gains) losses on investments	216,574	(156,325)
Changes in operating assets and liabilities:		
Government contracts receivable	(524,710)	960,445
Pledges and grants receivable	(19,482)	48,077
Prepaid expenses and other assets	63,091	(9,937)
Accounts payable and accrued expenses	(259,360)	(110,943)
Accrued salaries and related expenses	131,266	186,888
Net cash used by operating activities	(3,706,468)	(981,921)
Investing Activities:		
Purchases of investments	(286,954)	(511,686)
Proceeds from investments	1,000,000	1,500,000
Purchases of property and equipment	(11,233)	(256,627)
Net cash provided by investing activities	701,813	731,687
Financing Activities:		
Proceeds from Paycheck Protection Program	1,730,080	1,730,080
Net cash provided by financing activities	1,730,080	1,730,080
Change in Cash and Cash Equivalents and Restricted Cash	(1,274,575)	1,479,846
Cash and Cash Equivalents and Restricted Cash, beginning of year	4,479,088	2,999,242
Cash and Cash Equivalents and Restricted Cash, end of year	\$ 3,204,513	\$ 4,479,088
Components of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents	\$ 2,448,489	\$ 3,749,777
Restricted cash	756,024	729,311
	\$ 3,204,513	\$ 4,479,088

See accompanying notes to financial statements.

Hamilton Families

Notes to Financial Statements

Note 1 - Organization:

Hamilton Families (Hamilton) is a California nonprofit 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.

Housing Services

The Housing Services programs were designed to move families into permanent and independent housing as quickly as possible, and to assist at-risk families to avoid eviction. Housing Services 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, childcare, 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, 2021, Hamilton had designated an operating reserve of \$567,875.

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 have net assets that are required 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, 2021 are included in government contracts receivable and are expected to be collected in fiscal year 2022.

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 \$24,925,000 that have not been recognized at June 30, 2021 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, 2021, replacement reserves amounted to \$450,409 and operating reserves amounted to \$250,615 for a total of \$701,024 (See Note 8). Restricted cash also includes amounts held for program participants at the Transitional and Shelter programs of \$55,000.

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.

Hamilton Families

Notes to Financial Statements

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 \$532,686 primarily consisted of legal services, support for children's education and activities, and household goods for families.

A number of unpaid volunteers 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 was not met.

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.

Hamilton Families

Notes to Financial Statements

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, 2021, 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, 2020 from which the summarized information was derived.

l. Recent Accounting Pronouncements

Pronouncement Effective in the Future:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Among other things, under this guidance, lessees will be required to recognize the following for all leases with a term longer than twelve months at the commencement date: 1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the guidance for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. Hamilton is currently evaluating the impact of this pronouncement on its financial statements.

Hamilton Families

Notes to Financial Statements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation of in-kind contributions other than contributed services. The first element will require separate presentation on the Statement of Activities and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or as part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed. The ASU is effective for Hamilton for the fiscal year beginning after June 15, 2021, with early application permitted. Hamilton is currently assessing the impact this ASU will have on its financial statements.

m. Subsequent Events

Hamilton evaluated subsequent events with respect to the financial statements for the year ended June 30, 2021 through November 10, 2021, 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.

Note 3 - Pledges and Grants Receivable:

Pledges and grants receivable consist of the following at June 30, 2021:

Pledges from individuals	\$ 9,820
Pledges from foundations	510,050
Pledges from corporations	158,000
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	\$ 677,870

At June 30, 2021, \$379,410 is expected to be collected within one year and \$300,000 within two to five years.

Heading Home Campaign:

The Heading Home Campaign (the Campaign) is a \$30,000,000 initiative to help 800 homeless families find housing by 2022 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. For the year ended June 30, 2021, \$4,136,150 was expended in relation to funds raised by the Campaign, which includes \$2,167,083 of participant financial assistance, \$1,552,272 of personnel costs, and \$416,795 of other program operations and activities. Additionally, \$413,615 of administrative costs (10%) was utilized during the current year and are included on the Statement of Functional Expenses. For the year ended June 30, 2021, \$3,661,544 of restricted contributions relating to the Campaign were released from restriction.

Hamilton Families

Notes to Financial Statements

Note 4 - Investments and Fair Value Measurements:

Investments

Investments are summarized as follows:

Money market funds	\$ 12,445,463
U.S. treasury notes	8,269,211
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	\$ 20,714,674

Fair Value Measurement

Investments include money market funds and U.S. treasury notes that had a fair value of \$20,714,674 and are classified as Level 1.

Note 5 - Property and Equipment, Net:

Property and equipment consisted of the following at June 30, 2021:

Land	\$ 738,016
Buildings and improvements	5,174,122
Leasehold improvements	1,301,266
Furniture and equipment	670,400
Automobiles	310,441
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	8,194,245
Less: accumulated depreciation	4,585,350
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	\$ 3,608,895

Depreciation expense for the year ended June 30, 2021, was \$352,929.

Note 6 - Line of Credit:

In 2020 Hamilton renewed a revolving line of credit (LOC) of \$1,000,000 to finance operations as necessary. The LOC has an annual interest rate of prime plus the applicable margin of 2% and matures December 2021. The LOC is collateralized by all of the assets of Hamilton Families, excluding the buildings. Hamilton did not utilize the LOC during 2021.

Hamilton Families

Notes to Financial Statements

Note 7 - Loan Payable – Paycheck Protection Program:

During the year ended June 30, 2020, 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), provided 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 could be forgiven as long as Hamilton used 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 could be reduced if certain requirements were not met. Hamilton's use of the loan proceeds met the conditions for forgiveness of the loan, and it completed the application process for forgiveness during the year, receiving forgiveness of the loan on April 13, 2021. Hamilton recognized income for the full value of the loan in the Statement of Activities and Changes in Net Assets as of June 30, 2021.

During the year ended June 30, 2021, Hamilton received loan proceeds in the amount of \$1,730,080 with a maturity date of February 17, 2026 under the Paycheck Protection Program 2 (PPP 2) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues annual interest at 1%, but payments are not required to begin until after the deferral period. Hamilton intends to use the proceeds for purposes consistent with the PPP 2 requirements. Hamilton believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan and it will complete the application process during fiscal year ending June 30, 2022.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2021 are as follows:

Heading Home	\$ 8,482,070
Children's services	238,172
Rental assistance and supplies	188,580
Covid-19 relief	357,168
Time restricted	600,000
Other	129,377
Forgivable loan payable	4,173,291
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Total	\$ 14,168,658

Hamilton Families

Notes to Financial Statements

Net assets with donor restrictions were released from donor restrictions during the year ended June 30, 2021 as follows:

Heading Home	\$ 3,661,544
Children's services	82,798
Rental assistance and supplies	72,505
Other	290,652
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Total	\$ 4,107,499

Forgivable loan payable

Hamilton constructed a transitional housing facility which was partially financed by a \$4,173,291 loan administered by the San Francisco 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, 2021, replacement reserves amounted to \$450,409 and operating reserves amounted to \$250,615, for a total of \$701,024.

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, 2021:	
Cash and cash equivalents	\$ 3,204,513
Government contracts receivable	2,191,220
Pledges and grants receivable	677,870
Investments	20,714,674
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Total financial assets	26,788,277
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Less amounts not available to be used within one year:	
Resident trust account	(55,000)
Transitional housing restricted cash	(701,024)
Net assets with purpose and time restrictions (excluding loan forgivable loan payable)	(9,995,367)
Net assets designated by board	(567,875)
Add: net assets with restrictions to be met in less than a year:	
Heading Home	4,500,000
Other purpose restricted assets	1,213,299
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	(5,605,967)
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Financial assets available to meet general expenditures over the next twelve months	\$ 21,182,310
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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, as described in Note 6. Investments above also include a portion of undesignated net assets without donor restrictions, the use of which will be determined during fiscal year 202; it is the Board's intent to deploy these 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 and for copiers and office equipment which expire through July 2024. Estimated future minimum annual lease payments are as follows:

Year Ended	
June 30,	
2022	\$ 814,000
2023	520,000
2024	391,000
<hr/>	
Total	\$ 1,725,000

Total rent expense under all operating leases amounted to \$707,015 for the year ended June 30, 2021.

Hamilton subleases one of its office spaces under a noncancelable operating sublease agreement. Total rent income for the year ended June 30, 2021 on this sublease was \$151,707, and is recorded as a direct offset to facilities expense in the Statement of Functional Expenses.

The future minimum payments to be received under this sublease as of June 30, 2021, are as follows:

Year Ended	
June 30,	
2022	\$ 263,000
2023	271,000
2024	255,000
2025	23,524
<hr/>	
Total	\$ 812,524

Hamilton Families

Notes to Financial Statements

b. Contingencies

Certain grants and contracts that Hamilton administers and for which it 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 51% 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, 2022.

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, 2021, amounted to \$21,984.

Note 12 - Concentration of Risk:

Hamilton has identified 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 that 73% of the receivables are due from government agencies.

For the year ended June 30, 2021, Hamilton received approximately 66% of its revenue from operations from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

Hamilton Families

Notes to Financial Statements

Note 13 - Global Pandemic:

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

Since the pandemic and shelter-in-place, Hamilton maintained service levels at all programs and adapted safety measures for staff and participants at the shelter and transitional housing programs. Teams in housing services, real estate, and administrative functions worked remotely with a limited number coming to work on-site to meet Hamilton's needs.

During 2021, Hamilton received additional support from government and private funding sources to support staff, participants, and ongoing operations throughout the fiscal year. Despite the efforts of staff and general support of our community, fundraising income was 25% lower than projected. Hamilton received both PPP loans for a combined total of \$3.4 million, which enabled Hamilton to maintain staffing levels at all programs and administrative functions. Hamilton also received local government grants of approximately \$128,000 to provide incentive payments to the lowest-earning staff in our programs.

During 2021, Hamilton experienced an increase in utilities, supplies, and food during shelter-in-place at the residential programs due to families sheltering at the facilities. There were also additional expenses to clean, sanitize, purchase security equipment and supplies at the facilities. Hamilton also provided incentive pay and COVID-19 medical leave to participant-facing staff of \$378,000 and Hamilton helped families with extensions and increased rental subsidies, food, and essential supplies for a total of 177,000 in additional support.

Hamilton anticipates maintaining the same staffing, services, and support to families across all programs during the fiscal year ending June 30, 2022.