FAMILY CONNECTIONS CENTERS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2021

Goranson and Associates, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family Connections Centers
San Francisco, California

We have audited the accompanying financial statements of Family Connections Centers (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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. 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.

Goranson and Associates, Inc.
717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Connections Centers as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Family Connections Centers' financial statements for the year ended June 30, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

October 25, 2021
Santa Rosa, CA

FAMILY CONNECTIONS CENTERS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(With summarized comparative totals for June 30, 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 832,569	$ 532,175
Investments	-	781
Grants and pledges receivable	335,974	331,320
Accounts receivable and prepaid expenses	20,737	10,105
Total current assets	1,189,280	874,381
Fixed assets:		
Building, land and improvements	3,829,785	3,794,130
Building Excelsior	2,294,472	2,276,596
Equipment	238,304	175,976
Subtotal	6,362,561	6,246,702
Less accumulated depreciation	(1,314,865)	(1,161,099)
Total fixed assets	5,047,696	5,085,603
Other assets:		
Deposits	500	500
Total assets	$ 6,237,476	$ 5,960,484

The accompanying notes are an integral part of these financial statements

FAMILY CONNECTIONS CENTERS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(With summarized comparative totals for June 30, 2020)

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 140,508	$ 121,651
Deferred revenue	83,600	7,162
Security deposits	11,655	11,655
Note payable, current portion	140,982	127,997
Total current liabilities	376,745	268,465
Long term liabilities:		
Note payable	1,362,190	1,516,387
Total liabilties	1,738,935	1,784,852
Net Assets:		
Without donor restriction	4,395,835	3,960,426
With donor restriction	102,706	215,206
Total net assets	4,498,541	4,175,632
Total liabilities and net assets	$ 6,237,476	$ 5,960,484

The accompanying notes are an integral part of these financial statements

FAMILY CONNECTIONS CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With summarized comparative totals for the year ended June 30, 2020)

	Without donor restriction	With donor restriction	2021 Total	2020 Total
SUPPORT AND REVENUE:				
Government grants	$ 2,023,935		$ 2,023,935	$ 1,969,850
Foundation and corporate support	65	$ 165,500	165,565	200,254
Program services fees	56,135	-	56,135	232,782
Rental income	91,205	-	91,205	95,530
Special events	-	-	-	6,810
Contributions	12,379	-	12,379	14,625
Community event admissions and fees	-	-	-	566
Interest and dividends	42	-	42	10
Miscellaneous income	-	-	-	21,064
Unrealized gains (losses)	49	-	49	816
Net assets released from restriction	278,000	(278,000)	-	-
Total support and revenue	2,461,810	(112,500)	2,349,310	2,542,307
EXPENSES:				
Program	1,413,759		1,413,759	1,663,323
Management and general	606,347		606,347	612,870
Development	6,296		6,296	80,019
Total expenses	2,026,401		2,026,401	2,356,212
CHANGE IN NET ASSETS	435,409	(112,500)	322,909	186,095
NET ASSETS, beginning of year	3,960,426	215,206	4,175,632	3,989,537
NET ASSETS, end of year	$ 4,395,835	$ 102,706	$ 4,498,541	$ 4,175,632

The accompanying notes are an integral part of these financial statements

FAMILY CONNECTIONS CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With summarized comparative totals for the year ended June 30, 2020)

	Program	Management and General	Development	2021 Total	2020 Total
Salaries and wages	$ 1,059,449	$ 166,720		$ 1,226,168	$ 1,447,270
Payroll tax expense	84,011	19,404		103,415	115,855
Employee benefits	114,708	23,079	$ 5,149	142,936	169,585
Accounting fees	-	12,500	-	12,500	12,000
Professional services	29,484	11,738	-	41,222	73,191
Advertising and promotion	3,957	188	-	4,145	9,326
Occupancy	47	61,829	-	61,876	91,275
Program materials	78,668	-	-	78,668	90,590
Supplies expenses	3,887	12,206	-	16,093	16,945
Telephone and internet	-	23,065	-	23,065	13,611
Postage and shipping	61.90	186	-	248	1,028
Equipment lease and maintenance	532.72	5,583	-	6,116	6,547
Bank fees	-	2,894	78	2,972	7,103
Copying and printing	62	535	-	597	3,063
Information technology	-	6,303	79	6,382	1,762
Travel and meals	1,313	6,223	-	7,536	3,289
Conferences and meetings	10,507	17,545	200	28,252	21,320
Depreciation	12,688	141,078	-	153,766	148,420
Insurance	-	24,581	-	24,581	25,236
Dues, licenses and service fees	581	5,833	790	7,205	6,733
Interest expense	12,340	46,991	-	59,331	54,021
Other operating costs	1,463	17,866	-	19,329	38,042
Total expenses	$ 1,413,759	$ 606,347	$ 6,296	$ 2,026,401	$ 2,356,212

The accompanying notes are an integral part of these financial statements

FAMILY CONNECTIONS CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(With summarized comparative totals for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 322,909	$ 186,095
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	153,766	148,420
Deposits	-	5,100
Unrealized gain	(49)	(816)
(Increase) decrease in:		
Grants and pledges receivable	(4,654)	53,426
Accounts receivable and prepaid expenses	(10,632)	15,831
Increase (decrease) in:		
Accounts payable and accrued expenses	18,857	(190,979)
Deferred revenue	76,438	(62,009)
Net cash provided by operating activities	556,634	155,068
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisiton of fixed assets	(115,859)	(33,722)
Proceeds from sale of investments	830	28,151
Net cash provided (used) by investing activities	(115,029)	(5,571)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net earnings (principal repayment) on notes payable	(141,212)	332,176
NET INCREASE IN CASH	300,393	481,673
CASH, beginning of year	532,176	50,502
CASH, end of year	$ 832,569	$ 532,176
Supplemental information:		
Interest paid	$ 51,512	$ 60,697

The accompanying notes are an integral part of these financial statements

NOTE 1 ORGANIZATION

Family Connections Centers (Organization) is a multicultural family resource center serving neighborhoods in southeast San Francisco. The Organization is dedicated to providing services that are all participant driven and that target and enhance the values of community members. The mission is to develop strong healthy families and build thriving communities in the Portola and Excelsior neighborhoods. The Organization provides opportunities for people of different backgrounds to work together cooperatively, sharing cultures, values, knowledge and resources.

The Organization primarily receives support and revenue from government grants, foundation grants, program income, rental income and special event income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Organization reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Basis of Presentation Policies – Revenues or support are reported as increases in net assets without donor restriction unless subject to donor-imposed restrictions. If donor restrictions are fulfilled in the same time period the revenue or support is received, the Organization reports the revenue or support as net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – Cash equivalents consist primarily of money market funds held in a local bank.

Concentrations of Risk – The Organization maintains cash balances in financial institutions. Funds are insured by the Federal Deposit Insurance Corporation up to $250,000 per depositor for each account ownership category. From time to time throughout the year, the Organization has cash balances in excess of these limits. The Organization has not experienced any losses related to these balances, and management believes its credit risk to be minimal. The Organization held $508,385 in excess of FDIC limits at June 30, 2021.

Accounts and grants receivable – Accounts and grants receivable consists of final amounts due on contracts as well as fees earned. Management has concluded that all accounts and grants receivable are collectible. Accordingly, no allowance for doubtful receivables was recorded.

Allocation Methodology – Payroll costs are allocated based on direct hours worked and time estimates. Shared program costs are allocated based upon actual usage or each program's percentage of joint program's combined payroll expense. Occupancy is allocated based on square footage. Other indirect expenses are allocated based on the percentage of each program or department's payroll and direct expense of all programs and departments operating at the Portola office.

Investments – Investments are made up of bond funds and are reported at their fair values in the statement of financial position. The fair value of the bond funds is based upon quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statement of activities as net realized and unrealized gains on investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures – The Organization reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The three levels of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Property and equipment – The Organization capitalizes all expenditures for property and equipment in excess of $5,000. Property and equipment are stated at cost or, if donated, at fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Building	40 years
Improvements	7-36 years
Furniture and equipment	3-5 years
Computers	3 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Revenue – Deferred revenue consists of amounts received for Government grants not earned and classes and clubs which have not yet happened.

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions and grants without donor restriction are recorded as revenue without donor restriction when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions and grants are reported as increases in with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to without donor restriction net assets and reported in the statements of activities as net assets released from restrictions.

Income Taxes – The Organization is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Organization status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has not income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. The Organization tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

NOTE 2 SUMMARY OF 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.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Donated Services and Items – Many people have contributed significant amounts of time to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services and items because, although clearly substantial, no reliable basis exists for determining an appropriate valuation.

Summarized 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 832,569	$ 532,175
Accounts receivables	8,861	8,861
Short term investments	-	781
Short term grants and pledges receivable	335,974	331,320
Total financial assets	$ 1,177,404	$ 873,137
Financial assets, at year end	$ 1,177,404	$ 873,137
Less those unavailable for general expenditures within one year due to:		
Restricted by donor (time or purpose)	(102,706)	(215,206)
Financial assets available to meet cash needs for general expenditure within one year	$ 1,074,698	$ 657,931

In light of concerns regarding the liquidity risk, the Organization has other funding available through its bank for $100,000 for immediate operation needs. The Organization also ascertains its liquidity need through the excess equity from the real estate that it owns.

NOTE 4 ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable are as follows at June 30, 2021:

First 5 San Francisco	$ 281,377
City and County of San Francisco	40,322
MOHCD	8,167
Other accounts and grants receivable	6,108
Total grant and pledges receivable	$ 335,974

NOTE 5 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at June 30, 2021:

	Level 1
Bond funds	$ -

Investment earnings are as follows for the year ended June 30, 2021:

Interest and dividends	$ 42

NOTE 6 ACCRUED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The balance of accrued vacation at June 30, 2021 is $53,839.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated sick leave benefits are not recognized as liabilities since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenses in the period taken.

NOTE 7 LINE OF CREDIT

The Organization maintains a line of credit with a bank. The maximum borrowings are $100,000, and interest is due monthly at prime plus one percent. The line matures March 2022**.** There is a zero balance and is available immediately if its needed at June 30, 2021.

NOTE 8 NOTES PAYABLE

The Organization entered into a note payable with a financial institution in December 2014 for the amount $666,500 to refinance the Portola location. The note has an interest rate of 4.33 percent and matures December 2034. Monthly payments of $4,270 are required.

The Organization entered into a note payable with a financial institution in May 2015 for the amount $800,000 to purchase a building in the Excelsior. The note has an interest rate of 4.36 percent and matures May 2035. Monthly payments of $5,151 are required. The Organization entered into a note payable with the Small Business Administration in April 2020 for the amount of $250,000. The note has an interest rate of one percent and matures April 2025. Monthly payments are deferred for six months and beginning October 1, 2020.

The Organization entered into a short term note payable with a financial institution with a maximum amount of $200,000 in 2020. The note has an interest rate of prime plus one percent and matures in 2025. The balance at June 30, 2021 is $126,668.

Future maturities are as follows as of June 30:

2022	$	140,982
2023		154,619
2024		159,729
2025		165,041
2026		88,745
Thereafter		794,056

NOTE 9 RENTAL INCOME

The Organization has lease agreements with unrelated tenants in its building. The six units are leased at below market rate as low-income family housing. The leases are on a month to month basis. The Organization is holding security deposits of $11,655 from its tenants as of June 30, 2021. Under the lease agreements, rental revenue was $91,205 for the year ended June 30, 2021.

NOTE 10 NET ASSETS WITH TEMPORARY DONOR RESTRICTION

At June 30, 2021, the Organization's net assets with temporary donor restriction are available for the following purposes:

Silver Giving	$	25,000
Episcopal Impact Fund		22,500
Other temporarily restricted grants		55,206
Total	$	102,706

NOTE 11 CONCENTRATIONS OF REVENUE

The Organization receives 86 percent of total income from government agencies. A decrease in this revenue could create a substantial hardship for the Organization.

NOTE 12 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 25, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the Organization's operations, financial position, and cash flows.