

**SAMARITAN HOUSE**  
**FINANCIAL STATEMENTS**  
**June 30, 2018**

**SAMARITAN HOUSE  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Samaritan House  
San Mateo, California

### 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, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### 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, 2018, 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.

## **Report on Summarized Comparative Information**

We have previously audited Samaritan House's financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 our report dated October 23, 2018, 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 solely 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 effectiveness of Samaritan House's 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.

*Vackin Knutoffson and Co.*

San Mateo, California  
October 23, 2018

**SAMARITAN HOUSE**  
**STATEMENT OF FINANCIAL POSITION**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

	2018	2017
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 2)	\$ 2,315,581	\$ 2,157,209
Investments (Note 2 and 4)	4,283,051	3,463,928
Funds held in trust (Note 5)	112,546	163,373
Client accounts - Safe Harbor Shelter (Note 5)	48,984	45,096
Bequests receivable - short term	71,035	25,000
Grants receivable	948,477	1,226,399
Prepaid expenses	168,436	111,044
Total Current Assets	7,948,110	7,192,049
<b>Property and Equipment (Note 2):</b>		
Land	1,882,459	1,882,459
Buildings and improvements	7,725,336	7,643,794
Furniture and equipment	501,990	461,494
Computer hardware and software	347,334	309,284
Vehicles	71,805	71,805
Total Property and Equipment	10,528,924	10,368,836
Less accumulated depreciation and amortization	(2,912,625)	(2,679,844)
Total Property and Equipment, Net	7,616,299	7,688,992
<b>Other Assets:</b>		
Bequests receivable - long term	45,460	67,530
Security deposits	20,000	20,000
Total Other Assets	65,460	87,530
Total Assets	\$ 15,629,869	\$ 14,968,571

See accompanying notes to financial statements.

**SAMARITAN HOUSE**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

	2018	2017
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 148,186	\$ 116,321
Accrued payroll and paid time off	544,903	472,757
Deferred revenue	11,649	12,487
Current portion of notes payable (Note 6)	33,941	32,939
Client accounts - Safe Harbor Shelter (Note 5)	48,984	45,096
Funds held in trust (Note 5)	112,546	163,373
Other current liabilities	1,065	3,103
Total Current Liabilities	901,274	846,076
 <b>Long-Term Liabilities:</b>		
Accrued interest payable	15,000	100,359
Notes payable (Note 6)	267,808	480,556
Total Long-Term Liabilities	282,808	580,915
 Total Liabilities	1,184,082	1,426,991
 <b>Net Assets:</b>		
Without donor restrictions		
Undesignated	9,405,379	9,429,069
Board designated reserves (Note 9)	4,092,400	3,384,400
Total without donor restrictions	13,497,779	12,813,469
With donor restrictions (Note 8)	948,008	728,111
Total Net Assets	14,445,787	13,541,580
 Total Liabilities and Net Assets	\$ 15,629,869	\$ 14,968,571

See accompanying notes to financial statements.

**SAMARITAN HOUSE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	2018			2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>Support and Revenue (Note 2):</b>				
Support:				
Individual and organizational contributions	\$ 1,161,292	\$ 319,018	\$ 1,480,310	\$ 1,138,985
Bequests	129,759	-	129,759	122,980
Government grants	3,348,092	-	3,348,092	2,955,703
Healthcare district grants	-	1,089,640	1,089,640	942,577
Foundation grants	495,192	787,100	1,282,292	994,276
Business and corporation contributions	151,553	354,781	506,334	469,339
Special event revenue	505,677	800	506,477	408,097
Special event direct expenses	(123,284)	-	(123,284)	(118,724)
Donated facilities (Note 7)	270,971	-	270,971	207,264
Donated services (Note 7)	1,147,841	-	1,147,841	1,390,940
Donated food, clothing, equipment, bus passes, and medication (Note 7)	3,029,229	-	3,029,229	2,911,422
Net assets released from restrictions (Note 8)	2,331,442	(2,331,442)	-	-
Total Support	<u>12,447,764</u>	<u>219,897</u>	<u>12,667,661</u>	<u>11,422,859</u>
Revenue:				
Contracted meals	32,034	-	32,034	35,363
Rental income (Note 12)	155,935	-	155,935	148,455
Net investment income/(loss) (Note 4)	120,379	-	120,379	241,755
Miscellaneous income (Note 6)	339,704	-	339,704	91,544
Total Revenue	<u>648,052</u>	<u>-</u>	<u>648,052</u>	<u>517,117</u>
Total Support and Revenue	<u>13,095,816</u>	<u>219,897</u>	<u>13,315,713</u>	<u>11,939,976</u>
<b>Expenses (Note 3):</b>				
Program Services:				
Kids Closet	343,470	-	343,470	438,084
Food Services	3,026,488	-	3,026,488	2,716,500
Client Services	797,699	-	797,699	714,783
Holiday Assistance	77,350	-	77,350	128,568
Homelessness Prevention Assistance	816,312	-	816,312	1,058,068
Safe Harbor Shelter	1,484,961	-	1,484,961	1,513,730
Medical and Dental Clinics	2,988,056	-	2,988,056	3,346,567
Worker Resource Center	274,278	-	274,278	287,338
Coordinated Entry System	688,092	-	688,092	89,153
Total Program Services	<u>10,496,706</u>	<u>-</u>	<u>10,496,706</u>	<u>10,292,791</u>
Supporting Services				
Management and general	883,912	-	883,912	724,963
Fundraising	1,030,888	-	1,030,888	761,048
Total Supporting Services	<u>1,914,800</u>	<u>-</u>	<u>1,914,800</u>	<u>1,486,011</u>
Total Expenses	<u>12,411,506</u>	<u>-</u>	<u>12,411,506</u>	<u>11,778,802</u>
<b>Change in Net Assets, carried forward to page 6</b>	<u>684,310</u>	<u>219,897</u>	<u>904,207</u>	<u>161,174</u>

See accompanying notes to financial statements.

**SAMARITAN HOUSE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (Continued)**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Change in Net Assets, carried forward from page 5</b>	\$ 684,310	\$ 219,897	\$ 904,207	\$ 161,174
<b>Net Assets:</b>				
Beginning of Year	12,813,469	728,111	13,541,580	13,380,406
End of Year	\$ 13,497,779	\$ 948,008	\$ 14,445,787	\$ 13,541,580

See accompanying notes to financial statements.

**SAMARITAN HOUSE**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 904,207	\$ 161,174
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of loan principal and interest	(269,850)	-
Depreciation and amortization	232,781	226,157
Contributions restricted for renovation project	(256,586)	-
Net realized and unrealized gain on investments	(50,856)	(189,620)
Changes in operating assets and liabilities:		
Decrease/(Increase) in bequests receivable	(23,965)	594,045
Decrease/(Increase) in grants receivable	277,922	(218,170)
Decrease/(Increase) in prepaid expenses	(57,392)	49,411
Increase/(Decrease) in accounts payable	31,865	(22,315)
Increase in accrued payroll and paid time off	72,146	64,128
(Decrease)/Increase in deferred revenue	(838)	2,776
Decrease in other current liabilities	(2,038)	(4,324)
Increase in accrued interest payable	5,683	8,363
Net Cash Provided by Operating Activities	863,079	671,625
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments other than money market funds	1,103,401	983,172
Purchases of investments other than money market funds	(1,870,763)	(1,447,029)
Proceeds/(Purchases) from money market fund transactions	(905)	120,679
Purchases of property and equipment	(160,088)	(67,670)
Net Cash Used in Investing Activities	(928,355)	(410,848)
<b>Cash Flows From Financing Activities:</b>		
Payments of principal on notes payable	(32,938)	(31,966)
Contributions restricted for renovation project	256,586	-
Net Cash Provided/(Used) in Financing Activities	223,648	(31,966)
Net Increase in Cash and Cash Equivalents	158,372	228,811
<b>Cash and Cash Equivalents:</b>		
Beginning of year	2,157,209	1,928,398
End of year	\$ 2,315,581	\$ 2,157,209
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 3,907	\$ 7,588

See accompanying notes to financial statements.

**SAMARITAN HOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

2018

	<u>Kids Closet</u>	<u>Food Services</u>	<u>Client Services</u>	<u>Holiday Assistance</u>	<u>Homelessness Prevention Assistance</u>	<u>Safe Harbor Shelter</u>	<u>Medical and Dental Clinics</u>	<u>Worker Resource Center</u>	<u>Coordinated Entry System</u>	<u>Total Program Services</u>
Employee compensation and related payroll taxes	\$ 1,055	\$ 282,847	\$ 564,459	\$ 33,837	\$ 125,383	\$ 777,142	\$ 923,309	\$ 172,581	\$ 378,591	\$ 3,259,204
Employee benefits	3,286	43,448	64,448	4,078	10,628	109,773	107,249	30,570	34,792	408,272
Temporary staffing	-	-	-	-	-	23,447	2,090	3,952	-	29,489
Donated services	-	-	-	-	-	-	1,158,341	-	-	1,158,341
Donated facilities	-	-	-	-	-	234,491	-	36,480	-	270,971
Employee training	6	163	3,052	15	-	339	758	165	1,497	5,995
Equipment rental	10	780	2,187	3,160	1,298	4,976	3,328	1,536	4,487	21,762
Client food, clothing, education and shelter	18,094	9,809	105	17,772	-	31,698	475	1,983	22	79,958
Client housing and emergency assistance	-	-	950	-	675,888	-	-	-	203,818	880,656
Client assistance of in-kind food, bus passes, medication and clothing	259,876	2,497,053	-	-	-	97,339	164,461	-	-	3,018,729
Insurance and taxes	3,529	13,812	6,371	576	-	5,275	51,141	845	931	82,480
Interest	-	-	200	-	-	409	7,858	-	-	8,467
Medical clinic supplies	-	-	-	-	-	-	160,466	-	-	160,466
Outreach and marketing	-	1,449	457	680	-	1,302	14,517	840	589	19,834
Outside Services	897	8,009	27,358	5,832	-	39,070	55,132	6,557	29,141	171,996
Postage	1	93	251	68	-	73	492	27	25	1,030
Printing and mailing services	-	-	-	-	649	-	813	-	-	1,462
Professional fees	-	-	-	-	-	-	224	-	-	224
Supplies	605	23,497	11,973	1,969	1,051	45,951	29,676	4,206	2,594	121,522
Rent (Note 11)	-	18,405	1,883	6,946	-	4,973	112,502	335	52	145,096
Repairs and maintenance	12,365	29,606	18,433	218	-	53,799	89,174	1,924	8,487	214,006
Travel, meetings and conferences	35	7,978	17,139	351	817	16,133	2,517	3,626	5,769	54,365
Utilities and telephone	9,085	44,550	30,061	1,693	598	25,664	48,651	7,977	12,078	180,357
Total expenses before depreciation and amortization	308,844	2,981,499	749,327	77,195	816,312	1,471,854	2,933,174	273,604	682,873	10,294,682
Depreciation and amortization	34,626	44,989	48,372	155	-	13,107	54,882	674	5,219	202,024
<b>Total Expenses</b>	<b>\$ 343,470</b>	<b>\$ 3,026,488</b>	<b>\$ 797,699</b>	<b>\$ 77,350</b>	<b>\$ 816,312</b>	<b>\$ 1,484,961</b>	<b>\$ 2,988,056</b>	<b>\$ 274,278</b>	<b>\$ 688,092</b>	<b>\$ 10,496,706</b>

See accompanying notes to financial statements

**SAMARITAN HOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

	2018			2017		
	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Employee compensation and related payroll taxes	\$ 3,259,204	\$ 628,522	\$ 569,841	\$ 1,198,363	\$ 4,457,567	\$ 4,130,840
Employee benefits	408,272	41,217	41,478	82,695	490,967	491,718
Temporary staffing	29,489	8,822	47,930	56,752	86,241	51,600
Donated services	1,158,341	-	-	-	1,158,341	1,390,940
Donated facilities	270,971	-	-	-	270,971	207,264
Employee training	5,995	1,210	582	1,792	7,787	10,071
Equipment rental	21,762	10,018	3,764	13,782	35,544	29,749
Client food, clothing, education and shelter	79,958	175	2	177	80,135	84,732
Client housing and emergency assistance	880,656	-	-	-	880,656	871,050
Client assistance of in-kind food, bus passes, medication and clothing	3,018,729	-	-	-	3,018,729	2,911,422
Insurance and taxes	82,480	12,593	2,721	15,314	97,794	98,501
Interest	8,467	1,123	-	1,123	9,590	15,952
Medical clinic supplies	160,466	-	-	-	160,466	153,949
Outreach and marketing	19,834	317	4,216	4,533	24,367	22,975
Outside services	171,996	42,022	249,234	291,256	463,252	294,276
Postage	1,030	1,205	7,794	8,999	10,029	20,534
Printing and mailing services	1,462	637	60,965	61,602	63,064	53,480
Professional fees	224	67,850	-	67,850	68,074	44,295
Supplies	121,522	15,930	6,147	22,077	143,599	147,049
Rent (Note 11)	145,096	-	-	-	145,096	141,398
Repairs and maintenance	214,006	7,839	7,676	15,515	229,521	131,328
Travel, meetings and conferences	54,365	8,694	3,637	12,331	66,696	48,857
Utilities and telephone	180,357	18,807	11,075	29,882	210,239	200,665
Total expenses before depreciation and amortization	10,294,682	866,981	1,017,062	1,884,043	12,178,725	11,552,645
Depreciation and amortization	202,024	16,931	13,826	30,757	232,781	226,157
Total Expenses	<u>\$ 10,496,706</u>	<u>\$ 883,912</u>	<u>\$ 1,030,888</u>	<u>\$ 1,914,800</u>	<u>\$ 12,411,506</u>	<u>\$11,778,802</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 (i.e. rental assistance), 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 fundraising services.

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

The Organization also manages the Coordinated Entry System (CES) program in partnership with the County of San Mateo. The CES program provides assessments, case management and other services to families and individuals seeking emergency shelter within San Mateo County so they may return to housing as quickly as possible.

### **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:

#### **Net Assets**

##### **Net Assets Without Donor Restriction:**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The governing board has designated, from net assets without donor restrictions, net assets for an operating and board-designated reserve.

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

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Samaritan House or by passage of time. Other donor restrictions may be perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Samaritan House does not hold funds in perpetuity as of June 30, 2018. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 \$1,975,918 as of June 30, 2018. The Organization has not experienced any losses in such accounts. Management believes that it is not exposed to any significant cash credit risk.

**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.

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. 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.

**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 method over a period of five years for vehicles, five to fifteen years for furniture and equipment, five years for computer equipment, three years for computer software and thirty-nine to forty years for 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 net assets without donor restrictions 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 net assets with donor restrictions.

**Capital Gifts to Acquire or Construct Long-Lived Assets**

Capital gifts to acquire or construct a long-lived asset are recorded as a donor restricted gift until the related asset is placed in service, at which time the donated gift is released from net assets with donor restrictions to net assets without donor restrictions and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset.

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

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Total fundraising expenses for the year ended June 30, 2018 including special event expense and fundraising expenses was \$1,154,172.

**Revenue Recognition**

Contributions

The Organization recognizes contributions received and made as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions in the same year.

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).

Grant Revenue

Grant revenue on cost-reimbursement grants or contracts is recognized when the Organization requests reimbursement from granting agencies after the program expenditures have been incurred. Such grant programs are subject to independent audit under the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and review by grantor agencies. Such review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds.

Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Concentration of Revenue Sources

During the year ended June 30, 2018, Samaritan House received support, other than donated facilities, services, and materials, in the amount of \$2,207,863 (26%) from San Mateo County (including pass through federal funds of \$523,075).

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

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, 2017, from which the summarized information was derived. Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**Accounting Pronouncements Adopted**

In August 2016, the Financial Accounting Standards Board (FASB) issued Auditing Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification by providing new information about liquidity and availability of resources. The new presentation also adds more consistency in the type of information provided about expenses and investment returns. While implementation of these new standards is not required until the fiscal year ending June 30, 2019 for Samaritan House, management has decided to be an early adopter and implement the new standards in fiscal year ending June 30, 2018. These financial statements reflect the new standards and have been applied retrospectively to all periods presented.

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

**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.

Kids Closet and Holiday Assistance

Kids Closet program provides quality new and used children's clothing to client families. The Holiday Assistance program provides low-income families with food and toys during the Thanksgiving and Christmas holidays.

Food Services

Food Services program prepares and serves hot meals for its community dining room, mobile meals, kids' summer lunch and snacks program, senior centers, homeless shelter, and other community centers. The Food Pantry program distributes bags of groceries and food items in the bread pantry daily. Food distributions in collaboration with the Second Harvest Food Bank provide fresh produce and additional food items during the year with the Produce Mobile and Family Harvest distributions at various sites in San Mateo County.

Client Services

The client services program includes: case management, counseling, housing assistance, financial asset building and coaching, and referrals to resources, all of which assist clients to move towards self-sufficiency through an individual service plan.

Homelessness Prevention Assistance

The Organization receives and distributes emergency assistance funds for housing and critical family needs. Sources of funding are through the Community Service Block Grant (CSBG), local County Measure A funds, and the San Francisco Chronicle's Season of Sharing fund for the homelessness prevention services. Samaritan House acts as the lead agency in collaboration with seven other non-profit service providers covering unduplicated service areas in San Mateo County to distribute funds on behalf of clients throughout San Mateo County.

Safe Harbor Shelter

The Safe Harbor Shelter program provides emergency and transitional shelter and supportive services for up to ninety 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 and permanent housing.

Medical and Dental Clinics

The San Mateo and Redwood City Free Clinics provide primary and specialty medical care to low-income residents of San Mateo County. Specialty services offered at one or both of the Free Clinics includes dentistry, gynecology, breast cancer screenings, dermatology, diabetic care, endocrinology, neurology, orthopedics, ophthalmology, pediatrics, optometry, podiatry, pulmonology, rheumatology, nutritional counseling, psychology, and psychiatry. In addition to the 12 employee positions, the two Free Clinics are staffed by over 260 volunteers who provided more than 10,000 volunteer hours during the fiscal year ended June 30, 2018.

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

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

Worker 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 is primarily funded by the City of San Mateo.

Coordinated Entry System

Coordinated entry is a process through which people experiencing or at risk of experiencing homelessness can access homeless services in San Mateo County. This new program for Samaritan House streamlines the assessment through a consistent process and quickly connects to appropriate homeless services to help them return to housing as quickly as possible. In partnership with the County of San Mateo, the Coordinated Entry System (CES) aims to support individuals and families in identifying alternative housing options, ensuring individuals and families experiencing homelessness are connected to applicable resources quickly, and ensuring individuals and families with the greatest need are connected to the best available resources that will help them return to housing.

**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, governance, strategic planning, legal, and all fiscal responsibilities of the Organization.

Fundraising and Development

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

**NOTE 4 – 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 determination of the fair value requires significant management judgment or estimation.

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

**NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)**

The following schedule presents the balances of assets measured at fair value on a recurring basis as of June 30, 2018:

	<u>Level 1</u>	<u>Total</u>
<b>Fixed income mutual funds and ETFs:</b>		
Domestic:		
Total return/broad market	\$ 1,038,962	\$ 1,038,962
Intermediate/long term	642,648	642,648
International	265,812	265,812
<b>Equity mutual funds and ETFs:</b>		
Domestic:		
Broad market/large cap	920,026	920,026
Mid Cap	62,725	62,725
Small Cap	33,858	33,858
International	<u>931,496</u>	<u>931,496</u>
 <b>Total</b>	 <u><b>\$ 3,895,527</b></u>	 <u><b>\$ 3,895,527</b></u>

The Organization has an investment policy in place. The Investment Committee of the Board reviews performance quarterly and ensures adherence to the investment policy. As of June 30, 2018 the Organization's investments are in compliance with its investment policy.

The investments consist of the following as of June 30, 2018

Money market funds	\$ 133,583
Certificates of deposits	253,941
Mutual funds	<u>3,895,527</u>
Total Investments	<u>\$ 4,283,051</u>

The following schedule summarizes the net investment income classified as unrestricted income in the Statement of Activities for the year ended June 30, 2018:

Interest and dividends	\$ 100,093
Realized gain	89,593
Net unrealized loss	(38,737)
Less: Investment expenses	<u>(30,570)</u>
Total net investment income	<u>\$ 120,379</u>

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

**NOTE 5 - 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, 2018, the Organization received \$535,562 and expended a total of \$586,389. 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, 2018 for the above programs are as follows:

San Francisco Chronicle's Season of Sharing Fund	\$ 112,546
Safe Harbor Shelter	<u>48,984</u>
Total	<u>\$ 161,530</u>

**NOTE 6 - NOTES PAYABLE**

Notes payable as of June 30, 2018 consist of the following: Amount

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. \$ 201,749

Note payable to the County of San Mateo for a facility rehabilitation project. 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. 100,000

	301,749
Less current portion	<u>(33,941)</u>
Long-term portion	<u>\$ 267,808</u>

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

**NOTE 6 - NOTES PAYABLE (Continued)**

Future principal maturities of notes payable are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2019	\$ 33,941
2020	34,973
2021	36,037
2022	37,133
2023	38,262
Thereafter	<u>121,403</u>
Total	<u>\$ 301,749</u>

During the fiscal year ending June 30, 2018, the County of San Mateo forgave the note payable secured by the San Mateo Clinic property in the amount of \$178,808 and accrued interest in the amount of \$91,042. In return, Samaritan House agreed that the use of the property shall be restricted from the date of recordation until December 31, 2030 (the maturity date of the original promissory note) to serve as a Free Clinic and as a site where Homelessness Prevention Services are provided or for similar eligible use in accordance with Community Development Block Grant requirements. The total amount of forgiven loan principal and interest of \$269,850 is recorded in miscellaneous income on the statement of activities.

**NOTE 7 - DONATED FACILITIES, SERVICES, AND MATERIALS**

Donated services are reported at fair value in the financial statements when those services 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 \$1,147,841 services were recorded for the year ended June 30, 2018. These donated services included volunteer medical services, in-kind lab tests, in-kind legal services and an in-kind grant for marketing services. The Organization has controls in place and has maintained sufficient records of donated services to be able to record such services in the financial statements for that period.

In addition to the services above, Samaritan House received more than 41,000 hours of donated services that do not meet the criteria for recording contributed services but are nonetheless central to the organizations operations. The value of these services is not reflected in the financial statements.

For the year ended June 30, 2018, gifts-in-kind of food, bus passes, equipment, medication and clothing totaling \$3,029,229 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 \$1,700,603. The valuation of food provided by Second Harvest Food Bank is based on a per pound basis and values are derived directly from Feeding America, the national network of food banks.

During the year ended June 30, 2018, total donated facilities of \$270,971 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.

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

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2018, net assets with donor restrictions are available for the following purposes:

<u>Purpose:</u>	<u>Amount</u>
San Mateo Free Medical Clinic	\$ 124,392
Redwood City Free Medical Clinic	245,671
Redwood City Free Dental Clinic	12,945
Pacific Boulevard - Roof	<u>20,000</u>
	<u>403,008</u>
 <u>Timing:</u>	
San Mateo Free Medical Clinic	160,000
General Operating	200,000
Food Services	<u>30,000</u>
	<u>390,000</u>
 <u>Purpose and Timing:</u>	
Safe Harbor Shelter	30,000
San Mateo Free Medical Clinic	<u>125,000</u>
	<u>155,000</u>
 Total	 <u>\$ 948,008</u>

During the year ended June 30, 2018, 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>
Client Services	\$ 101,250
Kids Closet	25,059
Food services	96,303
Holiday program	19,880
Safe Harbor Shelter	57,098
San Mateo Free Medical Clinic	773,534
San Mateo Free Dental Clinic	1,630
Redwood City Free Medical Clinic	812,991
Redwood City Free Medical Clinic – Capital Improvements and Equipment	81,542
Redwood City Free Dental Clinic	33,732
Redwood City Free Dental Clinic – Capital Improvements and Equipment	28,423
Operations (timing)	<u>300,000</u>
 Total restrictions released	 <u>\$ 2,331,442</u>

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

**NOTE 9 - AVAILABILITY AND LIQUIDITY**

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows:

	<u>2018</u>	<u>2017</u>
Total assets at year-end, June 30:	\$ 15,629,869	\$ 14,968,571
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	948,008	728,111
Funds held in trust for clients	161,530	208,469
Pre-paid expenses	168,436	111,044
Security deposit	20,000	20,000
Long term receivable (more than 12 months)	45,460	87,530
Net fixed assets (property and equipment)	7,616,299	7,688,992
Board designations:		
Emergency reserve	3,240,000	2,584,000
Facility reserve	392,400	392,400
Operations reserve	<u>460,000</u>	<u>408,000</u>
Total amounts not available within one year	<u>13,052,133</u>	<u>12,228,546</u>
Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 2,577,736</u>	<u>\$ 2,740,025</u>

Samaritan House's goal is to maintain financial assets to meet 180 days of operating expenses (approximately \$4.17M). Samaritan House has \$2,577,736 of financial assets plus \$3,240,000 of emergency reserves for a total of \$5,817,736 available to meet cash needs for general expenditures as of June 30, 2018. Assets consists of cash, receivables and short term investments. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements.

<u>Financial assets available for operations at year-end, June 30</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 515,173	\$ 614,080
Short term receivables	1,019,512	1,231,398
Short term investments	<u>1,043,051</u>	<u>894,547</u>
Total	<u>\$ 2,577,736</u>	<u>\$ 2,740,025</u>

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

**NOTE 9 - AVAILABILITY AND LIQUIDITY (Continued)**

Samaritan House’s liquidity management plan includes Board Designated Reserves that are set aside in three categories to address emergency, cash and capital needs as follows:

<u>Category</u>	<u>Purpose</u>	<u>Amount</u>
Emergency Fund	Intended to be used for unexpected expenses or unexpected revenue shortfalls	\$ 3,240,000
Operating Reserves	Intended for cash flow purposes to bridge grant and government payments	460,000
Facility Reserve	To address capital repairs and replacement needs	<u>392,400</u>
	Total amount of reserves on June 30, 2018	<u>\$ 4,092,400</u>

These funds can also be made available for specific purpose subject to board approval. Excess cash is invested in short term investments, including money market accounts and certificates of deposit.

**NOTE 10 - DONOR FUND**

In 1994, the Silicon Valley 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, 2018 is \$84,039 and is not included in the financial statements of Samaritan House as per policies of the Foundation. The amount of these funds that can be made available to the Organization as of June 30, 2018 is \$59,039.

**NOTE 11 - 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 2022. Monthly rent payments under this lease are currently \$9,151 and \$9,425, from July 1, 2017 through December 31, 2017 and January 1, 2018 through June 30, 2018, respectively. Total rent payment for fiscal year end June 30, 2018 was \$112,502. The lease is subject to annual increases on January 1 of each year thereafter. The future minimum lease payments under the lease are as follows:

<u>Years Ending June 30:</u>	
2019	\$ 114,798
2020	118,248
2021	121,800
2022	<u>42,436</u>
Total	<u>\$ 397,282</u>

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

**NOTE 12 – OPERATING LEASE COMMITMENTS**

Samaritan House leases rooftop space to tenants under non-cancelable operating leases. Each lease commitment consists of five year lease terms with a yearly rental increase ranging from three to five percent. Total rental income received during the fiscal year end June 30, 2018 was \$155,935. The following is a schedule by years of future minimum rentals under the leases at June 30, 2018:

<u>Years Ending June 30:</u>	
2019	\$ 160,559
2020	149,483
2021	<u>55,863</u>
Total	<u>\$ 365,905</u>

**NOTE 13 – RETIREMENT PLAN**

Samaritan House has a 403(b) retirement plan. The plan covers all employees meeting certain eligibility requirements. Employees voluntarily make contributions to the Plan based upon limits established under the Internal Revenue Code. The Organization may make nonelective contributions as defined by the plan. The Organization did not make any nonelective contributions for the year ended June 30, 2018.

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 23, 2018, the date which the financial statements were available to be issued, and determined no reportable events occurred.

**SUPPLEMENTARY INFORMATION**

**SAMARITAN HOUSE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Catalog of Federal Domestic Assistance Number (CFDA)</u>	<u>Pass-Through Entity Identifying Number/Contract Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development/CDBG</u>			
<u>– Entitlement Grants Cluster</u>			
Community Development Block Grant for transitional housing and support services:			
Pass-through from County of San Mateo	14.218	79000-17-D032	\$ 75,000
Pass-through from City of Redwood City	14.218	2016.265	12,589
Pass-through from City of South San Francisco	14.218	Unavailable	15,500
Pass-through from City of San Mateo	14.218	Unavailable	15,000
Loans made in prior fiscal year with continuing compliance -			
Pass-through from County of San Mateo	14.218	Unavailable	<u>278,808</u>
Total Department of Housing and Urban Development programs in cluster			<u>396,897</u>
Total CDBG – Entitlement Grants Cluster			<u>396,897</u>
Direct Programs:			
Supportive Housing Program	14.267	CA0263L9T121508	121,933
Federal Emergency Shelter Grants for transitional housing:			
Pass-through from County of San Mateo	14.231	Unavailable	24,546
Total Department of Housing and Urban Development			<u>543,376</u>
<u>U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA)</u>			
Emergency Food and Shelter National Board Program	97.024	LRO 0866-009	<u>37,000</u>
<u>U.S. Department of Veteran Affairs</u>			
VA Supporting Services for Veteran Families Program	64.033	12-CA-015	<u>164,257</u>
<u>U.S. Department of Agriculture/Food Distribution Cluster</u>			
Emergency Food Assistance Program (Food Commodities)	10.569	Unavailable	<u>387,566</u>
Total Department of Agriculture programs in clusters			<u>387,566</u>
Total Food Distribution Cluster			<u>387,566</u>
<u>U.S. Department of Health and Human Services/477 Cluster</u>			
Pass-through from County of San Mateo:			
Community Service Block Grant	93.569	73455	220,150
Community Service Block Grant	93.569	74955	<u>203,379</u>
Total Department of Health and Human Services programs in cluster			<u>423,529</u>
Total 477 Cluster			<u>423,529</u>
Total Expenditures of Federal Awards			<u>\$ 1,555,728</u>

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

**SAMARITAN HOUSE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal awards (the Schedule) includes the federal award activity of Samaritan House, under programs of the federal government for the year ended June 30, 2018 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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* and the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Samaritan House has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

**NOTE 3 – FEDERAL LOAN PROGRAMS**

The federal loan programs listed subsequently are administered directly by Samaritan House and balances and transactions relating to the programs are included in Samaritan House’s basic financial statements. Loans outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. There were no federal loans made during the year. During the fiscal year ended June 30, 2018 there was a forgiveness of the County of San Mateo loan in the amount of \$178,808 in principal and \$91,042 in accrued interest. The balance of loans outstanding as of June 30, 2018 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balances As of June 30, 2018</u>
14.218	U.S. Department of Housing and Urban Development	\$ 100,000

**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 of  
Samaritan House  
San Mateo, California

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, 2018, 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 October 23, 2018.

**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.

*Vicki Knutoffson and Co.*

San Mateo, California  
October 23, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

## 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 Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Voeckel Knutoffson and Co.*

October 23, 2018  
San Mateo, California

**SAMARITAN HOUSE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**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  no

Significant deficiencies identified not considered to be material weaknesses?  yes  None reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal Control over major programs:

Material weaknesses identified?  yes  no

Significant deficiencies identified not considered to be material weaknesses?  yes  None reported

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

Any audit findings disclosed that required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance?  yes  no

Identification of major programs tested:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant for transitional housing and support services / Entitlement Grants Cluster
10.569	Emergency Food Assistance Program (Food Commodities) / Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II - Financial Statement Findings**

No matters were reported.

**Section III: Federal Award Findings and Questioned Costs**

No matters were reported.