

**HAMILTON FAMILIES**

**JUNE 30, 2022**

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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

### Opinion

We have audited the financial statements of the **HAMILTON FAMILIES (Hamilton)**, which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hamilton as of June 30, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hamilton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hamilton's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

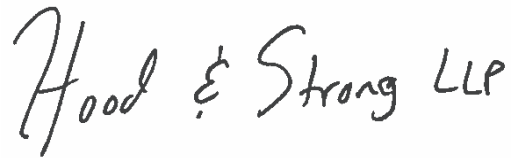
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hamilton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited Hamilton's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
November 29, 2022

# Hamilton Families

## Statement of Financial Position

<i>June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 2,129,123	\$ 3,204,513
Government contracts receivable	1,951,107	2,191,220
Pledges and grants receivable	1,434,485	677,870
Investments	17,576,300	20,714,674
Prepaid expenses and other assets	356,303	238,568
Property and equipment, net	3,307,691	3,608,895
<b>Total assets</b>	<b>\$ 26,755,009</b>	<b>\$ 30,635,740</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 979,844	\$ 102,604
Accrued salaries and related expenses	726,533	779,675
Loan payable - Paycheck Protection Program		1,730,080
<b>Total liabilities</b>	<b>1,706,377</b>	<b>2,612,359</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Board designated	599,704	567,875
Undesignated	14,514,624	13,286,848
<b>Total unrestricted</b>	<b>15,114,328</b>	<b>13,854,723</b>
With donor restrictions	9,934,304	14,168,658
<b>Total net assets</b>	<b>25,048,632</b>	<b>28,023,381</b>
<b>Total liabilities and net assets</b>	<b>\$ 26,755,009</b>	<b>\$ 30,635,740</b>

See accompanying notes to the financial statements.

# Hamilton Families

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2022 (with comparative totals for 2021)*

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue and Support:</b>				
Government contracts	\$ 11,927,593		\$ 11,927,593	\$ 12,121,007
Grants and contributions	3,079,787	\$ 1,365,290	4,445,077	4,192,405
In-kind contributions	569,697		569,697	532,686
Special events (net of direct expenses of \$25,707 for 2022)	188,434		188,434	457,438
Investment (loss) income, net	(434,501)		(434,501)	71,957
Other income	68,472		68,472	147,917
Net assets released from restrictions	5,599,644	(5,599,644)	-	-
<b>Total revenue and support</b>	<b>20,999,126</b>	<b>(4,234,354)</b>	<b>16,764,772</b>	<b>17,523,410</b>
<b>Expenses:</b>				
Program services:				
Transitional housing	2,309,876		2,309,876	2,120,088
Family residence	3,677,205		3,677,205	3,559,545
Housing solutions	7,476,965		7,476,965	7,623,429
Heading home	3,900,054		3,900,054	4,136,150
Fundraising	1,136,028		1,136,028	988,242
General and administrative	2,969,473		2,969,473	2,767,052
<b>Total expenses</b>	<b>21,469,601</b>	<b>-</b>	<b>21,469,601</b>	<b>21,194,506</b>
<b>Change in Net Assets before Other Changes</b>	<b>(470,475)</b>	<b>(4,234,354)</b>	<b>(4,704,829)</b>	<b>(3,671,096)</b>
<b>Other Changes in Net Assets:</b>				
Forgiveness of Paycheck Protection Program Loan (Note 7)	1,730,080		1,730,080	1,730,080
<b>Change in Net Assets</b>	<b>1,259,605</b>	<b>(4,234,354)</b>	<b>(2,974,749)</b>	<b>(1,941,016)</b>
<b>Net Assets, beginning of year</b>	<b>13,854,723</b>	<b>14,168,658</b>	<b>28,023,381</b>	<b>29,964,397</b>
<b>Net Assets, end of year</b>	<b>\$ 15,114,328</b>	<b>\$ 9,934,304</b>	<b>\$ 25,048,632</b>	<b>\$ 28,023,381</b>

See accompanying notes to the financial statements.

# Hamilton Families

## Statement of Functional Expenses

Year Ended June 30, 2022 (with comparative totals for 2021)

	2022									2021 Total
	Program Services					Supporting Services			Total	
	Transitional Housing	Family Residence	Housing Services		Subtotal	Fundraising	General and Administrative			
		Housing Solutions	Heading Home							
Salaries	\$ 1,355,277	\$ 2,049,972	\$ 2,232,995	\$ 951,883	\$ 6,590,127	\$ 651,061	\$ 1,888,523	\$ 9,129,711	\$ 9,137,173	
Employee benefits	262,846	394,239	403,219	215,570	1,275,874	71,888	228,079	1,575,841	1,391,554	
Payroll taxes	103,219	156,190	169,621	73,782	502,812	45,710	134,884	683,406	654,107	
Rental subsidies and move-in assistance			3,562,473	2,000,230	5,562,703			5,562,703	6,069,100	
Post-rental housing assistance			208,058	2,000	210,058			210,058	123,527	
Participant activities and supplies	137,806	160,075	246,007	10,219	554,107	160	478	554,745	557,640	
Building repairs and maintenance	71,071	76,739	2,084	2,242	152,136	274	3,715	156,125	143,490	
Computer services	42,031	74,156	82,906	35,867	234,960	16,810	130,125	381,895	249,374	
Consultants and contractors	16,476	324,512	25,350	395,206	761,544	128,943	185,851	1,076,338	715,738	
Equipment maintenance and rental	9,157	15,651	10,121	4,749	39,678	1,206	4,040	44,924	49,370	
Fees and subscription	1,016	3,899	4,467	8,379	17,761	67,754	46,989	132,504	85,729	
Food services	2,745	171,101			173,846		30	173,876	128,161	
Insurance	20,372	33,961	37,763	16,001	108,097	5,195	24,244	137,536	104,456	
Office supplies	3,012	6,359	6,899	3,454	19,724	669	22,077	42,470	68,082	
Payroll service	8,727	14,481	16,108	7,382	46,698	2,301	8,532	57,531	56,059	
Printing	47	93	253	75	468	4,264	325	5,057	3,668	
Rent	125		326,564	71,841	398,530	39,419	132,910	570,859	707,015	
Staff training and development	11,984	23,837	26,675	9,852	72,348	3,095	26,447	101,890	95,193	
Transportation	2,133	11,877	35,667	16,684	66,361	134	3,872	70,367	75,853	
Utilities	119,421	98,186	40,957	23,987	282,551	8,796	32,939	324,286	381,320	
Depreciation	136,279	61,877	35,718	48,151	282,025		55,693	337,718	352,929	
Miscellaneous	6,132		3,060	2,500	11,692	88,349	39,720	139,761	44,968	
Expenses as shown on the Statement of Activities and Changes in Net Assets	2,309,876	3,677,205	7,476,965	3,900,054	17,364,100	1,136,028	2,969,473	21,469,601	21,194,506	
Other expenses: Fundraising costs						25,707		25,707	60,857	
<b>Total Expenses</b>	<b>\$ 2,309,876</b>	<b>\$ 3,677,205</b>	<b>\$ 7,476,965</b>	<b>\$ 3,900,054</b>	<b>\$ 17,364,100</b>	<b>\$ 1,161,735</b>	<b>\$ 2,969,473</b>	<b>\$ 21,495,308</b>	<b>\$ 21,255,363</b>	

See accompanying notes to the financial statements.



# Hamilton Families

## Statement of Cash Flows

<i>Year Ended June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
<b>Operating Activities:</b>		
Change in net assets	\$ (2,974,749)	\$ (1,941,016)
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)	(1,730,080)
Depreciation	337,718	352,929
Loss on disposal of assets		4,320
Realized and unrealized loss on investments	607,116	216,574
Changes in operating assets and liabilities:		
Government contracts receivable	240,113	(524,710)
Pledges and grants receivable	(756,615)	(19,482)
Prepaid expenses and other assets	(117,735)	63,091
Accounts payable and accrued expenses	877,240	(259,360)
Accrued salaries and related expenses	(53,142)	131,266
<b>Net cash used by operating activities</b>	<b>(3,570,134)</b>	<b>(3,706,468)</b>
<b>Investing Activities:</b>		
Purchases of investments	(13,130,712)	(286,954)
Proceeds from investments	15,661,970	1,000,000
Purchases of property and equipment	(36,514)	(11,233)
<b>Net cash provided by investing activities</b>	<b>2,494,744</b>	<b>701,813</b>
<b>Financing Activities:</b>		
Proceeds from Paycheck Protection Program		1,730,080
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,730,080</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(1,075,390)</b>	<b>(1,274,575)</b>
<b>Cash and Cash Equivalent, beginning of year</b>	<b>3,204,513</b>	<b>4,479,088</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,129,123</b>	<b>\$ 3,204,513</b>

See accompanying notes to the financial statements.

# Hamilton Families

## Notes to the Financial Statements

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### 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.

*Program Services:*

#### **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 a prior year, 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.

#### **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 Families

## Notes to the Financial Statements

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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.

### 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 nor donor-imposed restrictions 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, 2022, Hamilton had designated an operating reserve of \$599,704.

##### *Net Assets With Donor Restrictions*

The portion of net assets limited by donor-imposed stipulations is restricted until the restrictions either expire by passage of time or are 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 the Financial Statements

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### 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, 2022 are included in government contracts receivable and are expected to be collected in fiscal year 2023.

A portion of 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 totaling approximately \$16,800,000 that have not been recognized at June 30, 2022 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, 2022, replacement reserves amounted to \$474,461 and operating reserves amounted to \$250,640 for a total of \$725,101. See Note 8. Restricted cash also includes amounts held for program participants at the Transitional and Shelter programs of \$68,228.

# Hamilton Families

## Notes to the Financial Statements

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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 include money market funds, equities, fixed income and mutual funds. Investments received through gifts are recorded at estimated fair value at the date of donation. Gains or losses that result from market fluctuations 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.

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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 - Unadjusted quoted market prices 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.

# Hamilton Families

## Notes to the Financial Statements

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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 \$569,697 primarily consisted of legal, advertising and software licenses of \$129,149, support for children's education and activities of \$391,660, and household goods for families of \$48,888. In valuing the support for children's education and activities, and household goods, Hamilton estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. The value of legal, advertising and software licenses is based on market rates typically charged for those items in the normal course of business for similar services and products.

The total in-kind contributions, were utilized in the following functional areas:

Transitional housing	\$	84,326
Family residence		108,372
Housing services		247,850
Supporting services		129,149
		<hr/>
	\$	569,697

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. Allocation of Functional 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.

# Hamilton Families

## Notes to the Financial Statements

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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.

As of June 30, 2022, 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, 2021 from which the summarized information was derived.

l. Recent Accounting Pronouncements

*Adopted:*

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and to disclose the types of contributed nonfinancial assets received, the techniques used to value them, and the uses to which they were put.

*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 the Financial Statements

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m. Subsequent Events

Hamilton evaluated subsequent events with respect to the financial statements for the year ended June 30, 2022 through November 29, 2022, 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 described in Note 10.

**Note 3 - Pledges and Grants Receivable:**

Pledges and grants receivable consist of the following at June 30, 2022:

Pledges from individuals	\$ 631,101
Pledges from foundations	610,050
Pledges from corporations	160,000
<u>Pledges from community groups</u>	<u>33,334</u>
	<u>\$ 1,434,485</u>

At June 30, 2022, \$1,334,485 is expected to be collected within one year and \$100,000 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, 2022, \$4,274,365 was expended in relation to funds raised by the Campaign, which includes \$2,002,230 of participant financial assistance, \$1,241,235 of personnel costs, and \$656,589 of other program operations and activities. Additionally, \$374,311 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, 2022, \$4,117,417 of restricted contributions relating to the Campaign were released from restriction.



# Hamilton Families

## Notes to the Financial Statements

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### Note 4 - Investments and Fair Value Measurements:

#### *Investments*

Investments (Level 1) are summarized as follows:

Cash and cash equivalents	\$ 11,828,660
Fixed income funds	1,969,432
U.S. equities	1,518,543
International equities	1,064,348
U.S. treasury notes	1,195,317
	<hr/>
	\$ 17,576,300

Investment income, net consisted of the following for the year ended June 30, 2022:

Net realized and unrealized loss	\$ (607,117)
Interest and dividends	176,110
Less investment management fees	(3,494)
	<hr/>
	\$ (434,501)

### Note 5 - Property and Equipment, Net:

Property and equipment consisted of the following at June 30, 2022:

Land	\$ 738,016
Buildings and improvements	5,174,122
Leasehold improvements	1,301,266
Furniture and equipment	670,399
Automobiles	346,895
	<hr/>
	8,230,698
Less: accumulated depreciation	(4,923,007)
	<hr/>
	\$ 3,307,691

Depreciation expense for the year ended June 30, 2022, was \$337,718.

# Hamilton Families

## Notes to the Financial Statements

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**Note 6 - Line of Credit:**

In 2022 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 May 2023. The LOC is collateralized by all of the assets of Hamilton Families, excluding the buildings. Hamilton did not utilize the LOC during 2022.

**Note 7 - Loan Payable – Paycheck Protection Program:**

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 (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 the average monthly payroll expenses of the 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 ended, receiving forgiveness of the loan on December 17, 2021. Hamilton recognized for the full value of the loan as income in the Statement of Activities and Changes in Net Assets as of June 30, 2022.

**Note 8 - Net Assets With Donor Restrictions:**

Net assets with donor restrictions at June 30, 2022 were as follows:

Heading Home	\$ 4,364,653
Children's services	97,713
Rental assistance and supplies	36,640
Time restricted	1,111,500
Other	150,507
Forgivable loan payable	4,173,291
<hr/>	
Total	\$ 9,934,304

# Hamilton Families

## Notes to the Financial Statements

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Net assets with donor restrictions were released from donor restrictions during the year ended June 30, 2022 as follows:

Heading Home	\$ 4,117,417
Children's services	259,334
Rental assistance and supplies	151,940
Time restricted	300,000
Covid-19 relief	607,168
Other	163,785
<hr/>	
Total	\$ 5,599,644

### *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 time restricted contribution. This amount will remain time 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, 2022, replacement reserves amounted to \$474,461 and operating reserves amounted to \$250,640, for a total of \$725,101.

# Hamilton Families

## Notes to the Financial Statements

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### 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, 2022:	
Cash and cash equivalents	\$ 2,129,123
Government contracts receivable	1,951,107
Pledges and grants receivable	1,434,485
Investments	17,576,300
<hr/>	
Total financial assets	\$ 23,091,015
<hr/>	
Less amounts not available to be used within one year:	
Resident trust account	(68,228)
Transitional housing restricted cash	(725,101)
Net assets with purpose and time restrictions (excluding forgivable loan payable)	(5,761,013)
Net assets designated by board	(599,704)
Add: net assets with restrictions to be met in less than a year:	
Heading Home	3,623,089
Other purpose restricted assets	1,396,360
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	(2,134,597)
<hr/>	
Financial assets available to meet general expenditures over the next twelve months	\$ 20,956,418
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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 2023; it is the Board's intent to deploy these resources to the programs and sustainability of Hamilton

# Hamilton Families

## Notes to the Financial Statements

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### 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. In September 2022, Hamilton executed a one-year lease extension on an office lease expiring on September 30; with monthly payments of \$26,252. The lease includes an option to extend the lease for an additional 2 years with one-year extensions. Estimated future minimum annual lease payments are as follows:

Year Ended	
June 30,	
2023	\$ 728,000
2024	469,000
<hr/>	
Total	\$ 1,197,000

Total rent expense under all operating leases amounted to \$570,859 for the year ended June 30, 2022.

Hamilton subleases one of its office spaces under a noncancelable operating sublease agreement. Total rent income for the year ended June 30, 2022 on this sublease was \$262,851 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, 2022, are as follows:

Year Ended	
June 30,	
2023	\$ 271,000
2024	302,000
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Total	\$ 573,000

#### 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.

# Hamilton Families

## Notes to the Financial Statements

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c. Collective Bargaining Agreement

Approximately 42% 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 1, 2023.

**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, 2022, amounted to \$25,500.

**Note 12 - Concentration of Risk:**

Hamilton has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash, investments, 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 58% of the receivables are due from government agencies.

For the year ended June 30, 2022, Hamilton received approximately 61% of its revenue from operations from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

# Hamilton Families

## Notes to the Financial Statements

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### 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 has 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 2022, Hamilton received additional support from government and private funding sources to support staff, participants, and ongoing operations throughout the fiscal year. Hamilton received PPP loan-2 total of \$1,730,080, which enabled Hamilton to maintain staffing levels at all programs and administrative functions. Hamilton also received local government grants of approximately \$225,000 to provide incentive payments to the lowest-earning staff in our programs.

During 2022, Hamilton experienced increases 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, and purchase security equipment and supplies at the facilities. Hamilton also provided incentive pay and COVID-19 medical leave to participant-facing staff of approximately \$445,000 and Hamilton helped families with extensions and increased rental subsidies, food, and essential supplies for a total of \$70,000 in additional support.

Hamilton anticipates maintaining the same staffing, services, and support to families across all programs during the fiscal year ending June 30, 2023.