

SAMARITAN HOUSE
FINANCIAL STATEMENTS
June 30, 2013

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Samaritan House

Report on the Financial Statements

We have audited the accompanying financial statements of Samaritan House, a California non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Samaritan House's June 30, 2012 financial statements and, in our report dated February 14, 2013; we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samaritan House as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2013, on our consideration of Samaritan House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Samaritan House's internal control over financial reporting and compliance.

Voehr Kristoffusson and Co.

December 5, 2013
San Mateo, California

SAMARITAN HOUSE
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With Comparative Totals as of June 30, 2012)

	ASSETS				
	2013		2012		
	Unrestricted	Temporarily Restricted	Total		Total
Current Assets:					
Cash and cash equivalents (Note 2)	\$ 433,150	\$ 125,158	\$ 558,308	\$ 373,197	
Investments (Notes 2 and 5)	2,317,004	-	2,317,004	1,539,139	
Trust fund cash (Note 6)	70,204	-	70,204	193,306	
Client accounts – Safe Harbor (Note 6)	39,370	-	39,370	29,288	
Benefits contribution receivable from employees	3,669	-	3,669	7,623	
Current portion of promises to give restricted to building project (Note 4)	10,731	-	10,731	69,081	
Bequests receivable	805,981	-	805,981	100,000	
Grants receivable	503,767	140,000	643,767	574,955	
Prepaid expenses	103,702	-	103,702	90,397	
Total Current Assets	<u>4,287,578</u>	<u>265,158</u>	<u>4,552,736</u>	<u>2,976,986</u>	
Property and Equipment (Notes 2 and 7):					
Land	1,882,459	-	1,882,459	1,882,459	
Buildings and improvements	7,288,527	-	7,288,527	7,186,740	
Furniture and equipment	375,122	-	375,122	375,122	
Computer equipment	197,396	-	197,396	197,396	
Computer software	74,558	-	74,558	74,558	
Vehicles	71,805	-	71,805	71,805	
	<u>9,889,867</u>	<u>-</u>	<u>9,889,867</u>	<u>9,788,080</u>	
Less accumulated depreciation and amortization	<u>(1,729,515)</u>	<u>-</u>	<u>(1,729,515)</u>	<u>(1,490,861)</u>	
Property and Equipment, Net	<u>8,160,352</u>	<u>-</u>	<u>8,160,352</u>	<u>8,297,219</u>	
Other Assets:					
Promises to give restricted to building project (Note 4)	2,500	-	2,500	5,000	
Bequest receivable long term	9,000	-	9,000	-	
Security deposits	20,000	-	20,000	20,000	
Total Other Assets	<u>31,500</u>	<u>-</u>	<u>31,500</u>	<u>25,000</u>	
Total Assets	<u>\$12,479,430</u>	<u>\$ 265,158</u>	<u>\$12,744,588</u>	<u>\$11,299,205</u>	

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF FINANCIAL POSITION (Continued)
June 30, 2013
(With Comparative Totals as of June 30, 2012)

LIABILITIES AND NET ASSETS

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Current Liabilities:				
Current portion of notes payable (Note 7)	\$ 36,596	\$ -	\$ 36,596	\$ 55,915
Accounts payable	136,280	-	136,280	143,771
Accrued payroll and paid time off	228,154	-	228,154	258,188
Funds held in trust (Note 6)	70,204	-	70,204	193,306
Client accounts – Safe Harbor (Note 6)	39,370	-	39,370	29,288
Total Current Liabilities	510,604	-	510,604	680,468
Long-Term Liabilities:				
Notes payable (Note 7)	972,540	-	972,540	2,013,317
Accrued interest payable	66,903	-	66,903	61,539
Total Long-Term Liabilities	1,039,443	-	1,039,443	2,074,856
Total Liabilities	1,550,047	-	1,550,047	2,755,324
Net Assets:				
Unrestricted:				
Undesignated	8,429,383	-	8,429,383	6,318,907
Board designated reserve (Note 11)	2,500,000	-	2,500,000	2,042,318
Total Unrestricted	10,929,383	-	10,929,383	8,361,225
Temporarily restricted (Note 9)	-	265,158	265,158	182,656
Total Net Assets	10,929,383	265,158	11,194,541	8,543,881
Total Liabilities and Net Assets	\$12,479,430	\$ 265,158	\$12,744,588	\$11,299,205

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue (Note 2):				
Support:				
Individual and organization contributions	\$ 676,253	\$ 109,024	\$ 785,277	\$ 936,336
Bequests	2,973,921	-	2,973,921	333,858
Government grants	2,097,453	-	2,097,453	2,180,371
Foundation and other grants	616,040	1,659,821	2,275,861	1,906,630
Corporate contributions	37,494	16,800	54,294	79,782
Contributions restricted for building project (Note 9)	-	101,850	101,850	427,561
Special event revenues	200,829	-	200,829	169,241
Special event direct expenses	(63,127)	-	(63,127)	(58,291)
Donated facilities (Note 8)	150,480	-	150,480	150,480
Donated services (Note 8)	1,155,745	-	1,155,745	1,390,809
Gifts-in-kind of food, clothing, and bus passes (Note 8)	2,302,686	-	2,302,686	2,214,100
Net assets released from restrictions (Note 9)	<u>1,804,993</u>	<u>(1,804,993)</u>	<u>-</u>	<u>-</u>
Total Support	<u>11,952,767</u>	<u>82,502</u>	<u>12,035,269</u>	<u>9,730,877</u>
Revenue:				
Contracted meals	29,019	-	29,019	23,652
Rental income	87,908	-	87,908	86,395
Net investment income (Note 5)	18,932	-	18,932	7,451
Net gain on disposition of property and equipment	-	-	-	190,458
Loss on value of bequest receivable	-	-	-	(100,000)
Miscellaneous income	<u>47,757</u>	<u>-</u>	<u>47,757</u>	<u>56,942</u>
Total Revenue	<u>183,616</u>	<u>-</u>	<u>183,616</u>	<u>264,898</u>
Total Support and Revenue	<u>12,136,383</u>	<u>82,502</u>	<u>12,218,885</u>	<u>9,995,775</u>
Expenses (Note 3):				
Program Services:				
Client assistance	3,601,370	-	3,601,370	3,501,809
Homelessness prevention assistance	860,377	-	860,377	1,049,310
Safe harbor shelter	1,286,846	-	1,286,846	1,267,704
Medical clinics	2,511,089	-	2,511,089	2,843,375
Worker resource center	<u>217,033</u>	<u>-</u>	<u>217,033</u>	<u>215,331</u>
Total Program Services	<u>8,476,715</u>	<u>-</u>	<u>8,476,715</u>	<u>8,877,529</u>
Supporting Services:				
Management and general	514,454	-	514,454	532,790
Fundraising	<u>577,056</u>	<u>-</u>	<u>577,056</u>	<u>525,293</u>
Total Supporting Services	<u>1,091,510</u>	<u>-</u>	<u>1,091,510</u>	<u>1,058,083</u>
Total Expenses	<u>9,568,225</u>	<u>-</u>	<u>9,568,225</u>	<u>9,935,612</u>
Change in Net Assets, carried forward to page 6	<u>2,568,158</u>	<u>82,502</u>	<u>2,650,660</u>	<u>60,163</u>

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (Continued)
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013			2012
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Change in Net Assets, carried forward from page 5	\$ 2,568,158	\$ 82,502	\$ 2,650,660	\$ 60,163
Net Assets:				
Beginning of Year	<u>8,361,225</u>	<u>182,656</u>	<u>8,543,881</u>	<u>8,483,718</u>
End of Year	<u>\$ 10,929,383</u>	<u>\$ 265,158</u>	<u>\$ 11,194,541</u>	<u>\$ 8,543,881</u>

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,650,660	\$ 60,163
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	238,654	293,818
Donated securities	(12,788)	-
Contributions restricted for building project	(101,850)	(427,561)
Net realized and unrealized (gain) loss on investments	(3,739)	63
Net gain on disposition of property and equipment	-	(190,458)
Loss on value of bequest receivable	-	100,000
Uncollectible promise to give	-	93,120
Decrease in promises to give	60,850	-
Increase in benefits contribution receivable from employees	3,954	(7,623)
Decrease (increase) in bequests receivable	(714,981)	502,000
Decrease (increase) in grants receivable	(68,812)	17,670
Increase in prepaid expenses	(13,305)	(1,076)
Increase (decrease) in accounts payable	(7,491)	55,721
Increase (decrease) in accrued payroll and paid time off	(30,034)	35,637
Decrease in refundable advances	-	(41,769)
Increase in accrued interest payable	5,364	5,882
Net Cash Provided by Operating Activities	<u>2,006,482</u>	<u>495,587</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments other than money market funds	1,969,698	675,000
Purchases of investments other than money market funds	(1,063,457)	(705,973)
Proceeds from money market funds transactions	1,107,421	-
Investments in money market funds	(2,775,000)	-
Proceeds from sale of property	-	690,977
Purchases of property and equipment	(101,787)	(15,909)
Net Cash Provided (Used in) Investing Activities	<u>(863,125)</u>	<u>644,095</u>
Cash Flows From Financing Activities:		
Proceeds of long term debt	100,000	-
Payments of principal on notes payable	(1,160,096)	(1,675,393)
Collection of contributions restricted for building project	101,850	510,539
Net Cash Used in Financing Activities	<u>(958,246)</u>	<u>(1,164,854)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 185,111	 (25,172)
Cash and Cash Equivalents:		
Beginning of year	<u>373,197</u>	<u>398,369</u>
End of year	<u>\$ 558,308</u>	<u>\$ 373,197</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 141,463</u>	<u>\$ 136,459</u>

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013			2012	
	Program Services	Management and General	Fundraising	Total	Total
Employee compensation and related payroll taxes	\$ 2,527,481	\$ 295,388	\$ 390,138	\$ 3,213,007	\$ 3,213,358
Temporary staffing	2,939	17,031	8	19,978	22,517
Donated services	1,155,745	-	-	1,155,745	1,390,809
Donated facilities	150,480	-	-	150,480	150,480
Employee benefits	454,563	22,339	33,229	510,131	392,806
Employee training	1,110	1,898	798	3,806	13,826
Equipment rental	33,870	3,723	2,517	40,111	29,058
Client food, clothing, and shelter assistance	71,215	-	-	71,215	75,388
Client housing and emergency assistance	643,018	-	-	643,018	828,807
Client assistance of in-kind food, clothing, and bus passes	2,302,686	-	-	2,302,686	2,214,100
Insurance and taxes	98,202	5,073	1,174	104,449	122,168
Interest	124,568	12,548	9,711	146,827	142,341
Marketing	1,188	1,065	2,738	4,991	12,611
Medical clinic supplies	143,795	-	-	143,795	156,736
Office expenses	41,251	17,867	7,737	66,855	73,262
Outside services	107,942	65,663	24,714	198,319	182,633
Postage	1,917	1,549	7,719	11,185	8,287
Printing and mailing services	739	349	44,339	45,428	36,062
Professional fees	10,000	21,303	7,232	38,535	41,108
Rent (Note 10)	114,859	46	34	114,939	127,894
Repairs and maintenance	126,763	12,278	18,649	157,690	123,504
Travel and transportation	34,695	7,506	1,942	44,143	38,562
Uncollectible promise to give	-	-	-	-	93,120
Utilities and telephone	127,210	8,743	6,286	142,240	152,356
Total expenses before depreciation and amortization	8,276,236	494,369	558,966	9,329,571	9,641,793
Depreciation and amortization	200,479	20,085	18,090	238,654	293,818
Total Expenses	<u>\$ 8,476,715</u>	<u>\$ 514,454</u>	<u>\$ 577,056</u>	<u>\$ 9,568,225</u>	<u>\$ 9,935,611</u>

See accompanying notes to financial statements.

**SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF ACTIVITIES

Samaritan House (the Organization) is a nonprofit public benefit corporation organized under the laws of the State of California to provide a comprehensive approach to meet the needs of the people in San Mateo County. These needs may include culturally specific case management, shelter, housing assistance, homelessness prevention services, health care, bilingual assistance, transportation, education, clothing, household, food and emergency needs.

The Organization raises the funds necessary to provide program services to the community from individuals, organizations, foundations, government entities, local businesses, religious organizations, and through fundraising events. Samaritan House engages more than 2,000 volunteers annually to assist in providing these services.

The Organization is acting as the lead agency with multiple grants in collaboration with eight other non-profit service providers in unduplicated areas of San Mateo County who also provide safety net services. The Organization is also the fiscal sponsor with the Season of Sharing emergency assistance funds for San Mateo County.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization classifies its net assets and changes in net assets as follows:

Unrestricted net assets:

that portion of net assets that is neither time nor purpose restricted by donors;

Temporarily restricted net assets:

that portion of net assets whose use is limited by donor-imposed stipulations that can be fulfilled and removed by actions of the Organization or by the passage of time; and

Permanently restricted net assets:

that portion of net assets that have been restricted in perpetuity. The Organization does not have any permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and money market funds held in the UBS investment accounts are excluded from cash equivalents. The Organization maintains cash on deposits at banks in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The uninsured cash balance was approximately \$316,229 as of June 30, 2013. The Organization has not experienced any losses in such accounts. Management believes that it is not exposed to any significant cash credit risk.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Unconditional promises to give (pledges) are recognized as revenue when the promise is made. Pledges which are conditional are recognized as revenue when conditions are substantially met. Pledges expected to be collected within one year are recorded as revenue and a receivable at net realizable value. Pledges expected to be collected in future years are recorded as revenue and a receivable at the present value of the expected future cash flows. In addition, an allowance for uncollectible accounts is projected. The allowance for uncollectible pledges at June 30, 2013 is \$3,933.

Receivables from cost reimbursement government grants are recorded as the eligible costs are incurred.

Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off to expense all balances that are considered uncollectible.

Investments

All mutual funds and exchange traded funds (ETFs) are carried at fair value based upon closing market prices. Certificates of deposit are valued at estimated fair value using prevailing interest rates. All of these investments are subject to market fluctuations. Unrealized gains and losses are recorded in the statement of activities in the period in which they occur. Interest and dividend income are accrued when earned. Direct investment expenses, consisting of trustee fees and management fees, are shown as a reduction of investment income. All investment income is recorded in unrestricted net assets.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate value at the date of donation. Depreciation is computed on the straight-line and the double-declining methods over a period of five years for vehicles, five to seven years for furniture and equipment and over thirty-nine and forty years for the buildings.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets on the placed in service date and the reclassifications are reported on the Statement of Activities as net assets released from restrictions.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Restricted and Unrestricted Revenue

Contributions are considered to be available for unrestricted use unless specifically restricted by donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted revenue, which increases those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted contributions are recorded as temporarily restricted revenue and release from restriction when the restriction is met in the same year the contribution is received.

Bequests

Bequests are recorded as revenue when the Organization receives notification that the court declares the will is valid and an estimate is determinable.

Donated Services, Materials and Facilities

Donations of services, materials and facilities are recorded as contributions measured at estimated fair market value when received. The fair value of contributed services, facilities, and supplies has been measured on a nonrecurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

Functional Allocation of Expenses

Expenses are allocated directly to program activities if they can be specifically identified with a program. If not specifically identifiable, expenses are allocated to programs based on estimated usage by each program. These allocation ratios are reviewed periodically by management.

Income Tax Status

The organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and from state income tax under Section 23701(d) of California Revenue and Taxation Code. Accordingly, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles (GAAP) provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization is no longer subject to U.S federal income tax examinations for the years ending June 30, 2009 and before or state income tax examinations for years ending June 30, 2008 and before.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Comparative 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 sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Samaritan House Programs

The following programs of the Organization are to provide for the needs of low-income neighbors in San Mateo County.

Client Assistance

The client assistance programs includes: homelessness prevention services, case management, counseling, housing assistance, financial asset building and coaching, referrals, all of which assists clients to move towards self-sufficiency through an individual service plan; the food services program which provides hot, nutritious meals at its community dining room and provides take-out meals and to-go food boxes from the food pantry; the Kid's Closet program which provides quality new and used children's clothing to client families; the holiday assistance program which provides low-income families with food and toys during the Thanksgiving and Christmas holidays.

Homelessness Prevention Assistance

The Organization closed out its three year federal grants funded by the American Recovery and Re-Investment Act (ARRA) during the fiscal year. The grant provided homelessness prevention and rapid re-housing services (HPRP) to clients in the San Mateo County in the form of housing assistance. Three additional grants were awarded from the Community Service Block Grant (CSBG) for the homelessness prevention program. Samaritan House is acting as the lead agency in collaboration with eight other non-profit service providers covering unduplicated service areas in San Mateo County. Homelessness prevention services include case management, utility, rental and deposit assistance.

**SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 3 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (Continued)

Safe Harbor Shelter

The Safe Harbor Shelter program provides shelter and supportive services for 90 men and women each night. Services include meals, bathing facilities, life management skills training, health education, access to healthcare, budgeting education, on-site case management, substance abuse support meetings, housing assistance and other supportive services. Residents work with their case manager to develop a case plan to work towards self-sufficiency.

Medical Clinics

The San Mateo and Redwood City Free Clinics provide primary and specialty medical care to uninsured, low-income residents of San Mateo County. Specialty services offered at one or both of the Free Clinics included dentistry, gynecology, breast cancer screenings, dermatology, diabetic care, endocrinology, neurology, orthopedics, ophthalmology, pediatrics, optometry, podiatry, pulmonology, rheumatology, nutritional counseling, psychology, and psychiatry. The two Clinics are staffed by over 120 volunteers providing more than 15,000 volunteer hours and employ only eight staff members.

Workers Resource Center

The Worker Resource Center (WRC), established in 2003, provides a location for temporary laborers and potential employers to meet. In addition, workers receive language training, referrals and other supportive services. The WRC is managed by the Organization and funded by the City of San Mateo.

Samaritan House Supporting Services

Management and General

These expenses include non-program related expenses essential for operating the administrative functions of the Organization. These functions include accounting, human resources management, strategic planning, legal, and all fiscal responsibilities of the Organization.

Fund Raising and Development

Provides the structure necessary to encourage and secure financial support from individuals, government and community agencies, foundations and corporations.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give for the Building Project at June 30, 2013, are as follows:

Total unconditional promises to give	\$ 17,164
Less allowances	<u>(3,933)</u>
Net promises to give at June 30, 2012	13,231
Less current portion of promises to give	<u>(10,731)</u>
Promise to give in one to five years	<u>\$ 2,500</u>

The donors have not imposed a time restriction on the use of the funds.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

Fair Value Measurements

The Organization classifies its assets carried at fair value on a recurring basis according to the hierarchy of valuation techniques used to determine fair value. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels:

Level 1 inputs – quoted market prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date

Level 2 inputs – quoted prices in active markets for similar assets; quoted prices for similar or identical assets in inactive markets; inputs other than quoted prices that are observable for the asset

Level 3 inputs – at least one significant model assumption or input is unobservable. Valuation methodologies and when determination of the fair value requires significant management judgment or estimation.

Investments and Money Market Funds

The following schedule presents the balances of assets measured at fair value on a recurring basis as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money funds and deposits:			
Money market funds and cash	\$ 1,668,850	\$ -	\$ 1,668,850
Certificates of deposit	-	313,235	313,235
Fixed income mutual funds and ETFs:			
Domestic:			
Total return/broad market	55,500	-	55,500
Intermediate/long term	28,361	-	28,361
Short term corporate	4,306	-	4,306
Short term T-bill	27,617	-	27,617
Senior rate securities	30,834	-	30,834
International:			
Broad market	13,428	-	13,428
Short term	28,215	-	28,215
Equity mutual funds and ETFs:			
Domestic:			
Broad market/large cap	81,366	-	81,366
Mid Cap	22,020	-	22,020
Small Cap	1,084	-	1,084
International	42,188	-	42,188
Total	<u>\$ 2,003,769</u>	<u>\$ 313,235</u>	<u>\$ 2,317,004</u>

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

During the year the Organization developed an investment policy statement and investment strategy. As of June 30, 2013 the Organization has begun to implement the strategy and expects to complete the strategy during the next six months.

The following schedule summarizes the net investment income classified as unrestricted income in the Statement of Activities for the year ended June 30, 2013:

Interest and dividends	\$ 15,193
Realized gains	105
Change in unrealized gains and losses	<u>3,634</u>
Total net investment income	<u>\$ 18,932</u>

NOTE 6 - CASH HELD IN TRUST/AMOUNTS HELD FOR OTHERS

The Organization acts as a fiscal agent on behalf of the San Francisco Chronicle's Season of Sharing Fund to a specific group of San Mateo County Community nonprofit organizations. The Organization has agreed to receive and remit grant assistance to eligible individuals. All grants must be submitted by the participating agency and are for a one-time, non-recurring need. Grants are typically used for housing assistance and critical family needs as defined by the funder. Maximum grant amount per household is \$3,000. During the fiscal year ending June 30, 2013, the Organization received \$519,095 and expended total of \$512,431. Since the Organization is acting as a fiscal agent, these amounts are not recorded as revenue and expenses of the Organization.

The Organization encourages residents at Safe Harbor shelter to save money for transitioning back into the community. The Organization deposits and tracks account balances for individual residents. Funds are disbursed to clients as they exit the shelter or as approved by their case manager.

Amounts held as of June 30, 2013 for the above programs are as follows:

Season of Sharing	\$ 70,204
Safe Harbor Shelter	<u>39,370</u>
Total	<u>\$ 109,574</u>

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NOTES PAYABLE

	<u>Amount</u>
Notes payable as of June 30, 2013 consist of the following:	
<p>Note payable to Wells Fargo Bank payable in monthly installments of \$2,695 consisting of principal and interest at a fixed rate of 6.75% through September 2015 with a balloon payment of \$ 355,859 in October 2015. The note is secured by a deed of trust on property located on Pacific Boulevard in San Mateo. The organization received a bequest during the fiscal year and used a portion of the funds to pay down \$1,100,000 of the mortgage in May 2013. Subsequent to the year end, the balance of the loan was fully paid off in October 2013.</p>	\$ 373,327
<p>Note payable to the California Health Facilities Financing Authority (CHFFA) payable in monthly installments of \$3,294 consisting of principal plus interest at a fixed rate of 3% through February 2024. The fifteen year note is secured by a deed of trust on the medical office building in San Mateo.</p>	357,001
<p>Note payable to the County of San Mateo for facility rehabilitation project during the year. The terms of the note are 3% interest for 10 years maturing on June 30, 2023. Payments are deferred for the entire term. Both principal and interest will be forgiven on the maturity date of June 30, 2023 unless the properties assisted with this loan are sold, conveyed or alienated by Samaritan House or in the case of a violation of the agreement.</p>	100,000
<p>Note payable to the County of San Mateo accrues interest at 3% per annum, non-compounding. Both principal and accrued interest are payable upon maturity in January 2031, unless the property is sold or refinanced without the consent of the County of San Mateo. The note is secured by a deed of trust on the medical office building in San Mateo. The terms of the note restricts the use of 10.3% of the total building area to the use of free/low cost clinic services.</p>	<u>178,808</u> 1,009,136 <u>(36,596)</u> <u>\$ 972,540</u>
Less current portion Long-term portion	

Future principal maturities of notes payable are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2014	\$ 36,596
2015	37,996
2016	389,082
2017	31,966
2018	32,939
Thereafter	<u>480,557</u>
Total	<u>\$ 1,009,136</u>

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - DONATED FACILITIES, SERVICES, AND MATERIALS

Donated services are reported at fair value in the financial statements when those services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services of \$1,155,745 for volunteer medical services and lab tests were recorded for the year ended June 30, 2013. The Organization has controls in place and has maintained sufficient records of donated services to be able to record such services and lab tests in the financial statements for that period.

Volunteers also provided many program, administrative and fund-raising services throughout the year that are not recognized as contributions in the financial statements since these services either did not require specialized skills or the services would not be purchased if not contributed.

For the year ended June 30, 2013, gifts-in-kind of food, bus passes, and clothing totaling \$2,302,686 have been recorded in the financial statements. Second Harvest Food Bank was the single largest in kind contributor of food during the fiscal year with food contributions valued at \$1,201,651.

During the year ended June 30, 2013 total donated facilities of \$150,480 have been recognized in the financial statements for the sites provided by the City of San Mateo and the County of San Mateo for the Worker Resource Center and the Safe Harbor Shelter programs.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2013, temporarily restricted net assets are available for the following purposes:

<u>Purpose:</u>	<u>Amount</u>
Food services	\$ 1,115
Kid's Closet	2,906
Redwood City Free Medical Clinic	10,137
 <u>Timing and Purpose:</u>	
San Mateo Free Medical Clinic	<u>251,000</u>
 Total	 <u>\$ 265,158</u>

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

During the year ended June 30, 2013, net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

<u>Purpose restriction accomplished:</u>	<u>Amount</u>
Community worker	\$ 175,351
Kid's Closet	5,825
Food services	105,989
Holiday program	18,655
Safe Harbor Shelter	158,927
San Mateo Free Medical Clinic	476,747
San Mateo Free Dental Clinic	32,190
Redwood City Free Medical Clinic	684,667
Redwood City Free Dental Clinic	<u>44,792</u>
Total operational	1,703,143
 New Building Project	 <u>101,850</u>
 Total restrictions released	 <u><u>\$ 1,804,993</u></u>

NOTE 10 - OPERATING LEASE OBLIGATION

Samaritan House leases 3,289 square feet of office space for the Redwood City Medical Clinic under a five-year lease through April 2017. Rental expense under this lease was \$102,459 for the year ended June 30, 2013. Monthly rent payments under this lease are currently \$8,505 and are subject to annual increases on May 1 of each year thereafter.

The future minimum lease payments under the lease are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2014	\$ 102,480
2015	105,012
2016	107,612
2017	<u>91,510</u>
	<u><u>\$ 406,614</u></u>

NOTE 11 - BOARD DESIGNATED RESERVE

Board Designated Reserve

The board has designated unrestricted net assets totaling approximately six months of operating expenses to be used for emergencies due to unexpected expenses or revenue shortfalls

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - DONOR FUND

In 1994, the Silicon Valley Community Foundation (formerly the Peninsula Community Foundation) received a bequest to be used for the benefit of the Organization. These funds are being held by the Foundation and are used "to benefit Samaritan House" as it was specified by the donor. The balance of the funds as of June 30, 2013 is \$126,479 and is not included in the financial statements of Samaritan House as per policies of the Foundation. The amounts of these funds that can be made available to the Organization as of June 30, 2013 are \$101,479.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Organization has received multi-year cost-reimbursement grants from the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services and other state and local government agencies and has entered into regulatory agreements, the terms of which require resources to be used in accordance with said agreements. Amounts received from the funding agencies may be required to be repaid to the agencies if not used for the purposes for which they are intended. No provision has been made for any liabilities that may arise from special audits that may be performed by these government agencies.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2013, the date which the financial statements were available to be issued, and determined no reportable events occurred other than as disclosed in Note 7.

SUPPLEMENTARY INFORMATION

SAMARITAN HOUSE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Major Programs:</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant for transitional housing and support services:		
Pass-through from County of San Mateo	14.218	\$ 145,330
Loan – Pass through from County of San Mateo	14.218	100,000
Pass-through from City of Redwood City	14.218	15,000
Pass-through from City of Daly City	14.218	8,719
Pass-through from City of San Mateo	14.218	15,900
Loan made in prior fiscal year with continuing compliance – Pass-through from County of San Mateo	14.218	178,808
ARRA-Homelessness Prevention and Rapid Re-Housing Programs:		
Pass-through from State of California	14.257	134,547
<u>U.S. Department of Health and Human Services</u>		
Community Service Block Grant:		
Pass-through from County of San Mateo	93.569	647,497
<u>Non-Major Programs:</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Supportive Housing Demonstration Programs	14.235	127,197
Federal Emergency Shelter Grants for transitional housing	14.231	62,252
San Mateo County Emergency Shelter Grant for transitional housing	14.231	72,231
<u>U.S. Department of Homeland Security</u>		
Emergency Food and Shelter National Board Program	97.024	<u>5,010</u>
Total Federal Awards		<u>\$ 1,512,491</u>

See accompanying notes to the schedule of expenditures of federal awards.

SAMARITAN HOUSE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Samaritan House under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Samaritan House, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Samaritan House.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – PRIOR YEAR'S EXPENDITURES

The accompanying schedule of expenditures of federal awards includes \$178,808 in expenditures from prior years for which continuing compliance is required.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Samaritan House

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Samaritan House (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Samaritan House's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Samaritan House's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Samaritan House's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


December 5, 2013
San Mateo, California



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Samaritan House
San Mateo, California

Report on Compliance for Each Major Federal Program

We have audited Samaritan House's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Samaritan House's major federal programs for the year ended June 30, 2013. Samaritan House's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Samaritan House's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Samaritan House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Samaritan House's compliance.

Opinion on Each Major Federal Program

In our opinion, Samaritan House complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Samaritan House is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Samaritan House's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Samaritan House's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


December 5, 2013
San Mateo, California

**SAMARITAN HOUSE OF SAN MATEO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? ___ yes X no
 Significant deficiencies identified not considered
 to be material weaknesses? ___ yes X no

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal Control over major programs:
 Material weaknesses identified? ___ yes X no
 Significant deficiencies identified not considered
 to be material weaknesses? ___ yes X no

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that required
 to be reported in accordance with
 Circular A-133, Section .510(a)? ___ yes X no

Identification of major programs tested:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.257	Homelessness Prevention and Rapid Re-Housing Programs
93.569	Community Service Block Grant

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes ___ no

SAMARITAN HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2013

Section II - Financial Statement Findings

There were no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no audit findings required to be reported by Circular A-133, Section 510(a).