

HAMILTON FAMILIES

JUNE 30, 2023

INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

Hamilton Families

Independent Auditors' Report and Consolidated Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
HAMILTON FAMILIES
San Francisco, California

Opinion

We have audited the consolidated financial statements of the **HAMILTON FAMILIES AND HAMILTON FAMILIES QALICB (collectively, Hamilton)**, which comprise the consolidated statement of financial position as of June 30, 2023, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hamilton as of June 30, 2023, 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 Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

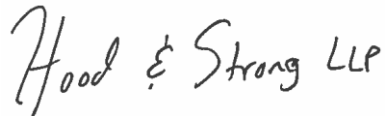
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 24 and 25 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

San Francisco, California
February 22, 2024

Hamilton Families

Consolidated Statement of Financial Position

June 30, 2023

Assets

Cash and cash equivalents	\$	4,454,495
Government contracts receivable		3,506,468
Pledges and grants receivable, net		423,012
Investments		12,508,735
Prepaid expenses and other assets		335,169
Operating right-of-use leased assets		391,018
Loan receivable		9,472,460
Property and equipment, net		13,414,445
Total assets	\$	44,505,802

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	1,615,031
Accrued salaries and related expenses		824,793
Operating lease liabilities		396,511
Loans payable, net		20,166,577
Total liabilities		23,002,912

Net Assets:

Without donor restrictions:		
Board designated		366,221
Undesignated		11,748,258
Total without donor restrictions		12,114,479
With donor restrictions		9,388,411
Total net assets		21,502,890
Total liabilities and net assets	\$	44,505,802

See accompanying notes to the consolidated financial statements.

Hamilton Families

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Government contracts	\$ 12,264,254		\$ 12,264,254
Grants and contributions	1,433,611	\$ 3,922,000	5,355,611
In-kind contributions	346,781		346,781
Special events, net of direct expenses of \$86,704	163,039		163,039
Investment income, net	986,419		986,419
Other income	104,920		104,920
Net assets released from restrictions	4,467,893	(4,467,893)	-
Total revenue and support	19,766,917	(545,893)	19,221,024
Expenses:			
Program services:			
Transitional housing	2,409,841		2,409,841
Family residence	5,335,651		5,335,651
Housing Solutions	6,639,418		6,639,418
Heading Home	2,618,327		2,618,327
Fundraising	1,078,990		1,078,990
General and administrative	4,684,539		4,684,539
Total expenses	22,766,766	-	22,766,766
Change in Net Assets	(2,999,849)	(545,893)	(3,545,742)
Net Assets, beginning of year	15,114,328	9,934,304	25,048,632
Net Assets, end of year	\$ 12,114,479	\$ 9,388,411	\$ 21,502,890

See accompanying notes to the consolidated financial statements.

Hamilton Families

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Subtotal	Supporting Services		Total
	Transitional Housing	Family Residence	Housing Services			Fundraising	General and Administrative	
			Housing Solutions	Heading Home				
Salaries	\$ 1,508,768	\$ 3,168,507	\$ 1,743,804	\$ 683,220	\$ 7,104,299	\$ 662,683	\$ 2,428,807	\$ 10,195,789
Employee benefits	227,174	483,407	255,907	84,776	1,051,264	78,675	315,105	1,445,044
Payroll taxes	106,870	234,902	124,520	49,547	515,839	49,967	165,273	731,079
Rental subsidies and move-in assistance		61,172	3,616,174	1,096,820	4,774,166			4,774,166
Post-rental housing assistance		1,716	555,620		557,336			557,336
Participant activities and supplies	40,664	64,460	4,714	3,906	113,744	29	345,099	458,872
Building repairs and maintenance	92,583	81,852	2,268	908	177,611	684	12,939	191,234
Computer services	32,808	100,829	61,501	16,197	211,335	15,389	64,275	290,999
Consultants and contractors	20,189	370,847	29,621	509,340	929,997	120,460	484,474	1,534,931
Equipment maintenance and rental	8,825	36,342	11,812	8,239	65,218	1,743	4,857	71,818
Fees and subscription	8,483	23,978	16,173	39,603	88,237	50,730	181,416	320,383
Food services	5,159	190,742	25		195,926	429	25	196,380
Insurance	9,889	22,111	14,738	5,096	51,834	2,588	17,113	71,535
Office supplies	4,360	23,854	8,044	4,518	40,776	1,190	11,101	53,067
Payroll service	10,356	23,144	14,853	5,232	53,585	3,058	14,405	71,048
Printing	33	344	275	132	784	83	629	1,496
Rent	72,916	168,555	68,800	29,910	340,181	34,896	283,281	658,358
Staff training and development	7,450	52,533	5,906	6,568	72,457	1,882	57,075	131,414
Transportation	1,018	21,309	16,839	16,188	55,354	312	8,802	64,468
Utilities	117,830	140,187	63,341	24,195	345,553	26,587	15,007	387,147
Interest expense					-		160,197	160,197
Depreciation and amortization	133,322	48,555	24,455	33,904	240,236		63,371	303,607
Miscellaneous	1,144	16,305	28	28	17,505	27,605	51,288	96,398
Expenses as shown on the Consolidated Statement of Activities and Changes in Net Assets	2,409,841	5,335,651	6,639,418	2,618,327	17,003,237	1,078,990	4,684,539	22,766,766
Other expenses: Special event expenses					-	86,704		86,704
Total Expenses	\$ 2,409,841	\$ 5,335,651	\$ 6,639,418	\$ 2,618,327	\$ 17,003,237	\$ 1,165,694	\$ 4,684,539	\$ 22,853,470

See accompanying notes to the consolidated financial statements.

Hamilton Families

Consolidated Statement of Cash Flows

Year Ended June 30, 2023

Operating Activities:

Change in net assets	\$ (3,545,742)
Adjustment to reconcile changes in net assets to net cash used by operating activities:	
Depreciation and amortization	303,607
Realized and unrealized gain on investments	(641,067)
Amortization of operating right-of-use leased assets	454,192
Changes in operating assets and liabilities:	
Government contracts receivable	(1,555,361)
Pledges and grants receivable	1,011,473
Prepaid expenses and other assets	21,134
Accounts payable and accrued expenses	12,410
Accrued salaries and related expenses	98,260
Operating lease liabilities	(448,699)

Net cash used by operating activities	(4,289,793)
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Investing Activities:

Issuance of loan receivable	(9,472,460)
Purchases of investments	(4,571,786)
Proceeds from investments	10,280,418
Purchases of property and equipment	(9,779,907)

Net cash used by investing activities	(13,543,735)
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Financing Activities:

Proceeds from loans payable	20,598,000
Debt issuance costs	(439,100)

Net cash provided by financing activities	20,158,900
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Change in Cash and Cash Equivalents	2,325,372
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Cash and Cash Equivalents, beginning of year	2,129,123
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Cash and Cash Equivalents, end of year	\$ 4,454,495
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Supplementary Disclosure of Cash Activities:

Interest paid during the year	\$ 187,389
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Supplementary Disclosure of Non-Cash Activities:

Operating right-of-use leased assets financed by operating lease liabilities	\$ 845,210
Accrued purchases of property and equipment	\$ 622,777

See accompanying notes to the consolidated financial statements.

Hamilton Families

Notes to the Consolidated Financial Statements

Note 1 - **Organization:**

Hamilton Families' (Hamilton) mission is to end family homelessness in the San Francisco Bay Area. Our pioneering homelessness prevention and housing subsidy programs are nationally recognized. In addition, we provide shelter and stability, and support the well-being of children experiencing homelessness.

Founded in 1985, Hamilton has grown from a temporary residential program for families in crisis to a leading nonprofit organization working to end family homelessness. As a pioneer in serving the most vulnerable families in San Francisco at-risk of experiencing chronic episodes of homelessness, we established the first emergency shelter for families in the Haight-Ashbury neighborhood nearly 40 years ago. Since then, we continue to evolve to meet the needs of our neighbors experiencing homelessness—scaling process and built strategic partnerships with the City and County of San Francisco, San Francisco Unified School District, and private philanthropy to ensure a long-term solution to this problem. We work to interrupt the cycles of generational poverty that impacts thousands of households in San Francisco each year, primarily impacting households led by single Black and Brown mothers. Hamilton envisions a Bay Area where housing is accessible and affordable; where homelessness is rare, brief, and nonrecurring; and where all people and families have a safe and stable place to live.

In February 2023, Hamilton Families formed Hamilton Families QALICB, a nonprofit public benefit corporation. It is organized under the California Nonprofit Public Benefit Corporation Law for charitable purposes. The specific charitable and public purposes for which the corporation is organized is to benefit and support Hamilton Families for the acquisition of a building.

The accompanying consolidated financial statements include all amounts and operations of Hamilton Families and Hamilton Families QALICB (collectively, Hamilton).

Program Services:

Transitional Housing

Hamilton Families operates two Transitional Housing programs providing temporary housing and supportive services to families experiencing homelessness. Tailored wraparound services address the root causes of homelessness and poverty to help families develop and strengthen their skills to acquire and maintain permanent housing. Hamilton Families Transitional Housing offers private living accommodations and comprehensive support services for 20 families for up to 18 months. A second program, Holloway House, operates in coordination with Homeless Prenatal Program and Family and Children's Services to temporarily house and support up to seven families for up to six months. These programs provide families with safe housing while addressing challenges related to mental and behavioral health, domestic violence, immigration, employment, and education. Families also receive support in building life skills, financial literacy, and parenting skills to help them stabilize and prepare for permanent housing and long-term success.

Hamilton Families

Notes to the Consolidated Financial Statements

Shelter

Hamilton Families operates the largest shelter program for families experiencing homelessness in San Francisco. Located in the heart of the Tenderloin, Hamilton Families Shelter offers a safe place to sleep, three meals daily, and critical social services for 60 to 70 families a night for up to six months. Families receive on-site case management, housing search assistance, income planning, workforce development, parenting coaching, mental health support, substance use services, and other referral-based services.

Housing Services

Preventing eviction is the least costly and most effective solution for families at risk of homelessness. Through Homelessness Prevention, qualifying families receive rental assistance (three months back rent plus three months future rent), income planning, referrals to legal services, and case management to help them remain housed.

We help families move into housing first when possible and provide wraparound case management to help families permanently exit homelessness. Hamilton Families is the largest provider of Rapid Re-Housing services to families experiencing homelessness in San Francisco. We provide families with 90-day housing search support to find a viable unit within the SF Bay Area (no more than 2.5 hours away from San Francisco), rental subsidies for up to 20 months, case management, and wraparound services to help families find and retain stable housing. Hamilton Families is dedicated to securing viable housing opportunities for our participants throughout the Bay Area. This includes unit and landlord acquisition and matching families with the right housing opportunities best suited to their needs. Our team of Real Estate Specialists conduct Housing Quality Standards Certified Inspections and support families as liaisons supporting the landlord-tenant relationship, helping families build their rental portfolios and maintain successful tenancy.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The consolidated 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, 2023, Hamilton had designated an operating reserve of \$366,221.

Hamilton Families

Notes to the Consolidated Financial Statements

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.

b. Principles of Consolidation

The accompanying consolidated financial statements include all amounts and operations of Hamilton Families and Hamilton Families QALICB, (collectively, Hamilton). Intercompany transactions and accounts have been eliminated in consolidation.

c. 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, 2023 are included in government contracts receivable and are expected to be collected in fiscal year 2024.

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 Consolidated Statement of Financial Position. Hamilton was awarded cost-reimbursable grants totaling approximately \$13,100,000 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred.

Hamilton Families

Notes to the Consolidated Financial Statements

d. 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 also include restricted cash for the following purposes:

Government contracts:	
Replacement reserves	\$ 474,776
Contract operating reserves	89,781
Transitional and shelter program participants	72,736
Restricted fee service - SF Community Investment Fund (Note 6)	662,614
	<hr/>
	\$ 1,299,907

e. 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.

f. 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 Consolidated 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 consolidated financial statements.

g. 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.

Hamilton Families

Notes to the Consolidated Financial Statements

- 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.

h. Leases

Hamilton determines whether an arrangement is or includes a lease and categorizes leases as either operating or finance leases at their commencement. Hamilton does not have any financing leases. Operating right-of-use leased assets represent Hamilton's right to use an underlying asset during the lease term and operating lease liabilities represent Hamilton's obligation to make payments arising from the lease. Operating leases are recorded in operating right-of-use leased assets and operating lease liabilities on the Consolidated Statement of Financial Position.

Operating right-of-use leased assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The discount rate used to derive the present value is based on the rate implicit in the lease or, in absence of a rate implicit in the lease, a risk-free rate which is aligned with the lease term at the lease commencement date. Renewal periods are included in calculating the right of use assets and liabilities when they are reasonably certain of exercise. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Hamilton made an accounting policy election not to recognize lease assets and liabilities for leases with a term of 12 months or less.

i. Loan Receivable

Loan receivable is reported at its outstanding principal balance and adjusted for an allowance for loan loss, if any. Interest income is accrued on the principal loan balance.

Hamilton Families

Notes to the Consolidated Financial Statements

j. 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 \$346,781 primarily consisted of household goods for families of \$267,824, legal, advertising and software licenses of \$43,105, and support for children's education and activities of \$35,852. 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 paid for the same or 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	\$	90,665
Family residence		141,767
Housing services		43,083
Supporting services		71,266
		<hr/>
	\$	346,781

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

k. 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.

l. Use of Estimates

The preparation of consolidated 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 Consolidated Financial Statements

m. Tax Exempt Status

Hamilton Families and Hamilton Families QALICB are 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 consolidated financial statements.

As of June 30, 2023, 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 consolidated financial statements.

n. Recent Accounting Pronouncement

Adopted:

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Among other things, under this guidance, lessees are 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. Hamilton adopted the ASU as of July 1, 2022 using the transition method, under which the prior year information is presented in accordance with Topic 840. Hamilton made an accounting policy election, available under Topic 842, not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. Hamilton applied a package of practical expedients to its leases that commenced before the adoption date, electing not to reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to Hamilton's operating leases of \$845,210 and \$845,210, respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows for the year ended June 30, 2023.

o. Subsequent Events

Hamilton evaluated subsequent events with respect to the consolidated financial statements for the year ended June 30, 2023 through February 22, 2024, the date these consolidated financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as disclosed in Notes 5 and 10.

Hamilton Families

Notes to the Consolidated Financial Statements

Note 3 - Pledges and Grants Receivable:

Pledges and grants receivable consist of the following at June 30, 2023:

Pledges from individuals	\$	376,175
Pledges from foundations		48,747
Other		17,207
Less discount on long-term pledges		(19,117)
		<hr/>
	\$	423,012

At June 30, 2023, \$423,012 is expected to be collected within the next fiscal year. Hamilton was awarded approximately \$358,000 in conditional contributions (not including federal grants) at June 30, 2023. The contributions are conditional upon attaining certain program achievements and other criteria and therefore have not been recorded at year end.

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, 2023, \$2,880,158 was expended in relation to funds raised by the Campaign, which includes \$1,096,820 of participant financial assistance, \$817,543 of personnel costs, and \$703,962 of other program operations and activities. Additionally, \$261,833 of administrative costs (10%) was utilized during the current year and are included on the Consolidated Statement of Functional Expenses. For the year ended June 30, 2023, \$2,618,325 of restricted contributions relating to the Campaign were released from restriction.

Note 4 - Investments and Fair Value Measurements:

Investments (Level 1) are summarized as follows:

Cash and cash equivalents	\$	2,716,430
Fixed income funds		3,733,852
U.S. equity funds		3,833,425
International equity funds		2,225,028
		<hr/>
	\$	12,508,735

Investments are pledged as collateral for the \$7,600,000 loan payable discussed in Note 6.

Hamilton Families

Notes to the Consolidated Financial Statements

Investment income, net consisted of the following for the year ended June 30, 2023:

Net realized and unrealized gain	\$ 641,067
Interest and dividends	369,537
Less investment management fees	(24,185)
	<hr/>
	\$ 986,419

Note 5 - Property and Equipment, Net:

Property and equipment consisted of the following at June 30, 2023:

Land	\$ 5,598,016
Buildings and improvements	8,462,798
Leasehold improvements	1,301,266
Furniture and equipment	670,399
Automobiles	346,895
Construction in progress	2,254,008
	<hr/>
	18,633,382
Less: accumulated depreciation	(5,218,937)
	<hr/>
	\$ 13,414,445

Depreciation expense for the year ended June 30, 2023, was \$295,930.

During the year ended June 30, 2023, Hamilton Families QALICB used the proceeds of the loans payable discussed in Note 6 to purchase a building for the headquarters of Hamilton Families. The total cost was \$8,148,676 of which \$4,860,000 was allocated to land and \$3,288,676 was allocated to the building. As of June 30, 2023, construction in progress of \$2,254,008 relates to improvements of this building. The headquarters building is collateral for the \$12,988,000 loans payable discussed in Note 6.

Hamilton entered into a construction agreement with a remaining commitment of approximately \$1,489,000 as of June 30, 2023. Hamilton paid the remaining commitment during fiscal year ending June 30, 2024.

Hamilton Families

Notes to the Consolidated Financial Statements

Note 6 - Loans Payable and Receivable:

On February 7, 2023, Hamilton Families QALICB received loan proceeds from SFCIF Sub CDE 16, LLC (unrelated party), totaling \$12,998,000. This amount consisted of Loan A, amounting to \$9,472,460, and Loan B, amounting to \$3,525,540. These loans have a maturity date of June 30, 2057, and carry an interest rate of 1% per annum. Accrued interest on the loan is set to be due and payable every quarter, commencing in June 2023, with outstanding principal payments beginning in June 2030 and continuing through the maturity date. There are no prepayments on the loan permitted until February 2030. As of June 30, 2023, the outstanding balance on this loan, net of unamortized debt issuance costs of \$377,474, is \$12,620,526.

During the year ended June 30, 2023, Hamilton Families received loan proceeds in the amount of \$7,600,000 with a maturity date of February 7, 2033. The fixed interest rate on the loan is 5.25% per annum. Hamilton Families used the loan proceeds as financing to issue the loan receivable discussed in Note 2i. Investments are pledged as collateral equal to the loan. As of June 30, 2023, the outstanding balance on this loan, net of unamortized debt issuance costs of \$53,949, is \$7,546,051.

A summary of the amounts outstanding as of June 30, 2023 is as follows:

Hamilton Families QALICB - Loan A and Loan B	\$ 12,998,000
Hamilton Families	7,600,000
<hr/>	
Total loans payable	20,598,000
Less unamortized issuance costs	(431,423)
<hr/>	
	\$ 20,166,577

Annual maturities of loans payable are as follows:

Year Ending	
June 30,	
2024	\$ 253,333
2025	253,333
2026	253,333
2027	253,333
2028	253,333
Thereafter	19,331,335
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	\$ 20,598,000

Hamilton Families

Notes to the Consolidated Financial Statements

In connection with the purchase of the building, in February 2023, Hamilton issued a leveraged loan receivable (the Loan) in the amount of \$9,472,460 to COCRF Investor 246, LLC (the Borrower). The Loan is secured by a pledge agreement between Hamilton and the Borrower. The loan bears an annual interest rate of 1.327% payable on a quarterly basis, payments to be received under the loan are interest-only until April 2030. Principal and interest payments of \$72,760 are payable beginning June 30, 2030 and escalated on an annual basis until the Loan maturity on December 31, 2053.

Note 7 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2023 were as follows:

Heading Home	\$ 1,746,327
Guaranteed Basic Income (GBI) Pilot	2,938,945
Rental assistance and supplies	36,640
Time restricted	360,000
Other	133,208
Forgivable loan payable	4,173,291
Total	\$ 9,388,411

Net assets with donor restrictions were released from donor restrictions during the year ended June 30, 2023 as follows:

Heading Home	\$ 2,618,325
Time restricted	1,011,500
Capital projects	500,000
Guaranteed Basic Income (GBI) Pilot	183,055
Children's services	97,713
Other	57,300
Total	\$ 4,467,893

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.

Hamilton Families

Notes to the Consolidated Financial Statements

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, 2023, replacement reserves amounted to \$474,776 and operating reserves amounted to \$89,781, for a total of \$564,557.

Hamilton Families

Notes to the Consolidated Financial Statements

Note 8 - Availability of Financial Assets and Liquidity:

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

Financial assets at June 30, 2023:	
Cash and cash equivalents	\$ 4,454,495
Government contracts receivable	3,506,468
Pledges and grants receivable	423,012
Investments	12,508,735
Loan receivable	9,472,460
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Total financial assets	30,365,170
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Less amounts not available to be used within one year:	
Restricted cash	(1,299,907)
Investments pledged for loan collateral	(7,600,000)
Long-term portion of loan receivable	(9,472,460)
Net assets with purpose and time restrictions (excluding forgivable loan payable)	(5,215,120)
Net assets designated by board	(366,221)
Add: net assets with restrictions to be met in less than a year:	
Heading Home	1,746,327
Other purpose restricted assets	2,885,388
<hr/>	
	(19,321,993)
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Financial assets available to meet general expenditures over the next twelve months	\$ 11,043,177

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 consolidated 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. A portion of the investments have not yet been designated by the Board and do not contain donor restrictions. Hamilton expects that these funds will remain available for use in its programs.

Hamilton Families

Notes to the Consolidated Financial Statements

Note 9 - 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, 2023; with monthly payments of \$26,252. The lease includes an option to extend the lease for an additional 2 years with one-year extensions.

Hamilton's lease costs consisted of the following for the year ended June 30, 2023:

Operating right-of-use leases – rent	\$	470,368
Short-term leases – rent		187,990
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Total	\$	658,358

Maturities of the operating lease liabilities are as follows:

Year Ending June 30, 2024	\$	402,137
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Total lease payments		402,137
Less discount to present value		(5,626)
<hr/>		
Present value of lease liabilities	\$	396,511

The weighted average remaining lease term as of June 30, 2023 was approximately 0.9 years. The weighted average discount rate as of June 30, 2023 was 2.84%.

Hamilton subleases one of its office spaces under a noncancelable operating sublease agreement. Total rent income for the year ended June 30, 2023 on this sublease was \$295,643 and is recorded as a direct offset to facilities expense in the Consolidated Statement of Functional Expenses.

Hamilton Families

Notes to the Consolidated Financial Statements

The future minimum payments to be received under this sublease as of June 30, 2023, are as follows:

Year Ending June 30, 2024	\$ 278,864
2025	23,524
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Total	\$ 302,388

Note 10 - Commitments and Contingencies:

a. 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.

b. Collective Bargaining Agreement

Approximately 38% of Hamilton's employees are members of the Professional Employees International Union, Local No. 29 AFL-CIO. Hamilton's contract with the union expired on January 1, 2023. A letter of understanding (LOU) between Professional Employees International Union, Local No. 29 AFL-CIO and Hamilton Families was signed on August 31, 2023. The LOU is related to changes to the Collective Bargaining Agreement reached in Affinity Bargaining on June 6, 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. For salary deferrals and Roth contributions, participants are immediately eligible if not in the excludable categories. 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 match/profit sharing. There is no service requirement for employer match but in order to receive a profit-sharing contribution a participant needs to complete 1,000 hours of service and be employed by Hamilton Families on the last day of the plan year. All employer contributions are subject to vesting over a period of four years. Total employer contributions for employer matching for the year ended June 30, 2023, amounted to \$25,502.

Hamilton Families

Notes to the Consolidated Financial Statements

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 89% of the receivables are due from government agencies.

For the year ended June 30, 2023, Hamilton received approximately 64% of its revenue from operations from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

Hamilton Families
Consolidating Statement of Financial Position
(See Independent Auditor's Report)

June 30, 2023

	Hamilton Families	HF QALICB	Eliminating Entries	Consolidated Total
Assets				
Cash and cash equivalents	\$ 1,379,743	\$ 3,074,752		\$ 4,454,495
Government contracts receivable	3,506,468			3,506,468
Pledges and grants receivable, net	423,012			423,012
Investments	12,508,735			12,508,735
Prepaid expenses and other assets	335,169			335,169
Operating right-of-use leased assets	391,018			391,018
Loan receivable	9,472,460			9,472,460
Property and equipment, net	3,011,761	10,402,684		13,414,445
Total assets	31,028,366	13,477,436	-	44,505,802
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	992,254	622,777		1,615,031
Accrued salaries and related expenses	824,793			824,793
Operating lease liabilities	396,511			396,511
Loans payable, net	7,546,051	12,620,526		20,166,577
Total liabilities	9,759,609	13,243,303	-	23,002,912
Net Assets:				
Without donor restrictions:				
Board designated	366,221			366,221
Undesignated	11,514,125	234,133	-	11,748,258
Total without donor restrictions	11,880,346	234,133	-	12,114,479
With donor restrictions	9,388,411	-		9,388,411
Total net assets	21,268,757	234,133	-	21,502,890
Total liabilities and net assets	\$ 31,028,366	\$ 13,477,436	\$ -	\$ 44,505,802

Hamilton Families

Consolidating Statement of Activities and Changes in Net Assets (See Independent Auditors' Report)

Year Ended June 30, 2023

	Hamilton Families	HF QALICB	Eliminating Entries	Consolidated Total
Change in Net Assets Without Donor Restrictions:				
Support and revenue:				
Government contracts	\$ 12,264,254			\$ 12,264,254
Grants and contributions	1,433,611	\$ 266,545	\$ (266,545)	1,433,611
In-kind contributions	346,781			346,781
Special events net of direct expenses of \$86,704	163,039			163,039
Investment income, net	986,419			986,419
Other income	104,920			104,920
Net assets released from restrictions	4,467,893			4,467,893
<hr/>				
Total without donor restrictions support and revenue	19,766,917	266,545	(266,545)	19,766,917
<hr/>				
Expenses:				
Program services:				
Transitional housing	2,409,841			2,409,841
Family residence	5,335,651			5,335,651
Housing solutions	6,639,418			6,639,418
Heading home	2,618,327			2,618,327
Fundraising	1,078,990			1,078,990
General and administrative	4,918,672	32,412	(266,545)	4,684,539
<hr/>				
Total expenses	23,000,899	32,412	(266,545)	22,766,766
<hr/>				
Change in net assets without donor restrictions	(3,233,982)	234,133	-	(2,999,849)
<hr/>				
Change in Net Assets With Donor Restriction:				
Grants and contributions	3,922,000			3,922,000
Net assets released from restrictions	(4,467,893)			(4,467,893)
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Change in net assets with donor restrictions	(545,893)	-	-	(545,893)
<hr/>				
Change in Net Assets	(3,779,875)	234,133	-	(3,545,742)
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Net Assets, beginning of year	25,048,632	-	-	25,048,632
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Net Assets, end of year	\$ 21,268,757	\$ 234,133	\$ -	\$ 21,502,890