

FAMILIES FORWARD, INC.
FINANCIAL REPORT
SEPTEMBER 30, 2022

FAMILIES FORWARD, INC.
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INDEPENDENT AUDITOR'S REPORT

Audit Committee and Board of Directors
Families Forward, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Families Forward, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Audit Committee and Board of Directors
Families Forward, Inc.
Independent Auditor's Report

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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* 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 GAAS. In our opinion, the schedule of expenditures of federal awards 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 April 26, 2023 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

 Singer Lewak LLP

April 26, 2023

FAMILIES FORWARD, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,616,129	\$ 1,585,100
Grants and contributions receivable	1,130,015	2,394,596
Prepaid expenses and other current assets	101,610	276,109
Investments	<u>3,087,033</u>	<u>3,226,908</u>
Total current assets	<u>6,934,787</u>	<u>7,482,713</u>
Property and equipment, net	<u>19,819,172</u>	<u>19,026,629</u>
Other assets		
Assets held in charitable remainder trust	-	445,289
Restricted investments	<u>120,369</u>	<u>148,251</u>
Total other assets	<u>120,369</u>	<u>593,540</u>
Total assets	<u>\$ 26,874,328</u>	<u>\$ 27,102,882</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 292,283	\$ 190,877
Accrued expenses	258,760	246,319
Clients' deposits	74,655	55,095
Funds held for others	-	572,450
Notes payable, current portion	<u>66,520</u>	<u>71,429</u>
Total current liabilities	<u>692,218</u>	<u>1,136,170</u>
Noncurrent liabilities		
Liability to annuity beneficiary of charitable remainder trust	-	169,211
PPP loan	-	588,100
Notes payable, noncurrent portion	<u>2,691,384</u>	<u>1,794,278</u>
Total noncurrent liabilities	<u>2,691,384</u>	<u>2,551,589</u>
Total liabilities	<u>3,383,602</u>	<u>3,687,759</u>
Net assets		
Net assets without donor restrictions	22,027,712	21,621,875
Net assets with donor restrictions	<u>1,463,014</u>	<u>1,793,248</u>
Total net assets	<u>23,490,726</u>	<u>23,415,123</u>
Total liabilities and net assets	<u>\$ 26,874,328</u>	<u>\$ 27,102,882</u>

See notes to financial statements.

FAMILIES FORWARD, INC.**STATEMENT OF ACTIVITIES****Year Ended September 30, 2022****(with Comparative Totals for the Year Ended September 30, 2021)**

	2022			2021
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Support and revenue				
Contributions	\$ 2,653,951	\$ -	\$ 2,653,951	\$ 5,112,615
Special events, net of direct benefit expenses of \$40,447	346,387	-	346,387	347,264
Grants from government agencies - program	6,081,872	-	6,081,872	5,446,567
Grants from government agencies - capital	726,221	-	726,221	1,080,143
Realized and unrealized gain (loss) on investments	(641,976)	-	(641,976)	141,392
Dividends and interest income	94,201	-	94,201	40,298
Rental and other income	781,079	-	781,079	601,663
Gain on sale of real estate	517,679	-	517,679	-
PPP loan forgiveness	588,100	-	588,100	-
In-kind contributions	1,050,814	-	1,050,814	1,852,625
Assets received from distribution	-	-	-	5,525,577
Changes in assets and liabilities held in charitable remainder trust	-	(24,883)	(24,883)	67,326
Total support and revenue	12,198,328	(24,883)	12,173,445	20,215,470
Net assets released from restrictions	305,351	(305,351)	-	-
Total support, revenue, and satisfaction of restrictions	12,503,679	(330,234)	12,173,445	20,215,470
Expenses				
Housing and other programs	10,865,237	-	10,865,237	9,260,352
Supporting services:				
Administration	575,065	-	575,065	480,482
Fundraising	657,540	-	657,540	467,289
Total expenses	12,097,842	-	12,097,842	10,208,123
Change in net assets	405,837	(330,234)	75,603	10,007,347
Net assets, beginning	21,621,875	1,793,248	23,415,123	13,407,776
Net assets, ending	\$ 22,027,712	\$ 1,463,014	\$ 23,490,726	\$ 23,415,123

See notes to financial statements.

FAMILIES FORWARD, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 5,067,615	\$ 45,000	\$ 5,112,615
Special events, net of direct benefit expenses of \$23,178	347,264	-	347,264
Grants from government agencies - program	5,446,567	-	5,446,567
Grants from government agencies - capital	555,453	524,690	1,080,143
Realized and unrealized gain on investments	141,392	-	141,392
Dividends and interest income	40,298	-	40,298
Rental and other income	601,663	-	601,663
In-kind contributions	1,852,625	-	1,852,625
Assets received from distribution	5,525,577	-	5,525,577
Changes in assets and liabilities held in charitable remainder trust	-	67,326	67,326
Total support and revenue	19,578,454	637,016	20,215,470
Net assets released from restrictions	57,341	(57,341)	-
Total support, revenue, and satisfaction of restrictions	19,635,795	579,675	20,215,470
Expenses			
Housing and other programs	9,260,352	-	9,260,352
Supporting services:			
Administration	480,482	-	480,482
Fundraising	467,289	-	467,289
Total expenses	10,208,123	-	10,208,123
Change in net assets	9,427,672	579,675	10,007,347
Net assets, beginning	12,194,203	1,213,573	13,407,776
Net assets, ending	\$ 21,621,875	\$ 1,793,248	\$ 23,415,123

See notes to financial statements.

FAMILIES FORWARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022
(with Comparative Totals for the Year Ended September 30, 2021)

	2022				2021	
	Housing and Other Programs	Administration	Fundraising	Total Supporting Services	Total	Total
Auto mileage	\$ 16,571	\$ 173	\$ 518	\$ 691	\$ 17,262	\$ 9,813
Bank charges	-	29,546	-	29,546	29,546	20,120
Closing and commission fees	39,736	-	-	-	39,736	-
Computer expenses	121,967	9,928	9,928	19,856	141,823	117,643
Depreciation	222,471	17,900	15,343	33,243	255,714	252,976
Direct program expenses	3,835,092	-	-	-	3,835,092	3,451,377
Donated materials and services	705,948	-	-	-	705,948	767,556
Dues and subscriptions	24,690	4,854	1,209	6,063	30,753	4,636
Employee benefits	342,296	27,861	27,861	55,722	398,018	406,455
Fund development	-	-	21,245	21,245	21,245	23,121
Homeowner association fees	178,269	-	-	-	178,269	143,771
Insurance	72,366	3,992	3,474	7,466	79,832	47,180
Interest expense	89,213	-	-	-	89,213	74,346
Maintenance	351,385	6,887	7,606	14,493	365,878	218,348
Office expense	78,809	6,413	6,415	12,828	91,637	55,786
Payroll	3,963,454	322,607	322,607	645,214	4,608,668	3,868,247
Payroll service fees	24,768	2,016	2,016	4,032	28,800	9,078
Payroll taxes	297,434	24,210	24,210	48,420	345,854	293,582
Postage	2,694	625	5,948	6,573	9,267	7,647
Professional fees	186,823	100,597	191,613	292,210	479,033	139,707
Property tax	39,346	447	505	952	40,298	(27,576)
Special events	-	-	40,447	40,447	40,447	23,178
Staff development and meetings	69,901	5,690	5,690	11,380	81,281	82,889
Telephone	100,247	8,160	8,160	16,320	116,567	122,164
Truck expenses	8,330	-	-	-	8,330	29,295
Utilities	68,945	1,166	1,199	2,365	71,310	60,847
Workers compensation	24,482	1,993	1,993	3,986	28,468	29,115
Total expenses	10,865,237	575,065	697,987	1,273,052	12,138,289	\$ 10,231,301
Less direct benefits to donors for special events	-	-	(40,447)	(40,447)	(40,447)	(23,178)
Total expenses by function	\$ 10,865,237	\$ 575,065	\$ 657,540	\$ 1,232,605	\$ 12,097,842	\$ 10,208,123

See notes to financial statements.

FAMILIES FORWARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2021

	Housing and Other Programs	Administration	Fundraising	Total Supporting Services	Total
Auto mileage	\$ 9,420	\$ 98	\$ 295	\$ 393	\$ 9,813
Bank charges	18,309	1,006	805	1,811	20,120
Computer expenses	99,419	8,494	9,730	18,224	117,643
Depreciation	220,089	17,708	15,179	32,887	252,976
Direct program expenses	3,451,377	-	-	-	3,451,377
Donated materials and services	767,556	-	-	-	767,556
Dues and subscriptions	3,941	325	370	695	4,636
Employee benefits	343,492	29,347	33,616	62,963	406,455
Fund development	-	-	23,121	23,121	23,121
Homeowner association fees	143,771	-	-	-	143,771
Insurance	42,767	2,359	2,054	4,413	47,180
Interest expense	74,346	-	-	-	74,346
Maintenance	213,982	2,183	2,183	4,366	218,348
Office expense	42,652	2,469	10,665	13,134	55,786
Payroll	3,269,011	279,305	319,931	599,236	3,868,247
Payroll service fees	7,673	656	749	1,405	9,078
Payroll taxes	248,109	21,195	24,278	45,473	293,582
Postage	2,223	516	4,908	5,424	7,647
Professional fees	41,912	97,795	-	97,795	139,707
Property tax	(26,924)	(306)	(346)	(652)	(27,576)
Special events	-	-	23,178	23,178	23,178
Staff development and meetings	70,456	5,802	6,631	12,433	82,889
Telephone	103,239	8,821	10,104	18,925	122,164
Truck expenses	29,295	-	-	-	29,295
Utilities	59,631	608	608	1,216	60,847
Workers compensation	24,606	2,101	2,408	4,509	29,115
Total expenses	9,260,352	480,482	490,467	970,949	10,231,301
Less direct benefits to donors for special events	-	-	(23,178)	(23,178)	(23,178)
Total expenses by function	\$ 9,260,352	\$ 480,482	\$ 467,289	\$ 947,771	\$ 10,208,123

See notes to financial statements.

FAMILIES FORWARD, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2022

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	75,603	10,007,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	255,714	252,976
Assets received from distribution, net of cash	-	(5,171,336)
Unrealized (gain) loss on investments	641,976	(141,392)
Gain on sale of property and equipment	(517,679)	-
Forgiveness of PPP loan	(588,100)	-
Donated property and equipment	(350,564)	-
Proceeds from the sale of donated real property	1,065,000	-
Changes in operating assets and liabilities:		
Assets and liabilities held in charitable remainder trust	(140,846)	(67,326)
Grants and contributions receivable	199,581	(881,135)
Prepaid expenses and other current assets	174,499	(147,883)
Accounts payable	101,406	110,404
Accrued expenses	12,441	77,286
Funds held for others	(572,450)	572,450
Clients' deposits	19,560	9,600
Net cash provided by operating activities	376,141	4,620,991
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,734,227)	(4,302,830)
Sale of property and equipment	1,554,213	-
Purchases of investments	(3,556,333)	(146,655)
Sales of investments	3,499,038	45,322
Net cash used in investing activities	(237,309)	(4,404,163)
Cash Flows from Financing Activities:		
Proceeds from promissory notes	980,296	-
Payments on promissory notes	(88,099)	(79,709)
Net cash provided by (used in) financing activities	892,197	(79,709)
Net increase in cash and cash equivalents	1,031,029	137,119
Cash and cash equivalents, beginning	1,585,100	1,447,981
Cash and cash equivalents, ending	\$ 2,616,129	\$ 1,585,100
Supplemental Disclosure of Cash Flow Information:		
Cash payments interest	\$ 89,213	\$ 74,346

See notes to financial statements.

FAMILIES FORWARD, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Families Forward, Inc. (the Organization) is a not-for-profit agency dedicated to helping low income and homeless families in need. The Organization addresses families' needs at any point in their crisis by providing a broad spectrum of services, including housing, counseling, food, education, case management, life-skills training, and rent or utility assistance. Support and revenues are raised through various charitable events, grants, and private donations. The Organization was incorporated on November 30, 1984, is headquartered in Irvine, California, and serves families throughout Orange County, California.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Classifications

The Organization reports information regarding contributions and support received in its statements of financial position and statements of activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Organization.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. Donor-restricted contributions, conditional contributions, and appropriated endowment earnings received and expended in the same reporting period are recorded as net assets without donor restrictions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been met. There were no conditional contributions as of September 30, 2022 and 2021.

Grants are received from various governmental agencies and private foundations. The majority of grant funds are used for program related purposes and acquisitions of and improvements to facilities owned by the Organization.

Rental income consists of rents paid by participants in the transitional and affordable housing programs. Rental rates are scaled based on participants' income, and rents are month-to-month.

Management believes that all grants and contributions receivable as of September 30, 2022 and 2021 are fully collectible; therefore no allowance for doubtful accounts was recorded.

Property and Equipment

Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to be used for 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 support. 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 net assets with donor restrictions to net assets without donor restrictions at that time. The Organization has elected to capitalize all property and equipment additions greater than \$500. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Impairment of Long-Lived Assets

The Organization's long-lived assets include land, buildings, and equipment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of September 30, 2022 and 2021, the Organization did not identify any impairment of its long-lived assets.

Cash and Cash Equivalents

The Organization considers all cash and short-term investments with an original maturity date of three months or less to be cash and cash equivalents.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments and assets held in charitable remainder trust are reported at fair value in the statements of financial position and consist of mutual funds and money market funds. Donated investments are recorded at fair value on the date of donation and are included in contributions in the statements of activities. Sales and purchases of securities are recorded on a trade-date basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis. Realized and unrealized gains and losses are included in the statements of activities.

Fair Value of Financial Instruments

U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The statement requires fair value measurements to be classified and disclosed in one of the following three categories.

Level 1 - Quoted prices in active markets for identical assets and liabilities, including equity and debt securities and derivative contracts that are traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Income Taxes

The Organization is exempt from Federal and California income tax under Internal Revenue Code Section 501(c)(3) and similar provisions of the State of California Revenue and Taxation Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Additionally, the financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy-related costs, which are allocated on a square footage basis, as well as labor-related expenses, which are allocated on the basis of estimates of time and effort.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

Donated goods and services are primarily in the form of food, furniture, gift cards, items for the school and holiday programs, and legal services. From time to time, other types of donated goods and services, such as those relating to the rehabilitation of property, may be received as well. Food is valued based on set values provided by Second Harvest Food Bank of Orange County. Furniture, school, and Adopt-a-Family contributions are valued based on the retail value prices of comparable items. Gift cards are recorded at their cash value. Contributed real estate is valued at the estimated fair value based on recent comparable sales prices in the property's real estate market.

Donated services are recorded at fair value in the period received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by the Organization. Donated services received during the years ended September 30, 2022 and 2021 consisted primarily of donated legal services. The donated legal services received were in support of the Organization's various programs. The estimated fair value of donated legal services is based on the law firms' detail of hours and rates for the legal services provided. Contributed services from construction contractors are valued at the estimated fair value based on current rates for similar construction services.

PPP Loan

The Organization accounted for the Payroll Protection Program loan proceeds (Note 9) in accordance with FASB ASC 470, *Debt*. The proceeds from the loan were recorded as a liability until either (1) the loan was forgiven and the Organization was "legally released" or (2) the Organization paid off the loan to the creditor. The full loan amount was forgiven on February 2, 2022, at which time the Organization reduced the liability and recorded a gain on extinguishment.

Funds Held for Others

The Organization was the fiscal sponsor and administrator of the Family Solutions Collaborative (FSC), a coalition of family homeless service providers in Orange County, California, through June 30, 2022. Grant funds received by the Organization in excess of direct and administrative costs related to specific shelter placement program expenses were distributed to other FSC agencies and were included in cash and cash equivalents and funds held for others in the statement of financial position as of September 30, 2021.

Change in Accounting Principles

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Organization adopted ASU 2020-07 on October 1, 2021 on a retrospective basis.

FAMILIES FORWARD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02 one year, making it effective for fiscal years beginning after December 15, 2021. Management is evaluating the impact of adopting this new ASU on the financial statements.

NOTE 3 – FAIR VALUE MEASUREMENTS

Investments are valued at the closing price reported on the active market on which the individual securities are traded. The following table sets forth by level, within the fair value hierarchy, the Organization’s investments and restricted investments at fair value as of September 30:

	<u>2022</u>	<u>2021</u>
	Quoted Prices (Level 1)	Quoted Prices (Level 1)
Investments:		
Money market funds	\$ -	\$ 2,213
Bond funds	874,872	1,054,298
Equity funds	2,126,045	2,318,648
Real assets	<u>206,485</u>	<u>-</u>
Total investments	<u>\$ 3,207,402</u>	<u>\$ 3,375,159</u>
Assets held in charitable remainder trust:		
Money market funds	\$ -	\$ 9,297
Bond funds	-	161,533
Equity funds	<u>-</u>	<u>274,459</u>
Total assets held in charitable remainder trust	<u>\$ -</u>	<u>\$ 445,289</u>

FAMILIES FORWARD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

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

The fair value of donated services, construction and rehabilitation of real estate, food items, rent, and supplies is estimated using third-party quotations and is categorized in Level 2 of the fair value hierarchy.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 7,353,858	\$ 7,445,645
Buildings and improvements	7,216,762	7,302,937
Furniture and equipment	482,111	417,469
Autos and trucks	45,000	45,000
Real estate held for sale	-	906,000
Real estate not placed in service	<u>7,346,796</u>	<u>5,362,899</u>
Total property and equipment	22,444,527	21,479,950
Accumulated depreciation	<u>(2,625,355)</u>	<u>(2,453,321)</u>
Total property and equipment, net	<u>\$ 19,819,172</u>	<u>\$ 19,026,629</u>

The accounts above include the properties acquired with the grant loans described in Note 6.

In October and December 2020, the Organization purchased properties in Mission Viejo, California for approximately \$350,000 and \$357,000, respectively. The acquisitions were partially financed with grants from the City of Mission Viejo.

In March 2021, the Organization purchased a property in Costa Mesa, California for approximately \$2,550,000. The acquisition was partially financed with contributions from two private donors and a bank loan (Note 8).

In March and June 2021, the Organization purchased properties in Irvine, California for approximately \$508,500 and \$390,000, respectively. The acquisitions were partially financed with grants from the City of Irvine.

FAMILIES FORWARD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

On November 27, 2020, the Board of Directors of OC Gateway to Housing (Gateway) authorized Gateway to wind up and dissolve and approved the distribution of Gateway’s net assets to the Organization. The assets distributed upon Gateway’s dissolution included cash on hand, investments, and eight housing units (subject to restrictions on use as affordable housing). The fair values of the distributed cash, investments, and real property were \$354,241, \$1,535,336, and \$3,636,000, respectively. The total fair value of \$5,525,577 is included in assets received from distribution in the statement of activities for the year ended September 30, 2021. Two of the housing units were sold in November 2021 and January 2022 for a total consideration of \$906,000.

In May 2021, the Organization received a bequest of real property in Tustin, California, pursuant to an irrevocable trust. The \$1,065,000 fair value of the in-kind contribution was included in grants and contributions receivable as of September 30, 2021, and title was transferred to the Organization in December 2021. The property was sold in December 2021 for \$1,065,000.

The Organization sold one of its properties for approximately \$683,000 during January 2022, reporting a gain on sale of approximately \$553,000.

NOTE 5 – IN-KIND CONTRIBUTIONS

The estimated fair values of in-kind contributions recognized in the statements of activities are as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Real estate (bequest)	\$ -	\$ 1,065,000
Real estate improvements	395,441	-
Food	269,912	314,350
Legal services	43,973	56,502
Adopt a Family/Back to School supplies	268,235	331,305
Gift cards	38,457	56,209
Other miscellaneous	<u>34,796</u>	<u>29,259</u>
	<u>\$ 1,050,814</u>	<u>\$ 1,852,625</u>

All of the in-kind contributions were restricted for program use.

FAMILIES FORWARD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of September 30:

	<u>2022</u>	<u>2021</u>
Time restrictions:		
CHDO grant loan	\$ 18,324	\$ 27,480
CDBG grant loans	1,344,690	1,344,690
Charitable remainder trust	-	276,078
Contributions with time restrictions	-	45,000
Restrictions in perpetuity:		
Nancy Fund endowment	<u>100,000</u>	<u>100,000</u>
 Total net assets with donor restrictions	 <u>\$ 1,463,014</u>	 <u>\$ 1,793,248</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of time restrictions:		
CHDO grant loan	\$ 9,156	\$ 9,156
Charitable remainder trust	251,195	-
Contributions with time restrictions	<u>45,000</u>	<u>48,185</u>
 Total net assets released from restrictions	 <u>\$ 305,351</u>	 <u>\$ 57,341</u>

Grant Loans

On November 17, 2004, the Organization received a Community Housing Development Organization (CHDO) grant loan from the City of Irvine in the amount of \$183,139 to partially fund the purchase of real property to be used for transitional housing rentals for homeless families for a period of 20 years. If, after the 20-year period, the Organization is not in default of the provisions of the grant loan, as defined in the agreement, the grant loan will expire and be of no force or effect on the Organization. In the event the Organization is in default, a pro rata portion of the grant loan plus accrued interest at 10% per annum will become immediately due and payable. The pro rata amount shall be determined by multiplying \$183,139 times the percentage obtained by dividing the number of months remaining on the 20-year term by 240. The grant loan was reported as a restricted contribution, as management considers the likelihood of default of the provisions of the grant loan to be remote, and is being released from restriction over the 20 years at \$9,156 per year. At September 30, 2022, the unreleased portion of the grant was \$18,324. The CHDO grant loan is secured by a deed of trust on the property. Management believes that the Organization was in compliance with the provisions of the CHDO grant loan as of September 30, 2022.

FAMILIES FORWARD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

In February 2017 and July 2020, the Organization received Community Development Block Grant (CDBG) loans from the City of Mission Viejo totaling \$820,000 and \$524,690, respectively, to fund the purchase of real property to be used for affordable housing rentals for low income and homeless families for a period of 55 years. If, after the 55-year period, the Organization is not in default of the provisions of the grant loans, as defined in the agreements, the grant loans will expire and be of no force or effect on the Organization. In the event the Organization is in default, the total amount of the principal and interest, accrued at 3% per annum, will become immediately due and payable. The CDBG loans are secured by deeds of trust on the properties acquired. The face values of the promissory notes are reported as net assets with donor restrictions, as management considers the likelihood of default and repayment to be remote.

Charitable Remainder Trust

The Organization was named trustee and remainder beneficiary of an irrevocable charitable remainder annuity trust, which was created in September 2008. In each taxable year of the trust, during the annuity period, the trustee paid the annuity beneficiary an annuity amount equal to 5.76% of the initial fair value of the trust assets. The Organization was restricted by the trust agreement to utilize the assets for programs. Upon the death of the annuity beneficiary in May 2022, the remaining net trust assets of \$251,195 were distributed to the Organization and released from restriction. A noncurrent asset for the charitable remainder trust was recognized at the appraised value of \$360,000 as of September 30, 2008. The present value of the expected future annuity payments discounted at a rate of 5% was recognized as a Liability to Annuity Beneficiary of Charitable Remainder Trust. The components of the charitable remainder trust were as follows at September 30:

	2022	2021
Assets held in charitable remainder trust	\$ -	\$ 445,289
Liability to annuity beneficiary	-	169,211
Net residual in net assets with donor restrictions	\$ -	\$ 276,078

The change in assets and liabilities held in charitable remainder trust was comprised of the following for the years ending September 30:

	2022	2021
Investment gain (loss)	\$ (6,079)	\$ 82,331
Payments to beneficiary from trust	(13,824)	(20,736)
Amortized interest on payments to beneficiary	(4,980)	5,731
Change in assets and liabilities held in charitable remainder trust	\$ (24,883)	\$ 67,326

FAMILIES FORWARD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Endowment

Pursuant to a gift agreement dated December 10, 2014, the donors funded an endowment (The Nancy Fund) of \$100,000. The investments restricted for permanent endowment of \$120,369 and \$148,251 are included in noncurrent assets in the statements of financial position at September 30, 2022 and 2021, respectively. The endowment will distribute an annual amount of up to but not more than 5% of its three-year average value for the purpose of supporting children’s needs. The original gift amount will be designated as principal and will remain in the endowment in perpetuity to generate future income for distribution. Any distributions from the endowment will be used specifically to allocate direct grants to provide children with funding to enroll in enrichment programs, participate in special occasions, or receive vital fees, equipment, or materials to succeed.

The Organization’s long-term investment policy is that no more than 5% of the investment portfolio shall be placed in any one security or fund, with the exception of a money market fund or a broadly diversified mutual fund or exchange-traded fund. As of September 30, 2022, the investment restricted for permanent endowment was comprised of an equity fund that allocates its assets among underlying funds that represent a variety of different asset classes.

The value of the investments restricted for permanent endowment was accounted for as follows:

Endowment fund balance, September 30, 2020	\$ 138,112
Dividends and interest earned	13,428
Change in value of investments	<u>(3,289)</u>
Endowment fund balance, September 30, 2021	148,251
Dividends and interest earned	690
Change in value of investments	<u>(28,572)</u>
Endowment fund balance, September 30, 2022	<u>\$ 120,369</u>

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's Board of Directors established the Legacy Fund in June 2010 to create a source of sustainable income to support and advance the mission of the Organization and to help secure the long-term financial future of the Organization. The intent in establishing the Legacy Fund is to maintain the principal invested and accumulate earnings to grow the fund to a significant reserve to support future operational needs or funding to seize strategic opportunities. The Legacy Fund totaled \$1,307,035 and \$888,780 as of September 30, 2022 and 2021, respectively.

On March 22, 2022, the Board of Directors designated \$2,020,000 for the purchase of a multi-family property to be used for affordable housing. A property has not yet been identified.

Both of these reserves are Board-designated and could be changed at any time with an approved Board motion to revise these designations for the benefit of the Organization.

NOTE 8 – NOTES PAYABLE

The Organization's \$100,000 note payable dated September 2015 is secured by a real estate deed of trust, is non-interest bearing, and is payable in 50 annual installments of \$2,000, beginning in 2020. The debt is recorded at the present value of the future payments under the note, discounted using an imputed interest rate of 4.0%. The carrying value of the non-interest-bearing note is reported net of unamortized discount of \$58,424 and \$58,130 as of September 30, 2022 and 2021, respectively.

In connection with the purchase of an eight-bedroom apartment complex in Costa Mesa in February 2019, the Organization executed two promissory notes for \$1,000,000 each, which are secured by certain real estate assets held by the Organization. The first note is payable in 107 monthly payments of principal and interest of \$7,703, with a final payment of approximately \$492,000 in March 2028. Interest is calculated at 1.95% above the index rate of California Bank & Trust (the Bank) (3.18% and 4.51% at September 30, 2022 and 2021, respectively). The second note was refinanced on February 23, 2022 and is payable in 12 monthly payments of \$3,494, including interest at 0.9%, followed by 107 monthly payments of \$4,420, including interest at 2.99%, followed by a final payment of \$642,981, including interest at 2.99%, on February 23, 2032. The loan agreements contain various financial and nonfinancial covenants and conditions. Management believes the Organization was in compliance with the covenants and conditions.

The Organization executed a \$900,000 construction loan dated October 6, 2021, secured by the deed of trust on the property in Costa Mesa described in Note 4, and is payable in 59 monthly payments of principal and interest of \$3,905, with a final payment of approximately \$807,000 in October 2026. Interest is calculated at 2.20% above the Bank's index rate, resulting in an initial rate of 3.18%. The loan agreement contains various financial and nonfinancial covenants and conditions.

FAMILIES FORWARD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – NOTES PAYABLE (Continued)

As of September 30, 2022, future maturities of the notes payable as follows for the years ending September 30:

2023	\$ 66,520
2024	65,485
2025	67,822
2026	70,247
2027	1,699,324
Thereafter	<u>788,506</u>
Total	<u>\$ 2,757,904</u>

NOTE 9 – PPP LOAN

The Organization received a \$588,100 loan from the Bank pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted on March 27, 2020. The note, dated April 13, 2020, bore interest at 1.0%, and had an original maturity date of April 2021. Funds from the loan could only be used for qualifying expenses, including payroll costs, mortgage interest payments, lease payments, rent utilities, and interest on other debt obligations incurred. Under the terms of the PPP, certain amounts of the loan could be forgiven if used for qualifying expenses as described in the CARES Act. The full loan amount was forgiven on February 2, 2022.

NOTE 10 – RELATED PARTY TRANSACTIONS

Members of the Board of Directors collectively contributed approximately \$191,000 and \$445,000 to the Organization during the years ended September 30, 2022 and 2021, respectively.

NOTE 11 – CONCENTRATIONS AND CONTINGENCIES

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. As of September 30, 2022 and 2021, such deposits were in excess of FDIC insurance limits; however, management does not believe the Organization is exposed to any significant related credit risk.

The County of Orange accounted for approximately 27% of the Organization's total support and revenue during the year ended September 30, 2022. The County of Orange and Gateway together accounted for approximately 41% of the Organization's total support and revenue during the year ended September 30, 2021.

NOTE 11 – CONCENTRATIONS AND CONTINGENCIES (Continued)

The Organization receives a significant portion of its revenues from government grants and contracts, which are subject to audit by the grant making agency. Until such audits have been completed and final settlements determined, there exists a contingency to refund any amount received in excess of allowable costs. Management believes that no material liability will result from such audits.

Governmental agencies that gave grants for the purchase and rehabilitation of the land and buildings on which the Organization operates its housing programs have liens against the various properties that they could enforce should the Organization cease to operate the properties as low income and homeless housing or sell or otherwise dispose of the properties. Management has no intention to cease operating the properties as low income and homeless housing or to sell or otherwise dispose of the properties.

NOTE 12 – OPERATING LEASE

The Organization leases a facility in Santa Ana, California under a lease agreement through August 31, 2025 with an option to renew for another 36 months. The monthly charge was \$5,900 as of September 30, 2022.

As of September 30, 2022, minimum lease payments for future years ending September 30 are as follows:

2023	\$ 41,336
2024	73,878
2025	<u>6,382</u>
	<u>\$ 121,596</u>

NOTE 13 – RETIREMENT PLANS

In May 1997, the Organization established a tax-sheltered annuity retirement plan for qualified employees under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, the Organization contributes 3% of the employees' salaries. In addition, employees may make voluntary contributions, for which the Organization will match up to an additional 4% of the employees' salaries. The Organization's contributions, charged to expense, were \$281,277 and \$214,659 for 2022 and 2021, respectively.

On October 1, 2004, the Board of Directors established a 457(b) deferred compensation plan for members of the management team. The plan provides for salary reduction only, with no matching provision from the Organization.

FAMILIES FORWARD, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

Financial assets available within one year of the statements of financial position dates to meet cash needs for general expenditure are as follows:

	2022	2021
Financial assets, at September 30:*	\$ 6,953,546	\$ 7,800,144
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(1,463,014)	(1,748,248)
Board designations:		
Reserve for capital purchase	(2,020,000)	-
Legacy fund	<u>(1,307,035)</u>	<u>(888,780)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,163,497</u>	<u>\$ 5,163,116</u>

*Total assets, less nonfinancial assets (i.e., property and equipment, prepaid expenses)

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has a goal to maintain liquid financial assets on hand to meet six months of normal operating expenses.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2023, the date the financial statements were available to be issued.

The CARES Act provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes for eligible employers. In February 2023, the Organization claimed ERCs of approximately \$1,600,000, which are subject to approval by the Internal Revenue Service.

In March 2023, the Organization purchased a property in Irvine, California for approximately \$605,000, of which approximately \$546,000 was financed with a grant from the City of Irvine.

FAMILIES FORWARD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Housing and Urban Development			
<u>Community Development Block Grants/Entitlement Grants:</u>			
	14.218		
City of Costa Mesa		B-21-MC-06-0503	\$ 20,000
City of Costa Mesa		B-22-MC-06-0503	3,209
City of Huntington Beach		B-21-MC06-0506 (22)	36,065
City of Huntington Beach		B-21-MC06-0506 (23)	9,697
City of Irvine		11318	48,067
City of Irvine		11457	3,666
City of Irvine		B-21-MC-06-0557	705,996
City of Lake Forest		B-21-MC-06-0584	12,250
City of Lake Forest		B-22-MC-06-0584	1,496
City of Mission Viejo		B-21-MC-06-0585	5,673
City of Mission Viejo		B-22-MC-06-0585	853
City of Mission Viejo - Loans		Contract # A17-05	820,000
City of Mission Viejo - Loans		4831-1733-8811v5/200347-0011	524,690
City of Newport Beach		8482-4D	11,809
City of Newport Beach		8482-4E	1,642
City of Rancho Santa Margarita		B-21-MC-06-0598	4,940
City of Rancho Santa Margarita		B-22-MC-06-0598	1,524
City of Tustin		Contract No. FY 2021-2022	16,956
City of Tustin		Contract No. FY 2022-2023	6,640
<u>COVID-19 - Community Development Block Grants/Entitlement Grants:</u>			
	14.218		
City of Costa Mesa - CARES Act		B-20-MW-06-0503	55,000
City of Irvine - CARES Act		11112	18,588
City of Irvine - CARES Act		PO#5S8938	88,060
City of Irvine - CARES Act		11308	21,168
City of Lake Forest - CARES Act		B-20-MW-06-0584	11,837
City of Mission Viejo - CARES Act		B-20-MW-06-0585	13,097
City of Rancho Santa Margarita - CARES Act		B-20-MW-06-0598	13,884
City of Tustin - CARES Act		Contract No. FY 19/20-21/22	4,478
City of Santa Ana - CARES Act		B-20-MC-06-0508	14,667
Subtotal	14.218		<u>2,475,952</u>
<u>Emergency Solutions Grant Program:</u>			
	14.231		
City of Irvine		11334	101,888
<u>COVID-19 - Emergency Solutions Grant Program:</u>			
	14.231		
City of Anaheim - CARES Act		AGR-13183	80,369
City of Anaheim - CARES Act		Rapid Rehousing	81,832
City of Garden Grove - CARES Act		City Grant 2020-2022	89,647
City of Garden Grove - CARES Act		1158071.1	10,583
City of Irvine - CARES Act		11232	498,068
FSC - CARES Act		MA-042-21011205	1,959,528
City of Santa Ana - CARES Act		E-20-MW-06-0508	106,040
Subtotal	14.231		<u>2,927,955</u>

See notes to schedule of expenditures of federal awards.

FAMILIES FORWARD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Continuum of Care Program:</u>	14.267		
U.S. Department of Housing and Urban Development		CA1350L9D022006	\$ 373,777
U.S. Department of Housing and Urban Development		CA1350L9D022107	138,566
Pathways of Hope		CA1231L9D021906	12,251
County of Orange		MA-042-20010795	<u>255,611</u>
Subtotal	14.267		<u>780,205</u>
<u>HOME Investment Partnerships Program</u>	14.239		
City of Huntington Beach		FY2021-2022	91,046
City of Huntington Beach		FY2022-2023	27,417
City of Costa Mesa		M-20-MC-06-0507	<u>43,873</u>
Subtotal	14.239		<u>162,336</u>
<u>Emergency Housing Voucher Program</u>	14.MA04221011841		
Human Options		MA-042-21011841	<u>5,437</u>
United States Department of Treasury			
<u>COVID-19 - Emergency Rental Assistance Program</u>	21.023		
City of Santa Ana - CARES Act		FY2021-2022	85,203
State of California - CARES Act		52524-0001	<u>54,848</u>
Subtotal	21.023		<u>140,051</u>
United States Department of Justice			
<u>Crime Victim Assistance</u>	16.575		
Human Options		XH20031192	26,441
Human Options		XH21031192	35,448
Human Options		XD20031192	66,661
Human Options		XD21031192	<u>109,211</u>
Subtotal	16.575		<u>237,761</u>
United States Department of Homeland Security			
<u>Emergency Food and Shelter National Board Program</u>	97.024		
County of Orange		078600-053 - ARPAR	<u>78,596</u>
Total Expenditures of Federal Awards			<u>\$ 6,808,293</u>

FAMILIES FORWARD, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Families Forward, Inc. (the “Organization”) under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the 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”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Organization elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – LOAN BALANCES WITH CONTINUING COMPLIANCE REQUIREMENTS

The Organization received governmental loans for the acquisition and rehabilitation of real estate. The outstanding loan balances with continuing compliance requirements totaled \$1,344,690, of which \$524,690 and \$820,000 was disbursed during the years ended September 30, 2020 and 2017, respectively.

FAMILIES FORWARD, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings or questioned costs relative to federal awards.