FAMILY HOUSE, INC.
AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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LINDQUIST
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Certified Public Accountants

Board of Directors
Family House, Inc. and Affiliates
San Francisco, California

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Family House, Inc. and Affiliates, California nonprofit public benefit corporations, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Family House, Inc. and Affiliates as of December 31, 2023 and 2022, and the changes in their net assets and their 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS), 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 Consolidated Financial Statements section of our report. We are required to be independent of Family House, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Family House, Inc. and Affiliates adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on revenue recognition for in-kind donations. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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, including omissions, 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Family House, Inc. and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family House, Inc. and Affiliates' 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.

Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the Consolidating Schedule of Financial Position, Consolidating Schedule of Activities, and Schedule of Activities – Family House, Inc. Only is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Lindquist, von Husen and Joyce LLP

August 26, 2024

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,332,600	$ 3,415,675
Receivables:		
Contributions receivable – current portion (Note 3)	600,001	473,722
Beneficial interest in charitable trust – current portion (Note 7)	25,000	25,000
Prepaid expenses	121,110	125,477
Investments (Note 5)	24,376,400	17,334,526
Other short term investments (Note 2)	-	802,634
Total current assets	28,455,111	22,177,034
Contributions receivable – net of current portion (Note 3)	548,179	726,668
Restricted cash – endowment (Note 5)	12,799	13,715
Property and equipment – net (Note 6)	33,069,190	34,446,509
Beneficial interest in charitable trust – net of current portion (Note 7)	95,378	106,224
Total assets	$ 62,180,657	$ 57,470,150
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 275,394	$ 325,400
Deferred revenue	236,123	498,450
Total liabilities	511,517	823,850
Net assets:		
Without donor restrictions	58,339,487	53,541,450
With donor restrictions (Note 9)	3,329,653	3,104,850
Total net assets	61,669,140	56,646,300
Total liabilities and net assets	$ 62,180,657	$ 57,470,150

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

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Support and revenue:			
Contributions	$ 6,684,169	$ 535,666	$ 7,219,835
In-kind donations (Note 2)	154,107	-	154,107
Special events contributions	1,350,575	-	1,350,575
Special events revenue	617,932	-	617,932
Less: cost of special events	(745,738)	-	(745,738)
Operations financed by UCSF	1,561,155	-	1,561,155
Family stay	184,599	-	184,599
Reimbursement income (Note 11)	11,423	-	11,423
Other income	50,139	-	50,139
Unrealized gain on investments (Note 5)	2,717,495	260,604	2,978,099
Net assets released from restrictions	571,467	(571,467)	-
Total support and revenue	13,157,323	224,803	13,382,126
Expenses:			
Program services	6,143,115	-	6,143,115
Management and general	1,037,522	-	1,037,522
Fundraising – general	1,178,649	-	1,178,649
Total expenses	8,359,286	-	8,359,286
Change in net assets	4,798,037	224,803	5,022,840
Net assets, beginning of year	53,541,450	3,104,850	56,646,300
Net assets, end of year	$ 58,339,487	$ 3,329,653	$ 61,669,140

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

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Support and revenue:			
Contributions	$ 6,992,542	$ 724,048	$ 7,716,590
In-kind donations (Note 2)	103,673	-	103,673
Special events contributions	1,701,570	-	1,701,570
Special events revenue	644,861	-	644,861
Less: cost of special events	(636,241)	-	(636,241)
Interest on leverage note receivable (Note 4)	7,427	-	7,427
Operations financed by UCSF	1,106,599	-	1,106,599
Family stay	171,412	-	171,412
Reimbursement income (Note 11)	459	-	459
Other income	14,439	-	14,439
Unrealized gain on investments (Note 5)	(1,693,931)	(262,271)	(1,956,202)
Forgiveness of debt (Note 10)	3,629,160	-	3,629,160
Net assets released from restrictions	371,858	(371,858)	-
Total support and revenue	12,413,828	89,919	12,503,747
Expenses:			
Program services	6,219,354	-	6,219,354
Management and general	837,587	-	837,587
Fundraising – general	1,045,907	-	1,045,907
Total expenses	8,102,848	-	8,102,848
Change in net assets	4,310,980	89,919	4,400,899
Net assets, beginning of year	49,230,470	3,014,931	52,245,401
Net assets, end of year	$ 53,541,450	$ 3,104,850	$ 56,646,300

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

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023				2022			
	Program Services	*Management and General*	*Fundraising – General*	*Total*	*Program Services*	*Management and General*	*Fundraising – General*	*Total*
Payroll and related costs	$ 2,909,209	$ 436,643	$ 866,621	$ 4,212,473	$ 2,655,927	$ 461,333	$ 727,331	$ 3,844,591
Professional fees	170,022	474,809	117,591	762,422	376,234	247,436	190,883	814,553
Program	487,671	-	-	487,671	454,386	-	-	454,386
Security services	121,597	2,482	-	124,079	18,899	386	-	19,285
Repairs and maintenance	221,625	4,523	-	226,148	266,328	5,435	-	271,763
Utilities	294,314	6,006	-	300,320	275,299	5,618	-	280,917
Housekeeping and household supplies	174,089	3,553	-	177,642	163,881	3,345	-	167,226
Office expenses	97,355	11,854	51,040	160,249	70,259	9,586	37,263	117,108
Insurance and taxes	101,379	9,781	-	111,160	90,118	10,292	-	100,410
Telephone	69,674	-	-	69,674	61,659	1,413	3,609	66,681
Advertising and marketing	8,140	578	81,603	90,321	-	-	37,358	37,358
Credit card and banking fees	-	25,194	-	25,194	-	21,485	-	21,485
Travel and meals	75	6,533	30,157	36,765	113	4,534	17,527	22,174
Other administrative expenses	59,103	26,406	31,637	117,146	66,944	31,636	31,936	130,516
Interest (Note 8)	-	-	-	-	239,959	4,897	-	244,856
Depreciation	1,428,862	29,160	-	1,458,022	1,479,348	30,191	-	1,509,539
Total expenses as shown on the consolidated statements of activities	6,143,115	1,037,522	1,178,649	8,359,286	6,219,354	837,587	1,045,907	8,102,848
Cost of special events	-	-	745,738	745,738	-	-	636,241	636,241
Total expenses	$ 6,143,115	$ 1,037,522	$ 1,924,387	$ 9,105,024	$ 6,219,354	$ 837,587	$ 1,682,148	$ 8,739,089

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

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 5,022,840	$ 4,400,899
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,458,022	1,509,539
Interest expense – permanent loan costs amortization	-	215,169
Unrealized (gain) loss on investments	(2,978,099)	1,956,202
Forgiveness of debt – net	-	(3,629,160)
Decrease (increase) in assets:		
Contributions receivable	52,210	(459,144)
Prepaid expenses	4,367	(38,176)
Beneficial interest in charitable trust	10,846	34,116
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(50,006)	(53,305)
Deferred revenue	(262,327)	76,200
Net cash provided by operating activities	3,257,853	4,012,340
Cash flows from investing activities:		
Net change in investments	(4,063,775)	(3,833,692)
Net change in other short term investments	802,634	(802,634)
Purchase of property and equipment	(80,703)	(247,094)
Net cash used in investing activities	(3,341,844)	(4,883,420)
Net decrease in cash, cash equivalents, and restricted cash	(83,991)	(871,080)
Cash, cash equivalents, and restricted cash, beginning of year	3,429,390	4,300,470
Cash, cash equivalents, and restricted cash, end of year	$ 3,345,399	$ 3,429,390

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

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Supplementary information:		
Cash paid for interest	$ -	$ 29,687
Cash and cash equivalents	$ 3,332,600	$ 3,415,675
Restricted cash – endowment	12,799	13,715
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 3,345,399	$ 3,429,390

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Family House, Inc. (Family House) was formed in 1981. Its mission is to serve as a home away from home for families of children with cancer and other life-threatening illnesses by providing physical comfort and emotional support, free from financial concerns. Family House maintains residential real properties in San Francisco to accomplish this purpose and serves over three thousand families per year.

Family House operates the following buildings at the following locations:

540 Mission Bay Blvd. North, San Francisco, CA – Construction of the five-story building was completed in April 2016. The building is located just blocks from the University of California San Francisco (UCSF) Benioff Children's Hospital in Mission Bay. The building has 80 bedrooms plus group kitchens, an exercise room, and family rooms. The corporate offices of Family House are also at this location.

1234 Tenth Avenue, San Francisco, CA – This four-story property is located near UCSF and across from Golden Gate Park. It has 35 family bedrooms plus group kitchens and family rooms. In January 2017, a memorandum of understanding was signed with UCSF to repurpose the property into a home for adult patients and their families. Rehabilitation of the property commenced in 2017 and was substantially completed in June 2018. The building became operational on July 11, 2018. In accordance with the terms of the memorandum of understanding with UCSF, the cost of the rehabilitation was funded on a reimbursement basis with proceeds of contributions from UCSF to Family House. Likewise, any portion of operating costs in excess of amounts received from families for their stay are subsidized by UCSF.

As part of the financing for the Mission Bay project, Family House formed Family House Foundation, Inc. (FHF) and Family House Mission Bay, Inc. (FHMB) (collectively, "Family House and Affiliates"), which are California nonprofit public benefit corporations that are incorporated as supporting organizations to support Family House's charitable purposes. These entities allowed Family House to obtain new markets tax credit (NMTC) financing through loans from the Northern California Community Loan Fund NMTC Sub-CDE XI, LLC (NCCLF Sub-CDE XI), a California limited liability company sponsored by its parent CDE, Community Vision Capital & Consulting (formerly known as Northern California Community Loan Fund), a California nonprofit public benefit corporation. The NMTC deal, which closed in January 2015 (see Note 8), also included providing a leveraged loan to COCRF Investor 32, LLC (COCRF 32), a Delaware limited liability company (see Note 4). In 2022, Family House and Affiliates started the process of unwinding NMTC transactions. As part of the process, Family House purchased the membership interest in COCRF 32 for $1,000 and assigned the note held by COCRF 32 totaling $7,421,840 to FHF to offset the QLICI loans. The remaining unpaid amount of QLICI loans totaling $3,629,160 was forgiven by the lenders and is shown as debt forgiveness in the accompanying consolidated statements of activities. FHF was dissolved subsequent to year end, and management expects FHMB to be dissolved subsequent to year end.

Family House and Affiliates are vulnerable to risks associated with revenue that is substantially dependent on contributions and public support. The continued growth and well-being of Family House and Affiliates are contingent upon successful achievement of the organization's revenue raising goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Family House and Affiliates. All significant intercompany transactions and balances, if any, have been eliminated in the consolidation.

Accounting Method

Family House and Affiliates use the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Family House and Affiliates record contributions receivable based on their estimate of collectability. Should such estimate change over the next 12 months, any portion of the currently reported amounts may be deemed uncollectible.

Basis of Presentation

Family House and Affiliates report information regarding their financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of Family House and Affiliates.

- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated or transferred, whichever is earlier. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recognized when the donor makes a promise to give; that is, in substance, an unconditional promise. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions. Contributions restricted for the purchase of long-lived assets are reported as support without donor restriction when expended.

Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the contributions are received. Amortization of the discounts, if any, is included in contribution revenue.

Family House acquired certain property in prior years for nominal amounts or by charitable contribution. These assets were recorded at their estimated fair value as of the acquisition date, and these amounts may materially differ from current values.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature, or if they enhance a nonfinancial asset.

Family House receives reimbursement from a state program and some private insurance companies for reimbursement of the cost of a family's stay at Family House. Family House cannot reasonably estimate these reimbursements. Therefore, they are recorded as revenue when received.

In-Kind Donations

The accounting standard on in-kind donations, required by accounting principles generally accepted in the United States of America, requires contributed nonfinancial assets to be segregated from cash and other financial assets on the statements of activities and requires qualitative disclosures including: (a) whether the asset was monetized or utilized during the reporting period, and if utilized a description of the programs or activities in which those assets were monetized or used; (b) a policy, if any, about whether to monetize the contributed nonfinancial asset rather than utilize the asset; (c) a description of any donor-imposed restrictions; (d) the valuation techniques and inputs used to arrive at a fair value measurement; and (e) the principal market used in determining a fair value measure if the market is one in which a donor-imposed restriction prohibits Family House and Affiliates from selling or using the contributed nonfinancial asset.

In-kind donations are recorded at fair value where an objective basis of measurement is available. In 2023 and 2022, Family House and Affiliates received in-kind donations of toys, clothing, food, and other goods totaling $154,107 and $103,673, respectively, which were then donated to the families.

Cash, Cash Equivalents, and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three months or less qualify as cash equivalents. Restricted cash are funds restricted as to their use, regardless of liquidity, such as funds provided by donors for a specified purpose, which are included in net assets with donor restrictions, including donor-restricted endowment funds (see Note 5). Family House and Affiliates occasionally maintain cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation limit. The uninsured cash and investments balance was approximately $2,575,000 as of December 31, 2023. Family House and Affiliates have not experienced any losses in such accounts.

Contributions Receivable

Family House and Affiliates record an allowance for doubtful collections based on a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for doubtful collections was $-0- as of December 31, 2023 and 2022.

Investments

In accordance with accounting principles generally accepted in the United States of America, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

Accounting principles generally accepted in the United States of America establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of Family House and Affiliates. Unobservable inputs, if any, reflects Family House and Affiliates' assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Family House and Affiliates have the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Property and Equipment

Property and equipment is stated at cost of acquisition, construction, or fair value if donated. Assets with a useful life of three years or more and a value of $3,000 or more are capitalized. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Buildings and improvements	30 years
Furniture and equipment	5 years
Site improvements	15 years

Split-interest Agreement

FHI is named as a beneficiary of a split-interest agreement. FHI records its beneficial interest in charitable trust under the split-interest agreement as a contribution if it is irrevocable, unconditional, and measurable. Beneficial interests are recorded at fair value and are reported separately in the consolidated statements of financial position. The contribution revenue from the split-interest agreement is included in contributions with donor restrictions in the accompanying consolidated statements of activities.

Income Taxes

Family House and Affiliates are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the related California code sections.

Family House and Affiliates believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. Family House and Affiliates' federal and state information returns for the years 2019 through 2022 have been filed and are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function that require consistent allocation on a reasonable basis. Expenses that are allocated based on estimates of employees' time incurred are: payroll and related costs and other administrative expenses. Expenses that are allocated based on the allocated square footage of the Mission Bay building are: housekeeping and household supplies, repairs and maintenance, utilities, interest and depreciation.

Subsequent Events

Management has evaluated subsequent events through August 26, 2024, the date on which the consolidated financial statements were available to be issued.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable is summarized as follows:

	2023	2022
Contributions receivable	$ 1,166,667	$ 1,307,056
Less: unamortized discount	(18,487)	(106,666)
	1,148,180	1,200,390
Less: current portion	(600,001)	(473,722)
Net contributions receivable	$ 548,179	$ 726,668

Future receipts are expected as follows:

2024	$ 600,001
2025	266,666
2026	100,000
2027	100,000
2028	100,000
Thereafter	-

NOTE 4 – LEVERAGE NOTE RECEIVABLE

Using proceeds from the NMTC loans (see Note 8), FHF provided a $7,421,840 leverage note to COCRF 32 in January 2015. The note bore simple interest at 1.3343% per annum on a 360-day basis. COCRF 32 was to pay FHF interest only quarterly from March 10, 2015 through December 10, 2021. Commencing on March 10, 2022, COCRF 32 was to pay FHF principal and interest quarterly, due in full on January 28, 2040. Interest income $7,427 in 2022.

In 2022, Family House purchased Capital One, National Association's (CONA, the sole member of COCRF 32) membership interest in COCRF 32. The leverage note receivable was offset against the QLICI loans, and the remaining unpaid amount of QLICI loans totaling $3,629,160 was forgiven by the lenders in 2022 (see Note 8).

NOTE 5 – INVESTMENTS

Investments as of December 31, 2023 and 2022 are summarized as follows:

	2023		
	Non-Endowment	*Endowment*	*Total*
Funds (Level 1):			
U.S. High Quality Bonds	$ 7,268,425	$ 708,091	$ 7,976,516
U.S. Inflation Adjusted Bonds	268,690	-	268,690
Technology	766,497	70,147	836,644
Real Estate	515,679	44,837	560,516
U.S. Large Company Stocks	4,284,541	388,699	4,673,240
U.S. Large Company Value	2,412,570	221,748	2,634,318
U.S. Small Company Stocks	722,839	64,136	786,975
U.S. Small Company Value	1,438,111	127,295	1,565,406
Foreign Developed Country Stocks	3,254,235	294,294	3,548,529
Foreign Emerging Market Stocks	1,361,517	129,049	1,490,566
	22,293,104	2,048,296	24,341,400
Other stocks (Level 2)	35,000	-	35,000
Total	$ 22,328,104	$ 2,048,296	$ 24,376,400

	2022		
	Non-Endowment	*Endowment*	*Total*
Funds (Level 1):			
U.S. High Quality Bonds	$ 5,737,591	$ 471,337	$ 6,208,928
U.S. Inflation Adjusted Bonds	184,308	82,772	267,080
Technology	482,975	59,521	542,496
Real Estate	-	38,580	38,580
U.S. Large Company Stocks	2,211,271	363,773	2,575,044
U.S. Large Company Value	1,587,971	209,877	1,797,848
U.S. Small Company Stocks	1,292,824	52,928	1,345,752
U.S. Small Company Value	873,311	117,212	990,523
Foreign Developed Country Stocks	2,177,973	282,748	2,460,721
Foreign Emerging Market Stocks	937,392	121,162	1,058,554
	15,485,616	1,799,910	17,285,526
Other stocks (Level 2)	49,000	-	49,000
Total	$ 15,534,616	$ 1,799,910	$ 17,334,526

Unrealized gain (loss) on investments for 2023 and 2022 was $2,978,099 and $(1,956,202), respectively.

Family House and Affiliates' investments recorded at fair value have been categorized based upon Level 1 hierarchy of inputs in accordance with accounting principles generally accepted in the United States of America (see Note 2).

Family House and Affiliates also has investments in other stocks with a fair value of $35,000 and $49,000 based on a August 31, 2023 and July 31, 2022 third-party report, respectively. These have been categorized based upon Level 2 hierarchy of inputs in accordance with accounting principles generally accepted in the United States of America (see Note 2).

The total fair value of investments as of December 31, 2023 and 2022 includes $2,048,296 and $1,799,910, respectively, of donor-restricted endowment funds (see Note 9) and related investment income. The donor-restricted endowment funds also include $12,799 and $13,715 of restricted cash as of December 31, 2023 and 2022, respectively.

Family House and Affiliates' investment portfolio is being managed by an independent and reputable third-party investment manager.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2023	2022
Land	$ 4,324,376	$ 4,324,376
Buildings and improvements	39,543,086	39,520,091
Furniture and equipment	3,417,344	3,359,636
Site improvements	236,425	236,425
	47,521,231	47,440,528
Less: accumulated depreciation	(14,452,041)	(12,994,019)
Total property and equipment	$ 33,069,190	$ 34,446,509

NOTE 7 – BENEFICIAL INTEREST IN CHARITABLE TRUST

FHI is a beneficiary to a charitable lead trust. In accordance with the terms of the trust agreement, the trustees, third parties, shall distribute an amount of $25,000 annually to FHI through 2029. FHI's beneficial interest in charitable trust recorded at fair value has been categorized based upon Level 2 hierarchy of inputs in accordance with accounting principles generally accepted in the United States of America (see Note 2). The balance was $120,378 and $131,224 as of December 31, 2023 and 2022, respectively.

NOTE 8 – NOTES PAYABLE

As part of the financing for the Mission Bay project, FHMB obtained NMTC loans secured by the property. The loans were offset against the leverage note receivable, and the remaining unpaid amount totaling $3,629,160 was forgiven in 2022. The loans consisted of the following:

NMTC loans:

NCCLF Sub-CDE XI QLICI Loan A (NCCLF Sub-CDE Loan A), bore simple interest at 1.3798% per annum on a 360-day basis. Payments of interest only were payable quarterly from March 1, 2015 through December 1, 2021. Commencing on March 1, 2022, payments of principal and interest were to be payable quarterly, due in full on January 28, 2045. Interest expense was $19,105 in 2022.

NCCLF Sub-CDE XI QLICI Loan B (NCCLF Sub-CDE Loan B), bore simple interest at 1.3798% per annum on a 360-day basis. Payments of interest only were payable quarterly from March 1, 2015 through December 1, 2021. Commencing on March 1, 2022, payments of principal and interest were to be payable quarterly, due in full on January 28, 2045. Interest expense was $8,332 in 2022.

COCRF SUBCDE 25, LLC QLICI Loan A (COCRF 25 Loan A), bore simple interest at 1% per annum on a 360-day basis. Payments of interest only were payable quarterly from March 1, 2015 through December 1, 2021. Commencing on March 1, 2022, payments of principal and interest were to be payable quarterly, due in full on January 28, 2045. Interest expense was $1,478 in 2022.

COCRF SUBCDE 25, LLC QLICI Loan B (COCRF 25 Loan B), bore simple interest at 1% per annum on a 360-day basis. Payments of interest only were payable quarterly from March 1, 2015 through December 1, 2021. Commencing on March 1, 2022, payments of principal and interest were to be payable quarterly, due in full on January 28, 2045. Interest expense was $772 in 2022.

Costs incurred in order to obtain permanent financing were $271,095 and were amortized on a straight-line basis into interest expense over the term of the loans. Interest expense for amortization of permanent loan costs was $215,169 in 2022. The permanent loan costs were written off in 2022.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

	2023			
	December 31, 2022	*Contributions*	*Releases from Restrictions*	*December 31, 2023*
Endowment	$ 1,180,782	$ 100,000	$ -	$ 1,280,782
Endowment earnings – time restricted until appropriated for expenditures	632,843	260,604	(113,134) [1]	780,313
Music therapy program	535,953	45,560	(100,000)	481,513
Other – time restricted	755,272	390,106	(358,333)	787,045
	$ 3,104,850	$ 796,270	$ (571,467)	$ 3,329,653

	2022			
	December 31, 2021	*Contributions*	*Releases from Restrictions*	*December 31, 2022*
Endowment	$ 1,080,782	$ 100,000	$ -	$ 1,180,782
Endowment earnings – time restricted until appropriated for expenditures	1,007,563	(262,271)	(112,449) [1]	632,843
Music therapy program	631,246	-	(95,293)	535,953
Other – time restricted	295,340	624,048	(164,116)	755,272
	$ 3,014,931	$ 461,777	$ (371,858)	$ 3,104,850

[1] The Board of Directors of Family House and Affiliates authorized the release of 6% of the total endowment fund during 2023 and 2022.

Endowment

Over the years, Family House and Affiliates have received certain funds with donor restrictions. Family House and Affiliates established the Arthur R. Ablin Endowment Fund of Family House. The primary funding of the endowment came from an estate, of which Family House was the sole beneficiary. The endowment fund is managed by an independent and reputable third-party investment manager. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Family House and Affiliates has interpreted the State Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gifts as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Family House classifies as net assets with donor restrictions: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment fund, including endowment earnings, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Family House and Affiliates in a manner consistent with the standard of prudence of the Act.

In accordance with the Act, Family House and Affiliates consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(a) The duration and preservation of the fund.
(b) The purposes of Family House and Affiliates and the donor-restricted endowment fund.
(c) General economic conditions.
(d) The possible effect of inflation and deflation.
(e) The expected total return from income and the appreciation of investments.
(f) Other resources of Family House and Affiliates.
(g) The investment policies of Family House and Affiliates.

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor or the Act requires Family House and Affiliates to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as decreases in net assets without donor restrictions. These deficiencies may result from unfavorable market fluctuations or other market conditions. There were no such deficiencies as of December 31, 2023 and 2022.

Return Objectives and Risk Parameters

The Endowment Account is intended to accumulate as much capital appreciation as possible, with the eventual goal of helping to support Family House and Affiliates' on-going operations while leaving the accumulated principal intact. Given this objective, investments assume a moderate to high degree of risk with diversification among different asset classes as a means of reducing risk. The Endowment Account can and will tolerate short-term portfolio volatility in an effort to achieve higher expected long-term rate of return.

Strategies Employed for Achieving Objectives

To meet the return objectives and risk parameters, guidelines for the management of the Endowment Account have been established.

Asset allocation ranges are set for the various asset classes: a target asset allocation of 65% equities and 35% fixed income was adopted in 2023 and 2022. Actual asset allocation may vary from the target, but equities and fixed income may not exceed 10% of the portfolio at market value. Endowment investments do not include illiquid assets, such as real estate, and acceptable and unacceptable investments for each asset class have been determined.

Spending Policy and How the Investment Objectives Relate to Spending Policy

At this time, Family House and Affiliates' policy is to reinvest all earnings. Family House and Affiliates' board of directors may determine the amount that will be used to help fund Family House and Affiliates' annual operations. The spending of earnings will be limited to the annual earnings of the portfolio and will not exceed seven percent (7%) of the fair value of the endowment fund. The fair value of the endowment fund will be calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three (3) years immediately following the year in which the appropriation for expenditure is made.

NOTE 10 – RETIREMENT PLAN

Family House and Affiliates established a 403b plan covering employees who work more than 30 hours a week, as defined in the plan. Employees are not required to contribute to the plan and employee contributions are immediately vested. The employer contribution to the plan is 3% of employees' annual salary, excluding bonuses, with an additional 3% matching if an employee contributes at least 3% of an employee's annual salary, excluding bonuses, to the plan. Employer contributions were $136,437 and $118,053 for the years ended December 31, 2023 and 2022, respectively.

NOTE 11 – COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Indemnification

FHF and FHMB agree to indemnify CONA with respect to any recapture or disallowance of NMTCs.

Reimbursement Income

Starting 2017, Family House is able to bill California Children's Services (CCS), a state program for children with certain diseases or health problems, and some private insurance companies for reimbursement of the cost of a family's stay at Family House. Reimbursement from CCS is funded on a county-by-county basis and is dependent upon each county's reimbursement rate and the nature of a family's stay at the Family House facility. Private insurance companies may reimburse Family House if it is such company's policy to reimburse for the types of services that Family House provides to families. Total amount of lodging reimbursement received was $11,423 and $459 for the years ended December 31, 2023 and 2022, respectively.

NOTE 12 – LIQUIDITY AND AVAILABILITY

Family House and Affiliates regularly monitor liquidity required to meet their operating needs and other contractual commitments, while also striving to maximize the investment of their available funds. Family House and Affiliates have various sources of liquidity at its disposal, including cash and cash equivalents and equity securities.

In addition to financial assets available to meet general expenditures over the next 12 months, Family House and Affiliates operate with a balanced budget and anticipate collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows, which identify the sources and uses of cash and restricted cash and show positive cash generated by operations for 2023 and 2022.

As of December 31, 2023 and 2022, the following financial assets could readily be made available within one year of the consolidated statements of financial position date to meet general expenditures:

	2023	2022
Cash and cash equivalents	$ 3,332,600	$ 3,415,675
Receivables, net – current portion	600,001	473,722
Investments	24,376,400	17,334,526
Other short term investments	-	802,634
Beneficial interest in charitable trust – current portion	25,000	25,000
	28,334,001	22,051,557
Less:		
Endowment investments [1]	(2,048,296)	(1,799,910)
Receivables, net – current portion encumbered by donor:		
Music therapy program	(100,000)	(100,000)
	$ 26,185,705	$ 20,151,647

[1] As of December 31, 2023 and 2022, $2,048,296 and $1,799,910, respectively, of Family House and Affiliates' investments was restricted by the donor as Endowment (see Notes 5 and 9). These donor-restricted endowment funds are not currently available for general expenditure. Prudent investment management, however, is considered to ensure the preservation of the funds for future use, which is outlined in Family House and Affiliates' Investment Guidelines and overseen by the BOD Investment Committee.

CONSOLIDATING INFORMATION

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2023

	Family House, Inc.	*Family House, Inc. 10th Avenue*	*Family House Foundation, Inc.*	*Family House Mission Bay, Inc.*	*Total*
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2,794,328	$ 538,272	$ -	$ -	$ 3,332,600
Contributions receivable – current portion	600,001	-	-	-	600,001
Beneficial interest in charitable trust – current portion	25,000	-	-	-	25,000
Prepaid expenses	121,110	-	-	-	121,110
Investments	24,376,400	-	-	-	24,376,400
Total current assets	27,916,839	538,272	-	-	28,455,111
Contributions receivable – net of current portion	548,179	-	-	-	548,179
Restricted cash:					
Endowment	12,799	-	-	-	12,799
Property and equipment – net	-	4,257,076	-	28,812,114	33,069,190
Beneficial interest in charitable trust – net of current portion	95,378	-	-	-	95,378
Total assets	$ 28,573,195	$ 4,795,348	$ -	$ 28,812,114	$ 62,180,657

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2023

	Family House, Inc.	*Family House, Inc. 10th Avenue*	*Family House Foundation, Inc.*	*Family House Mission Bay, Inc.*	*Total*
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued expenses	$ 275,394	$ -	$ -	$ -	$ 275,394
Deferred revenue	-	236,123	-	-	236,123
Total liabilities	275,394	236,123	-	-	511,517
Net assets:					
Without donor restrictions	27,762,135	4,559,225	(2,793,987)	28,812,114	58,339,487
With donor restrictions	535,666	-	2,793,987	-	3,329,653
Total net assets	28,297,801	4,559,225	-	28,812,114	61,669,140
Total liabilities and net assets	$ 28,573,195	$ 4,795,348	$ -	$ 28,812,114	$ 62,180,657

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Family House, Inc.	*Family House, Inc. 10th Avenue*	*Family House Foundation, Inc.*	*Family House Mission Bay, Inc.*	*Total*
Support and revenue:					
Contributions	$ 7,215,435	$ -	$ 4,400	$ -	$ 7,219,835
In-kind donations	154,107	-	-	-	154,107
Special events contributions	1,350,575	-	-	-	1,350,575
Special events revenue	617,932	-	-	-	617,932
Less: cost of special events	(745,738)	-	-	-	(745,738)
Operations financed by UCSF	-	1,561,155	-	-	1,561,155
Family stay	-	184,599	-	-	184,599
Reimbursement income	11,423	-	-	-	11,423
Other income	50,132	-	3	4	50,139
Unrealized gain (loss) on investments	2,978,246	-	(147)	-	2,978,099
Total support and revenue	11,632,112	1,745,754	4,256	4	13,382,126
Expenses:					
Program services	4,190,455	740,993	-	1,211,667	6,143,115
Management and general	626,964	410,558	-	-	1,037,522
Fundraising – general	1,059,209	118,862	578	-	1,178,649
Total expenses	5,876,628	1,270,413	578	1,211,667	8,359,286
Change in net assets	5,755,484	475,341	3,678	(1,211,663)	5,022,840
Transfers between entities	333,576	(246,145)	(22,130)	(65,301)	-
Net assets, beginning of year	22,208,741	4,330,029	18,452	30,089,078	56,646,300
Net assets, end of year	$ 28,297,801	$ 4,559,225	$ -	$ 28,812,114	$ 61,669,140

FAMILY HOUSE, INC. AND AFFILIATES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF ACTIVITIES – FAMILY HOUSE, INC. ONLY

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Support and revenue:			
Contributions	$ 6,679,769	$ 535,666	$ 7,215,435
In-kind donations	154,107	-	154,107
Special events contributions	1,350,575	-	1,350,575
Special events revenue	617,932	-	617,932
Less: cost of special events	(745,738)	-	(745,738)
Reimbursement income	11,423	-	11,423
Other income	50,132	-	50,132
Unrealized gain on investments	2,717,642	260,604	2,978,246
Net assets released from restrictions	571,467	(571,467)	-
Total support and revenue	11,407,309	224,803	11,632,112
Expenses:			
Program services	4,190,455	-	4,190,455
Management and general	626,964	-	626,964
Fundraising – general	1,059,209	-	1,059,209
Total expenses	5,876,628	-	5,876,628
Change in net assets	5,530,681	224,803	5,755,484
Transfers between entities	333,576	-	333,576
Net assets, beginning of year	19,103,891	3,104,850	22,208,741
Net assets, end of year	$ 24,968,148	$ 3,329,653	$ 28,297,801