

Financial Statements and  
Independent Auditors' Reports  
Single Audit

**FAMILIES FORWARD, INC.**

As of and for the Year Ended  
September 30, 2023

# FAMILIES FORWARD, INC.

## Financial Statements Year Ended September 30, 2023

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## INDEPENDENT AUDITORS' 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, 2023, 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 Families Forward, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' 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.

#### *Other Matter*

The financial statements of Families Forward, Inc. as of and for the year ended September 30, 2022 were audited by another auditor, who expressed an unmodified opinion on those statements on April 26, 2023.

#### *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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### *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 March 15, 2024 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.

*Haskell & White LLP*

HASKELL & WHITE LLP

Irvine, California  
March 15, 2024

**FAMILIES FORWARD, INC.**

**Statements of Financial Position  
As of September 30, 2023 and 2022**

<b>ASSETS</b>	<u>2023</u>	<u>2022</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,915,226	\$ 2,616,129
Grants and contributions receivable	691,898	1,130,015
Prepaid expenses and other current assets	201,052	101,610
Investments	<u>3,722,872</u>	<u>2,932,033</u>
Total current assets	<u>6,531,048</u>	<u>6,779,787</u>
Property and equipment, net	<u>21,778,174</u>	<u>19,819,172</u>
<b>Other assets</b>		
Restricted investments	296,716	275,369
Operating lease right-of-use assets	<u>183,572</u>	<u>-</u>
Total other assets	<u>480,288</u>	<u>275,369</u>
Total assets	<u><u>\$ 28,789,510</u></u>	<u><u>\$ 26,874,328</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 34,983	\$ 292,283
Accrued expenses	338,891	258,760
Clients' deposits	90,547	74,655
Notes payable, current portion	67,819	66,520
Deferred revenue	640,440	-
Operating lease liabilities, current portion	<u>102,401</u>	<u>-</u>
Total current liabilities	<u>1,275,081</u>	<u>692,218</u>
<b>Noncurrent liabilities</b>		
Notes payable, noncurrent portion	2,700,475	2,691,384
Operating lease liabilities, noncurrent portion	<u>103,406</u>	<u>-</u>
Total noncurrent liabilities	<u>2,803,881</u>	<u>2,691,384</u>
Total liabilities	<u>4,078,962</u>	<u>3,383,602</u>
 <b>Commitments and contingencies (Note 2, 6, 8, and 10-12)</b>		
<b>Net assets</b>		
Without donor restrictions	23,101,690	21,872,712
With donor restrictions	<u>1,608,858</u>	<u>1,618,014</u>
Total net assets	<u>24,710,548</u>	<u>23,490,726</u>
Total liabilities and net assets	<u><u>\$ 28,789,510</u></u>	<u><u>\$ 26,874,328</u></u>

The accompanying notes are an integral part of the financial statements.

**FAMILIES FORWARD, INC.**

**Statement of Activities  
For The Year Ended September 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions	\$ 2,681,150	\$ -	\$ 2,681,150
Special events, net of direct benefit expenses of \$115,146	300,155	-	300,155
Grants from government agencies - program	4,225,270	-	4,225,270
Grants from government agencies - capital	1,135,318	-	1,135,318
Employee Retention Credits (Note 10)	490,268	-	490,268
Realized and unrealized gain on investments, net	336,309	-	336,309
Dividends and interest income	144,068	-	144,068
Rental and other income	710,371	-	710,371
In-kind contributions	1,954,514	-	1,954,514
	<u>11,977,423</u>	<u>-</u>	<u>11,977,423</u>
 Total support and revenue	 11,977,423	 -	 11,977,423
 Net assets released from restrictions	 <u>9,156</u>	 <u>(9,156)</u>	 <u>-</u>
 Total support, revenue, and satisfaction of restrictions	 <u>11,986,579</u>	 <u>(9,156)</u>	 <u>11,977,423</u>
 <b>Expenses</b>			
Housing and other programs	9,685,791	-	9,685,791
Supporting services:			
Administration	507,385	-	507,385
Fundraising	564,425	-	564,425
	<u>1,071,810</u>	<u>-</u>	<u>1,071,810</u>
 Total supporting services	 <u>1,071,810</u>	 <u>-</u>	 <u>1,071,810</u>
 Total expenses	 <u>10,757,601</u>	 <u>-</u>	 <u>10,757,601</u>
 <b>Change in Net Assets</b>	 1,228,978	 (9,156)	 1,219,822
 <b>Net Assets at Beginning of Year</b>	 <u>21,872,712</u>	 <u>1,618,014</u>	 <u>23,490,726</u>
 <b>Net Assets at End of Year</b>	 <u>\$ 23,101,690</u>	 <u>\$ 1,608,858</u>	 <u>\$ 24,710,548</u>

The accompanying notes are an integral part of the financial statements.

**FAMILIES FORWARD, INC.**

**Statement of Activities (continued)  
For The Year Ended September 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions	\$ 2,653,951	\$ -	\$ 2,653,951
Special events, net of direct benefit expenses of \$40,447	346,387	-	346,387
Grants from government agencies - program	6,081,872	-	6,081,872
Grants from government agencies - capital	726,221	-	726,221
Realized and unrealized loss on investments, net	(641,976)	-	(641,976)
Dividends and interest income	94,201	-	94,201
Rental and other income	781,079	-	781,079
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
Changes in assets and liabilities held in charitable remainder trust	-	(24,883)	(24,883)
Total support and revenue	12,198,328	(24,883)	12,173,445
Net assets released from restrictions	305,351	(305,351)	-
Total support, revenue, and satisfaction of restrictions	12,503,679	(330,234)	12,173,445
<b>Expenses</b>			
Housing and other programs	10,865,237	-	10,865,237
Supporting services:			
Administration	575,065	-	575,065
Fundraising	657,540	-	657,540
Total supporting services	1,232,605	-	1,232,605
Total expenses	12,097,842	-	12,097,842
<b>Change in Net Assets</b>	405,837	(330,234)	75,603
<b>Net Assets at Beginning of Year</b>	21,621,875	1,793,248	23,415,123
<b>Net Assets at End of Year</b>	<u>\$ 22,027,712</u>	<u>\$ 1,463,014</u>	<u>\$ 23,490,726</u>

The accompanying notes are an integral part of the financial statements.



## FAMILIES FORWARD, INC.

### Statement of Functional Expenses For The Year Ended September 30, 2023

	Supporting Services				Total
	Housing and other Programs	Administration	Fundraising	Total Supporting Services	
Auto mileage	\$ 27,740	\$ 289	\$ 867	\$ 1,156	\$ 28,896
Bank charges	-	40,834	-	40,834	40,834
Closing and commission fees	-	-	-	-	-
Computer expenses	131,789	10,604	9,089	19,693	151,482
Depreciation	421,366	8,688	4,344	13,032	434,398
Direct program expenses	1,915,117	-	-	-	1,915,117
Donated materials and services	1,949,135	-	-	-	1,949,135
Dues and subscriptions	79,000	13,012	929	13,941	92,941
Employee benefits	375,171	30,186	25,874	56,060	431,231
Fund development	-	-	94,475	94,475	94,475
Homeowner association fees	206,134	-	-	-	206,134
Insurance	88,702	4,928	4,928	9,856	98,558
Interest expense	90,548	-	-	-	90,548
Maintenance	261,077	2,664	2,664	5,328	266,405
Office expense	38,309	3,082	2,642	5,724	44,033
Payroll	3,405,033	273,968	234,830	508,798	3,913,831
Payroll service fees	22,489	1,809	1,551	3,360	25,849
Payroll taxes	259,641	20,891	17,906	38,797	298,438
Postage	2,942	504	4,959	5,463	8,405
Professional fees	97,716	81,430	146,574	228,004	325,720
Property tax	53,172	605	683	1,288	54,460
Staff development and meetings	28,245	2,273	1,948	4,221	32,466
Telephone	96,967	7,802	6,687	14,489	111,456
Truck expenses	13,493	-	-	-	13,493
Utilities	92,309	1,427	1,427	2,854	95,163
Workers compensation	29,696	2,389	2,048	4,437	34,133
	\$ 9,685,791	\$ 507,385	\$ 564,425	\$ 1,071,810	\$ 10,757,601
Total expenses by function	\$ 9,685,791	\$ 507,385	\$ 564,425	\$ 1,071,810	\$ 10,757,601

The accompanying notes are an integral part of the financial statements.

**FAMILIES FORWARD, INC.**

**Statements of Functional Expenses (continued)  
For The Year Ended September 30, 2022**

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

The accompanying notes are an integral part of the financial statements.

**FAMILIES FORWARD, INC.**

**Statements of Cash Flows  
For The Years Ended September 30, 2023 and 2022**

	2023	2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,219,822	\$ 75,603
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	434,398	255,714
Amortization of right-of-use asset	88,527	-
Realized/unrealized (gain) loss on investments, net	(336,309)	641,976
Gain on sale of property and equipment	-	(517,679)
Forgiveness of PPP loan	-	(588,100)
Donated property and equipment	(898,080)	(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)
Grants and contributions receivable	(99,442)	199,581
Prepaid expenses and other current assets	438,117	174,499
Accounts payable	(257,300)	101,406
Accrued expenses	80,131	12,441
Funds held for others	-	(572,450)
Clients' deposits	15,892	19,560
Deferred revenue	640,440	-
Lease liabilities	(66,293)	-
Net cash provided by operating activities	1,259,903	376,141
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,416,591)	(1,734,227)
Sale of property and equipment	-	1,554,213
Purchases of investments	(2,698,185)	(3,556,333)
Sales of investments	2,222,308	3,499,038
Net cash used in investing activities	(1,892,468)	(237,309)
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	-	980,296
Payments on notes payable	(68,338)	(88,099)
Net cash (used in) provided by financing activities	(68,338)	892,197
Net (decrease) increase in cash and cash equivalents	(700,903)	1,031,029
Cash and cash equivalents, beginning of the year	2,616,129	1,585,100
Cash and cash equivalents, end of the year	\$ 1,915,226	\$ 2,616,129
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 90,549	\$ 89,213

The accompanying notes are an integral part of the financial statements.

# FAMILIES FORWARD, INC.

## Notes to Financial Statements For The Year Ended September 30, 2023

### 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.

### 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.

## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 2. Significant Accounting Policies (continued)

##### *Net Asset Classifications (continued)*

The Financial Accounting Standards Board (“FASB”) has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

##### *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, 2023 and 2022.

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, 2023 and 2022 are fully collectible; therefore, no allowance for doubtful accounts was recorded.

##### *Deferred Revenue*

Certain grants and contracts from foundations and governmental entities are included in deferred revenue due to stipulations within the agreements that contain barriers (as defined by Accounting Standards Update 2018-08) that make these contributions conditional. These funds are recognized as eligible costs are incurred, that is, as the barriers to which entitlement depends are satisfied.

## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 2. Significant Accounting Policies (continued)

##### *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 \$2,500. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Buildings and improvements	10 – 40 years
Furniture and equipment	5 - 15 years
Autos and trucks	5 years

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

##### *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, 2023 and 2022, 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.

## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 2. Significant Accounting Policies (continued)

##### *Investments*

Investments 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. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Families Forward's Returns of Organization Exempt from Income Tax are subject to examination by the Internal Revenue Service and state taxing authorities, generally three to four years after the returns are filed.

## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 2. Significant Accounting Policies (continued)

##### *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.

##### *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 Holiday Wish program 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. 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.

##### *Recently Adopted Accounting Principles*

As of October 1, 2022, the Organization accounts for its leases in accordance with ASC 842, *Leases*.

Management determines if a contract is or contains a lease at the inception or modification of such contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means the lessee has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.



## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 2. Significant Accounting Policies (continued)

##### *Recently Adopted Accounting Principles (continued)*

Operating lease right-of-use (“ROU”) assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term on the lease commencement date. When the implicit lease rate is not determinable, management elected a practical expedient allowed within an amendment to ASC 842 which allows non-public business entities to elect to use a risk-free rate as the discount rate when there is no interest rate implicit in the lease. The expected lease terms include options to extend or terminate the lease when it is reasonably certain the Organization will exercise such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease terms.

Upon adoption of ASC 842, the Organization elected the package of practical expedients in transition for leases that commenced prior to October 1, 2022, and therefore did not reassess (i) whether any expired or existing contracts are, or contain, leases, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases. For all asset classes, the Organization elected to (i) not recognize a right-of-use asset and lease liability for leases with a term of 12 months or less and (ii) not separate non-lease components from lease components, and have accounted for combined lease and non-lease components as a single lease component. See Note 11 for more information about the Organization’s leases.

##### *Reclassification of Prior Year Presentation*

Certain prior year balances have been reclassified to conform with current year financial statements presentation.

#### 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, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Investments				
Certificates of deposit	\$ -	\$ 250,000	\$ -	\$ 250,000
Bond funds	872,345	-	-	872,345
Equity funds	2,752,989	-	-	2,752,989
Real estate equity funds	144,254	-	-	144,254
	<u>\$ 3,769,588</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 4,019,588</u>

**FAMILIES FORWARD, INC.**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2023**

**3. Fair Value Measurements (continued)**

	2022			
	Level 1	Level 2	Level 3	Total
Investments				
Bond funds	\$ 874,872	\$ -	\$ -	\$ 874,872
Equity funds	2,126,045	-	-	2,126,045
Real estate equity funds	206,485	-	-	206,485
	\$ 3,207,402	\$ -	\$ -	\$ 3,207,402

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.

**4. Property and Equipment**

Property and equipment are summarized as follows at September 30:

	2023	2022
Land	\$ 11,596,750	\$ 7,353,858
Buildings and improvements	11,966,577	7,216,762
Furniture and equipment	508,299	482,111
Autos and trucks	45,000	45,000
Real estate not placed in service	721,301	7,346,796
Total property and equipment	24,837,927	22,444,527
Accumulated depreciation	(3,059,753)	(2,625,355)
Total property and equipment, net	\$ 21,778,174	\$ 19,819,172

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

## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 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.

During 2023, the Organization placed into service The Bungalows, a \$4.5M permanent affordable housing project located in the city of Costa Mesa. The 8-unit property was ready for occupancy in April 2023.

In March and September 2023, the Organization purchased two properties in Irvine, California for approximately \$665,000 and \$660,000, respectively. The acquisitions were partially financed with grants from the City of Irvine.

#### 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:

	2023	2022
Real estate improvements	\$ 898,080	\$ 395,441
Food	603,998	269,912
Legal services	22,704	43,973
Holiday Wish program/Back to School supplies	329,956	268,235
Gift cards	47,218	38,457
Other miscellaneous	52,558	34,796
	<u>\$ 1,954,514</u>	<u>\$ 1,050,814</u>

**FAMILIES FORWARD, INC.**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2023**

**6. Net Assets with Donor Restrictions**

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

	2023	2022
Time restrictions:		
CHDO grant loan	\$ 9,167	\$ 18,324
CDBG grant loans	1,344,691	1,344,690
Restrictions in perpetuity:		
Nancy Fund endowment	255,000	255,000
Total net assets with donor restrictions	\$ 1,608,858	\$ 1,618,014

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, 2023 and 2022:

	2023	2022
Satisfaction of time restrictions:		
CHDO grant loan	\$ 9,156	\$ 9,156
Charitable remainder trust	-	251,195
Contributions with time restrictions	-	45,000
Total net assets released from restrictions	\$ 9,156	\$ 305,351

*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, 2023, the unreleased portion of the grant was \$9,167. 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, 2023.

**FAMILIES FORWARD, INC.**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2023**

**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 charitable remainder trust had a zero balance as of September 30, 2023 and 2022.

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

	2023	2022
Investment loss	\$ -	\$ (6,079)
Payments to beneficiary from trust	-	(13,824)
Amortized interest on payments to beneficiary	-	(4,980)
Change in assets and liabilities held in charitable remainder trust	\$ -	\$ (24,883)

## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 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 gift agreement was amended in 2022 to increase the endowment to \$255,000. The investments restricted for permanent endowment of \$296,716 and \$120,369 are included in noncurrent assets in the statements of financial position at September 30, 2023 and 2022, 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, 2023, 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, 2021	\$ 148,251
Dividends and interest earned	690
Contributions	155,000
Change in value of investments	<u>(28,572)</u>
Endowment fund balance, September 30, 2022	275,369
Dividends and interest earned	5,747
Change in value of investments	<u>15,600</u>
Endowment fund balance, September 30, 2023	<u><u>\$ 296,716</u></u>

#### 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 \$1,473,621 and \$1,307,035 as of September 30, 2023 and 2022, respectively.

## **FAMILIES FORWARD, INC.**

### **Notes to Financial Statements (continued) For The Year Ended September 30, 2023**

#### **7. Net Assets without Donor Restrictions (continued)**

The Board of Directors has designated \$1,303,330 for the purchase of upcoming projects. The total amount is comprised of \$500,000 for a project in Tustin, \$500,000 for a project in Lake Forest, and \$303,330 in reserves for upcoming projects. The Board has also designated \$500,000 to be used in future periods.

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.

#### **8. Notes Payable**

The Organization has a \$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 \$58,730 and \$58,424 as of September 30, 2023 and 2022, 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 83 monthly payments of principal and interest of \$5,134, with a final payment of approximately \$879,000 in March 2026. Interest is calculated at 1.95% above the index rate of California Bank & Trust (the Bank) (4.53% and 3.18% at September 30, 2023 and 2022, 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 approximately \$639,000, 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%. Management believes the Organization was in compliance with such covenants and the loan agreement contains various financial and nonfinancial covenants and conditions.

## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 8. Notes Payable (continued)

As of September 30, 2023, future maturities of the notes payable are as follows for the years ending September 30:

2024	\$ 67,819
2025	70,443
2026	935,775
2027	834,536
2028	32,196
Thereafter	<u>827,525</u>
Total	<u>\$ 2,768,294</u>

#### 9. Related Party Transactions

Members of the Board of Directors collectively contributed approximately \$180,000 and \$191,000 to the Organization during the years ended September 30, 2023 and 2022, respectively.

#### 10. 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, 2023 and 2022, 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 City of Irvine accounted for approximately 10% of the Organization's total support and revenue during the year ended September 30, 2023. The County of Orange and Gateway together accounted for approximately 27% of the Organization's total support and revenue during the year ended September 30, 2022.

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.



## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 10. Concentrations and Contingencies (continued)

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.

#### *Employee Retention Credits*

The Employee Retention Credits (“ERC”) is a refundable tax credit against certain employment taxes for eligible employers. In September 2023, the Organization claimed ERCs of approximately \$1,600,000. The Organization records ERCs in the financial statements when realized. The Organization received and recorded ERCs of approximately \$490,000, which are reported in support and revenue in the statement of activities, during the year ended September 30, 2023.

#### 11. Operating Leases

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 lease extension option was not included in the calculation of the ROU asset and lease liability, as management is not reasonably certain that the extension option will be exercised. The monthly charge was \$6,136 as of September 30, 2023. Additionally, the Organization entered into various leasing arrangements for small office equipment ranging for a period of two to three years.

As of September 30, 2023, minimum lease payments for future years ending September 30 are as follows:

2024	\$	108,963
2025		105,287
2026		10,419
Total lease payments		<u>224,669</u>
Less: imputed interest	\$	<u>(18,862)</u>
Total		205,807
Less: current portion		<u>(102,401)</u>
Operating lease liabilities, noncurrent portion	\$	<u><u>103,406</u></u>

## FAMILIES FORWARD, INC.

### Notes to Financial Statements (continued) For The Year Ended September 30, 2023

#### 11. Operating Leases (continued)

Weighted-average lease terms and discount rates for the Organization's operating leases are as follows for the year ended September 30, 2023:

Weighted-average remaining lease term (years)	2.21
Weighted-average discount rate	4.07%

Supplemental cash flow information and non-cash activity related to the Organization's leases are as follows for the year ended September 30, 2023:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 59,127
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Non-cash activity:

Right-of-use assets obtained in exchange for operating lease liabilities upon the adoption of ASC 842	\$ 272,107
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#### 12. 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 \$209,905 and \$281,277 for 2023 and 2022, 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 (continued) For The Year Ended September 30, 2023

#### 13. Availability of Financial Assets and Liquidity

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

	<u>2023</u>
Financial assets, at September 30:*	\$ 6,329,996
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(1,608,858)
Board designations:	
Legacy fund	(1,473,621)
Reserve for capital purchase	(1,303,330)
Other	<u>(500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,444,187</u>

\* Total current assets, less nonfinancial assets (i.e., 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.

#### 14. Subsequent Events

Management has evaluated subsequent events through March 15, 2024, the date the financial statements were available to be issued.

In November 2023, the Organization announced plans to build an affordable housing project in the City of Tustin. The Organization received \$4,500,000 in grant funding to support the construction of the project. Such grants are conditional upon the Organization contributing a minimum of \$500,000 in fundraising efforts towards the project. In December 2023, the Organization purchased a property for \$1,340,000 and is currently in the predevelopment stages of construction.

In December 2023, the Organization purchased a property in Mission Viejo, California for \$625,000.

In February 2024, the Organization entered escrow to purchase a property in Mission Viejo, California for \$554,900.

**GOVERNMENT AUDIT INFORMATION SECTION**

**Independent Auditors' 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***

Audit Committee and Board of Directors  
Families Forward, Inc.

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 Families Forward, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis of designing 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 the Organization'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 or significant deficiencies may exist that have not been identified.

**Independent Auditors' 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* (continued)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 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.

*Haskell & White LLP*

HASKELL & WHITE LLP

Irvine, California  
March 15, 2024

**Independent Auditors' Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required  
by the Uniform Guidance**

Audit Committee and Board of Directors  
Families Forward, Inc.

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Families Forward Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Independent Auditors' Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required  
by the Uniform Guidance (continued)**

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.



**Independent Auditors' Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required  
by the Uniform Guidance (continued)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Haskell & White LLP*

HASKELL & WHITE LLP

Irvine, California  
March 15, 2024

**FAMILIES FORWARD, INC.**

**Schedule of Expenditures of Federal Awards  
For The Year Ended September 30, 2023**

<u>Federal Grants/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant or Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
United States Department of Housing and Urban Development			
<u>Community Development Block Grants/Entitlement Grants</u>	14.218		
City of Huntington Beach		B-21-MC06-0506	\$ 42,803
City of Huntington Beach		23-12957/311699	16,276
City of Costa Mesa		B-22-MC-06-0503	20,061
City of Costa Mesa		B-23-MC-06-0503	6,605
City of Irvine		11457	18,619
City of Irvine		11640	6,290
City of Irvine - Capital		B-21-MC-06-0557	546,106
City of Irvine - Capital		City of Irvine - CDBG	585,712
City of Lake Forest		B-22-MC-06-0584	9,394
City of Lake Forest		B-23-MC-06-0584	3,662
City of Mission Viejo		B-22-MC-06-0585	7,647
City of Mission Viejo		B-23-MC-06-0585	1,923
City of Mission Viejo - Loans		Contract No. A17-05	820,000
City of Mission Viejo - Loans		4831-1733-8811v5/200347-0011	524,690
City of Newport Beach		Contract No. 8482-4E	14,358
City of Newport Beach		CDBG Public Services Agreement 2023-2024	3,204
City of Rancho Santa Margarita		B-22-MC-06-0598	3,171
City of Tustin		FY22/23-04	13,310
City of Tustin		FY 23/24-03	4,718
<u>COVID-19 -Community Development Block Grants/Entitlement Grants</u>	14.218		
Mission Viejo CDBG CV		B-20-MW-06-0585	15,000
City of Irvine - CARES Act		PO#5S8938	<u>184,577</u>
Subtotal			2,848,126
<u>COVID-19 - Emergency Solutions Grant Program:</u>	14.231		
Irvine ESG		ESG Agreement Program Year 2022-2023	112,713
COVID - Garden Grove ESG		City Grant 2020-2022	9,822
COVID 2 - Anaheim ESG EHV		AGR-13183	84,849
COVID 2 - Garden Grove EHV		Garden Grove EHV1158071.1	9,842
COVID 2 - Irvine ESG		11232	224,620
Irvine Recovery Grant		11560	<u>27,501</u>
Subtotal			<u>469,347</u>
<u>HOME Investment Partnerships Program:</u>	14.239		
Huntington Beach TBRA		FY2022-2023	86,633
Huntington Beach TBRA		FY2023-2024	61,035
Costa Mesa TBRA		M-20-MC-06-0507	82,472
Costa Mesa TBRA		FY2023-2024	<u>37,914</u>
Subtotal			<u>268,054</u>

See accompanying notes to the schedule of expenditures of federal awards and report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

**FAMILIES FORWARD, INC.**

**Schedule of Expenditures of Federal Awards (continued)  
For The Year Ended September 30, 2023**

<u>Federal Grants/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant or Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
United States Department of Housing and Urban Development (continued)			
<u>Continuum of Care Program:</u>	14.267		
HUD		CA1350L9D022107	441,303
HUD		CA1350L9D022208	121,199
Subtotal			<u>562,502</u>
<u>Emergency Housing Voucher Program</u>	16.736		
Human Options EHV		MA-042-21011841	100,723
United States Department of Justice			
<u>Crime Victim Assistance:</u>	16.575		
Human Options (XH)		XH21031192	30,256
Human Options (XD)		XD21031192	56,623
			<u>86,879</u>
<u>Transitional Housing</u>	16.736		
Human Options (OVW-TH)		O-OVW-2021--42001	31,011
Subtotal			<u>117,890</u>
United States Department of Treasury			
<u>Coronavirus State and Local Fiscal Recovery Funds (CSLFRF):</u>	21.027		
D2 - 175K		SLFRP1607-4611	102,418
D5 - 100K		SLFRP1607-4608	98,183
D5 - 25K		SLFRP1607-4607	15,029
Costa Mesa		Affordable Housing Grant	975,000
D5-80k Bungalows		SLFRP1607-4612	80,000
Subtotal			<u>1,270,630</u>
United States Department of Homeland Security			
<u>Emergency Food and Shelter National Board Program:</u>	97.024		
EFSP Phase 39		LRO ID: 078600-053	24,995
EFSP - ARPAP		LRO ID: 078600-053	57,832
Subtotal			<u>82,827</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,720,099</u></u>

See accompanying notes to the schedule of expenditures of federal awards and report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

## **FAMILIES FORWARD, INC.**

### **Notes to Schedule of Expenditures of Federal Awards For The Year Ended September 30, 2023**

#### **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, 2023. 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.

#### **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.

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

#### **3. 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.

#### **4. Contingencies**

Grant monies received and disbursed by the Organization are for specific purposes and are subject to an audit by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Organization does not believe that such disallowances, if any, would have a material effect on the financial position of the Organization.

## FAMILIES FORWARD, INC.

### Schedule of Findings and Questioned Costs For The Year Ended September 30, 2023

**Section I - Summary of Auditors' Results:**

**Financial Statements**

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP.	<b>Unmodified</b>	
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <u>X</u> No

**Federal Awards**

Type of auditors' report issued on compliance for the major program	<b>Unmodified</b>	
Internal control over major program:		
Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> No
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)	_____ Yes	_____ <u>X</u> No
Identification of the major program:		
<u>CFDA Number</u>		<u>Name of Federal Program or Cluster</u>
21.027		Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$750,000</u>
Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No

**Section II - Financial Statement Findings:**

None

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

None

**FAMILIES FORWARD, INC.**

**Summary Schedule of Prior Audit Findings  
For The Year Ended September 30, 2023**

**Comments Originating in the Year Ended September 30, 2022**

There were no audit findings or questioned costs relative to federal awards for the year ended September 30, 2022.