

UNION STATION HOMELESS SERVICES

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Union Station Homeless Services  
Pasadena, California

We have audited the accompanying financial statements of Union Station Homeless Services, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessing the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

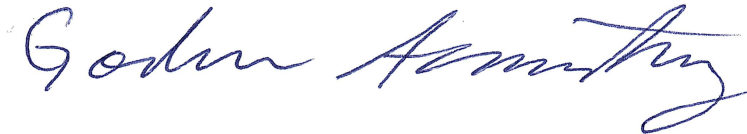
### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Station Homeless Services as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink, reading "Gordon Armstrong". The signature is written in a cursive, flowing style.

March 25, 2020  
Pasadena, California

UNION STATION HOMELESS SERVICES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	2019	2018
<b>CURRENT ASSETS</b>		
Cash	\$ 1,930,229	\$ 937,119
Cash held in trust - client accounts	3,893	11,042
Investments	12,394,744	12,234,370
Prepaid expenses	496,426	330,498
Grants receivable	3,099,610	2,261,904
Contributions receivable	41,040	225,720
Other receivables	10,638	8,136
Total current assets	17,976,580	16,008,789
<b>PROPERTY AND EQUIPMENT - NET</b>	6,546,159	6,759,341
<b>INTANGIBLE ASSETS - NET</b>	28,806	12,913
<b>OTHER ASSETS</b>		
Cash - endowment	5,290	5,451
Investments - endowment	2,487,249	2,371,005
Total other assets	2,492,539	2,376,456
<b>TOTAL ASSETS</b>	<u>\$ 27,044,084</u>	<u>\$ 25,157,499</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES, NET ASSETS, AND PARTNERS' CAPITAL

	JUNE 30,	
	2019	2018
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,205,512	\$ 2,557,928
Client trust liability	3,893	11,042
Other liabilities	1,808,685	759,249
Total current liabilities	5,018,090	3,328,219
LONG-TERM LIABILITIES		
Notes payable	2,400,361	2,400,361
TOTAL LIABILITIES	7,418,451	5,728,580
NET ASSETS		
Without donor restriction		
Undesignated	5,626,078	6,721,172
Board designated	2,181,270	854,552
Total without donor restriction	7,807,348	7,575,724
With donor restriction	11,818,285	11,853,195
TOTAL NET ASSETS AND PARTNERS' CAPITAL	19,625,633	19,428,919
TOTAL LIABILITIES, NET ASSETS, AND PARTNERS' CAPITAL	\$ 27,044,084	\$ 25,157,499

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES  
CONSOLIDATED STATEMENT OF ACTIVITIES

	YEAR ENDED JUNE 30,			
	2019		2018	
	Without donor restriction	With donor restriction	Total	Total
<b>SUPPORT AND REVENUE</b>				
Individuals	\$ 1,338,140	\$ 223,420	\$ 1,561,560	\$ 1,479,791
Churches	44,399	3,400	47,799	39,426
Government grants	14,118,964	-	14,118,964	9,670,003
Foundations	452,636	242,360	694,996	774,513
Other organizations	204,081	246,411	450,492	165,154
Other income	96,043	-	96,043	136,994
Gifts-in-kind	333,140	-	333,140	293,669
Investment income - net	506,154	99,106	605,260	558,131
Gain (loss) on sale of investments	15,854	(28,179)	(12,325)	41,580
Unrealized gain on investments	335,007	97,398	432,405	641,650
Net rental revenue	29,469	-	29,469	67,949
Bad debts	-	-	-	(20,295)
Net assets released from restriction	918,826	(918,826)	-	-
	<u>18,392,713</u>	<u>(34,910)</u>	<u>18,357,803</u>	<u>13,848,565</u>
Special events revenue	648,035	-	648,035	619,112
Special events expenses	<u>(360,836)</u>	<u>-</u>	<u>(360,836)</u>	<u>(281,920)</u>
Net revenue from special events	<u>287,199</u>	<u>-</u>	<u>287,199</u>	<u>337,192</u>
Total support and revenue	<u>18,679,912</u>	<u>(34,910)</u>	<u>18,645,002</u>	<u>14,185,757</u>
<b>EXPENSES</b>				
Program services	15,044,032	-	15,044,032	10,845,257
Management and general	2,549,374	-	2,549,374	1,906,433
Fundraising	<u>854,882</u>	<u>-</u>	<u>854,882</u>	<u>750,526</u>
Total expenses	<u>18,448,288</u>	<u>-</u>	<u>18,448,288</u>	<u>13,502,216</u>
CHANGE IN NET ASSETS	231,624	(34,910)	196,714	683,541
NET ASSETS AND PARTNERS' CAPITAL AT BEGINNING OF YEAR	<u>7,575,724</u>	<u>11,853,195</u>	<u>19,428,919</u>	<u>18,745,378</u>
NET ASSETS AND PARTNERS' CAPITAL AT END OF YEAR	<u>\$ 7,807,348</u>	<u>\$ 11,818,285</u>	<u>\$ 19,625,633</u>	<u>\$ 19,428,919</u>

The accompanying notes are an integral part of this statement.



UNION STATION HOMELESS SERVICES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	JUNE 30,				
	2019				2018
	Program services	Management and general	Fundraising	Total	Total
PERSONNEL EXPENSES					
Salaries	\$ 7,274,005	\$ 1,471,684	\$ 465,867	\$ 9,211,556	\$ 7,047,338
Payroll taxes and employee benefits	1,629,463	222,684	82,319	1,934,466	1,407,495
Total personnel expenses	8,903,468	1,694,368	548,186	11,146,022	8,454,833
OTHER EXPENSES					
Food and kitchen	86,207	164,712	-	250,919	261,243
Development and public relations	188	-	178,926	179,114	241,309
Utilities and telephone	239,169	42,828	8,329	290,326	204,516
Facility expenses	354,996	39,727	7,560	402,283	302,726
Insurance and taxes	59,310	47,802	1,005	108,117	78,437
Building repairs and maintenance	73,844	-	-	73,844	70,986
Auditing and legal services	-	155,594	-	155,594	94,041
Staff training and meetings	105,751	75,049	74,720	255,520	66,452
Program participant aid and other program expenses	4,342,273	17,217	-	4,359,490	2,473,297
Office expense	317,983	123,823	27,164	468,970	283,797
Auto, including reimbursements	87,354	13,036	429	100,819	67,506
Volunteer program	24,242	9,561	94	33,897	29,074
Bank and payroll fees	26,531	20,698	1,675	48,904	50,358
Social services	-	-	-	-	28,886
Interest expense	-	109,259	-	109,259	114,512
Total other expenses	5,717,848	819,306	299,902	6,837,056	4,367,140
Depreciation and amortization	422,716	35,700	6,794	465,210	680,243
TOTAL EXPENSES	\$ 15,044,032	\$ 2,549,374	\$ 854,882	\$ 18,448,288	\$ 13,502,216

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES  
CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 196,714	\$ 683,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	465,210	680,243
Amortized interest expense	803	-
(Gain) loss on sale of investments	12,325	(41,580)
Unrealized gain on investments	(432,405)	(641,650)
Changes in operating assets and liabilities:		
Prepaid expenses	(165,928)	(76,320)
Grants receivable	(837,706)	(966,988)
Contributions receivable	184,680	(224,900)
Other receivables	(2,502)	83,878
Accounts payable and accrued expenses	647,584	311,325
Client trust liability	(7,149)	5,206
Other liabilities	1,049,436	716,722
CASH PROVIDED BY OPERATING ACTIVITIES	1,111,062	529,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	10,973,682	1,331,176
Purchase of investments	(10,830,220)	(838,370)
Purchase of property and equipment	(252,028)	(137,746)
Purchase of intangible assets	(16,696)	-
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(125,262)	355,060
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional borrowing on line of credit	800,000	700,000
Principal payments on line of credit	(800,000)	(850,000)
CASH USED FOR FINANCING ACTIVITIES	-	(150,000)
NET INCREASE IN CASH	985,800	734,537
CASH AT BEGINNING OF YEAR	953,612	219,075
CASH AT END OF YEAR	\$ 1,939,412	\$ 953,612
SUMMARY OF CASH AT END OF YEAR:		
Cash	\$ 1,930,229	\$ 937,119
Cash held in trust - client accounts	3,893	11,042
Cash - endowment	5,290	5,451
	\$ 1,939,412	\$ 953,612
CASH PAID DURING THE YEAR FOR:		
INTEREST	\$ 10,455	\$ 8,106
TAXES	\$ -	\$ 800

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

MISSION STATEMENT

To end homelessness and help individuals and families rebuild their lives.

ORGANIZATION

During the year ended June 30, 2016, Union Station Homeless Services (the Organization or USHS) and Pacific Housing Alliance signed an affiliation agreement, giving USHS sole control over the Board of Directors of Pacific Housing Alliance. Through this agreement, USHS effectively owns 100% of 160 Euclid Partners, LP (the Partnership). As a result, the Partnership and Pacific Housing Alliance are required under generally accepted accounting principles to be consolidated into USHS.

UNION STATION HOMELESS SERVICES

USHS formerly Union Station Foundation, is a 501(c)(3) nonprofit organization headquartered in Pasadena, California. The Organization's mission is to help individuals and families rebuild their lives and end homelessness.

The vision expressed by the community volunteers who founded the agency almost 50 years ago still rings true today: Everyone deserves a life of dignity and a safe place to call home. While the vision has not changed, the services have evolved. The Organization has grown to be the San Gabriel Valley's largest and most comprehensive social service agency addressing homelessness.

160 EUCLID PARTNERS, LP

160 Euclid Partners, LP (the Partnership), is involved in the rehabilitation and management of a 15-unit property (with 14 units for families and 1 unit for the on-site manager) consisting of affordable rental housing in Pasadena, California. The Partnership commenced in July 1997 and completed an additional rehabilitation of the rental housing in May 2012.

The Partnership rents to people with qualifying levels of income who work primarily in the City of Pasadena and other areas of the Los Angeles County. The Partnership is subject to business risks associated with fluctuations in the economy and level of unemployment in the Los Angeles County, which affects occupancy as well as the tenants' ability to make rental payments. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the administrative burden, to comply with a change.

PACIFIC HOUSING ALLIANCE

The purpose of the Pacific Housing Alliance is to expand opportunities available to low and moderate income people to obtain affordable, decent, safe, and sanitary housing, and to assist such people in connection with such housing-related economic opportunities, and support services.



UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

HISTORY

For almost 50 years, Union Station Homeless Services has been transforming the lives of families and individuals facing homelessness and poverty in Pasadena and the San Gabriel Valley. By driving lasting and positive change for our community, we have become the largest provider of social services for homeless and low-income individuals and families in the San Gabriel Valley.

Founded in 1973 as a volunteer-run storefront serving homeless individuals, Union Station started offering overnight shelter in 1987 and built its first permanent shelter in 1989. Since then, we have consistently been at the forefront of the homelessness sector.

Since 2014, we have stepped up and taken on the role as the Lead Agency for the Coordinated Entry System (CES). Our geographic reach now spans from Pasadena to 31 cities and 11 unincorporated areas in the San Gabriel Valley.

We have doubled the number of people we have helped move from homelessness into housing and we have tripled our prevention, outreach, and engagement services. Along with our partners, we are now serving nearly 4,700 individuals annually. Our programming and services have grown and adapted to serve homeless individuals and families with increasingly complex needs including chronic homelessness, physical and mental health concerns, and substance use disorders.

OUR PROGRAMS

Working with dozens of service providers throughout the San Gabriel Valley, we provide a full continuum of care to help people experiencing homelessness find safe, affordable housing. We craft our programs to give homeless families and individuals everything they need from the time they walk through our doors, until well after the time they are living in their own home including:

- Outreach
- Bridge Housing
- Permanent Supportive Housing
- Employment and Community Reintegration

OUTREACH

Our Outreach teams engage with individuals experiencing homelessness in various settings including encampments, under bridges, in alleys, in cars – wherever they are – throughout the San Gabriel Valley. With compassion and patience, we build relationships with those we meet. Then, our teams work to match people to safe and affordable housing, giving chronically homeless adults and families top priority.

Coordinated Entry System (CES) - For those individuals who are homeless, this system streamlines the process of finding housing with the goal of triaging supportive housing to the most vulnerable people first.

Family Coordinated Entry System (CES-F) - This is the primary point of entry for families seeking services who are experiencing or at-risk of becoming homeless.



UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

OUR PROGRAMS (continued)

OUTREACH (continued)

Multidisciplinary Team (MDT) - Outreach teams consist of care coordinators, medical providers, substance use counselors, mental health clinicians, and formerly homeless peer advocates.

BRIDGE HOUSING

Residents at our bridge housing facilities have safe, temporary housing for themselves and their families. Within these safe living quarters, they find meals, showers, outdoor spaces, and social activities. Residents also benefit from onsite supportive services which include Care Coordinators who help them to link to vital community resources and long-term housing.

Each year, we provide nearly 400 individuals and families with bridge housing at our two locations and with motel vouchers.

The Adult Center - 56 beds for adult men and women as well as showers, meals, and health services for residents and day patrons

The Family Center - 50 beds for families in a nurturing home-like environment

Motel Vouchers - Provide additional crisis and bridge housing opportunities

PERMANENT SUPPORTIVE HOUSING

Supportive housing offers adults and families the opportunity to rebuild their lives in safe, affordable, and private apartments with onsite support services.

Centennial Place - 142 single room occupancy apartments for adults including on-site support services

Marv's Place - 19 apartment units for families with on-site support services

Euclid Villa - 14 apartment units for families with on-site support services

Community-Based Housing

We also offer scattered-site housing programs and support 1,500 individuals through rapid re-housing programs.

Housing for Health - Permanent subsidized housing combined with intensive case management services for people who have a history of homelessness with complex physical and behavioral health conditions

Holly Street Housing - Permanent supportive housing along with comprehensive support services at scattered-site locations in the Pasadena area

Los Angeles County Development Authority (LACDA) Program - Permanent supportive housing along with comprehensive support services at scattered-site locations for the San Gabriel Valley

Rapid Rehousing - Provides short-term, tapered rental assistance and services to help people obtain housing quickly, increase self-sufficiency, and stay housed

UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

OUR PROGRAMS (continued)

EMPLOYMENT AND COMMUNITY REINTEGRATION

Sources Career Development

For more than 20 years, Sources Career Development has been helping people overcome poverty and homelessness by connecting them to meaningful employment. This signature program addresses the short-term goal of earned income and the long-term goal of career advancement.

We tailor services to meet the needs of our diverse job seekers, including those with chronic physical and mental health obstacles. Services are ongoing and our participants know they can return throughout their careers for services as needed .

Community Allies

The Community Allies Program has transformed the traditional one-on-one mentor relationship by incorporating companionship, guidance, and community.

The mission of the program is to support and empower individuals and families to combat isolation while achieving self-sufficiency, housing stability, and overall wellness. The program fosters one-on-one relationships, develops social networks, and builds community.

Quality of Life Enrichments

Thanks to volunteers and community partners, we offer our program participants enrichment programs including nutrition classes, budgeting, yoga, music lessons, and much more to foster happy and healthy communities.

VOLUNTEERS

The work of our staff is augmented by over 3,300 community volunteers who generously donate more than 24,000 hours of time each year helping with food preparation, meal service, and administrative support, as well as mentoring, tutoring and volunteering at events. Volunteers play an incredible role in Union Station's commitment to community integration. When volunteers provide tutoring, personal and professional mentorship or companionship, administrative support, or simply serving a meal with a warm smile, they are telling our program participants "You Belong" and "We are with you." Volunteers help change the narrative for our clients by letting them know that they have the support of the community.

LIQUIDITY

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or restricted by donors. The Organization evaluates future liquidity requirements based on expected future expenditures.

UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

LIQUIDITY (continued)

	June 30,	
	2019	2018
Cash	\$ 1,930,229	\$ 937,119
Cash held in trust - client accounts	3,893	11,042
Investments	12,394,744	12,234,370
Grants receivable	3,099,610	2,261,904
Contributions receivable	41,040	225,720
Less:		
Cash held in trust - client accounts	(3,893)	(11,042)
Board designated reserves	(2,181,270)	(854,552)
Net assets with donor restriction	(11,818,285)	(11,853,195)
	<u>\$ 3,466,068</u>	<u>\$ 2,951,366</u>

SIGNIFICANT ACCOUNTING POLICIES

The Organization closes its fiscal year with abiding gratitude for the support it has received from its many constituents, and it looks forward to another year of rebuilding lives.

**CONSOLIDATION**

In accordance with GAAP, the financial statements of Union Station Homeless Services, 160 Euclid Partners, LP and Pacific Housing Alliance are consolidated into the financial statements of Union Station Homeless Services. All material intercompany transactions as of June 30, 2019 and 2018 have been eliminated.

**CASH**

Liquid assets having a maturity of three months or less are included as cash.

**FAIR VALUE MEASUREMENTS**

GAAP requires that items recorded at fair market value be valued as level one, two or three, based on various inputs and methodologies as described below:

Level 1 - quoted prices and active markets for identical holdings

Level 2 - significant observable market-based inputs, other than Level 1 quoted prices, or unobservable inputs that are based on comparable market data

Level 3 - significant observable inputs that are not based on comparable market data

**GRANTS RECEIVABLE**

Grants receivable consist mainly of grants from federal, state and city government agencies. Based on management's experience, all receivables are expected to be fully collectible. Therefore, no allowance for doubtful accounts has been recorded as of June 30, 2019 and 2018.

**CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of amounts pledged by individuals and corporations, all of which are considered collectible within one year. No allowance has been recorded as of June 30, 2019 and 2018.



UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment are reported at cost. Depreciation is computed on a straight-line basis over estimated useful lives of 3 to 40 years. Maintenance and repairs are recorded as expenses in the year incurred, and renewals and betterments exceeding \$1,000 are capitalized.

OTHER LIABILITIES

Other liabilities consist of funds received to provide for future services.

INCOME AND SUPPORT RECOGNITION

The financial statements of the Organization have been prepared on the accrual basis of accounting. All donations received are considered available for unrestricted use unless restricted by the donor. Restricted funds are recorded as revenue upon receipt.

Noncash contributions (gifts-in-kind) are recorded at fair market value when the contributions are significant in amount and when there is a reasonable basis for valuation.

BASIS OF PRESENTATION

The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restriction and without donor restriction, as described below:

Without donor restriction, includes funds which are expendable for the support of the Organization's operations.

With donor restriction includes funds which donors have restricted for specific purposes or funds that are subject to specific timetables (see NET ASSETS WITH DONOR RESTRICTION).

ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAXES

The Organization operates as a California nonprofit corporation under section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes; accordingly, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

JOINT COST ALLOCATION

The Organization incurs costs that are shared by program, management and general, and fundraising activities. The amount allocated to each area depends upon the purpose, audience and content of each medium used. The Organization determined the allocation based on both current and historical data.



UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

SIGNIFICANT ACCOUNTING POLICIES (continued)

DONATED SERVICES

GAAP requires the value of donated services be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of the Organization. However, since the above requirements were not met, the value of the contributed services is not recorded in the accompanying financial statements. During the years ended June 30, 2019 and 2018, the Organization received professional services at no cost and these services are reflected in the accompanying financial statements (see NONCASH TRANSACTIONS).

PARTNERSHIP

160 Euclid Partners, LP is a California limited partnership, which was formed on July 14, 1997. The general partner is Pacific Housing Alliance, and the limited partner is Union Station Homeless Services. Both are California non-profit corporations. The general and limited partners' percentage of interest in profits and losses is 1% and 99%, respectively.

INVESTMENTS

In accordance with GAAP, the fair value of investments is a level 1 classification. Investments consisted of the following:

	June 30,	
	2019	2018
Mutual funds - fixed income	\$ 3,765,000	\$ 3,567,221
Mutual funds - equity	11,116,993	11,038,154
	<u>\$ 14,881,993</u>	<u>\$ 14,605,375</u>

Investment income of \$605,260 and \$558,131 on the Statement of Activities consists of dividends, interest, and capital gain distributions and is reflected net of investment fees of \$65,881 and \$66,189 for the years ended June 30, 2019 and 2018, respectively.

INTANGIBLE ASSETS

Intangible assets consisted of the following:

	June 30,	
	2019	2018
Website	\$ 66,696	\$ 50,000
Loan fees	14,238	14,238
Monitoring fees	6,720	6,720
	87,654	70,958
Less accumulated amortization	(58,848)	(58,045)
	<u>\$ 28,806</u>	<u>\$ 12,913</u>

Amortization expense for the years ended June 30, 2019 and 2018 was \$803 and \$10,267, respectively.

UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2019	2018
Land	\$ 2,615,756	\$ 2,615,756
Buildings	4,753,447	4,753,447
Building improvements	6,851,598	6,806,798
Leasehold improvements	195,654	195,654
Land improvements	49,474	49,474
Office equipment	442,457	385,078
Furniture and equipment	924,147	774,300
Vehicles	260,355	260,355
Property and equipment - gross	16,092,888	15,840,862
Less accumulated depreciation	(9,546,729)	(9,081,521)
Property and equipment - net	6,546,159	6,759,341
Less debt secured by property	(2,400,361)	(2,400,361)
Net investment in property and equipment	\$ 4,145,798	\$ 4,358,980

Depreciation expense for the years ended June 30, 2019 and 2018 was \$465,210 and \$669,976, respectively.

NOTES PAYABLE

	Current	Long-term	Total
Note secured by property; bearing interest at 4% per annum; principal and interest payable annually from available Residual Receipts exclusively from 160 Euclid Partners, LP; unpaid principal and interest due 30 years after the certificate of completion, December 2029; if all loan requirements are met, the loan will be forgiven at maturity	\$ -	\$ 623,500	\$ 623,500

UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

NOTES PAYABLE (continued)

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Note secured by property; bearing interest at 6% per annum; principal and interest payable annually from available Residual Receipts exclusively from 160 Euclid Partners, LP; unpaid principal and interest due 30 years after the certificate of completion, August 2030; if all loan requirements are met, the loan will be forgiven at maturity	-	658,500	658,500
Note secured by a fourth deed of trust; bearing interest at 3% per annum; principal and interest payable annually from available Residual Receipts exclusively from 160 Euclid Partners, LP; unpaid principal and interest due July 2066; if all loan requirements are met, the loan will be forgiven at maturity	-	1,118,361	1,118,361
	<u>\$ -</u>	<u>\$ 2,400,361</u>	<u>\$ 2,400,361</u>

Future maturities for outstanding loans as of June 30, 2019 are as follows:

2020	\$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	<u>2,400,361</u>
	<u>\$ 2,400,361</u>

Accrued interest of \$1,662,782 and \$1,564,781 associated with the notes payable is included in accrued expenses as of June 30, 2019 and 2018, respectively. Interest expense for the years ended June 30, 2019 and 2018 was \$109,259 and \$114,512, respectively.

LINE OF CREDIT

In April 2018, the Organization renewed its line of credit with Citizens Business Bank for two years. The credit line, in an amount not to exceed \$1,000,000, bears interest at the bank's prime rate of interest, with a floor rate of 4.5%. As of June 30, 2019 and 2018, there was no outstanding balance on the line of credit.

UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

SPECIAL EVENTS

During the years ended June 30, 2019 and 2018, the Organization conducted various special events designed to raise funds for general operations. These events included a jazz concert, a food festival, and other small events. Total support from these events was \$648,035 and \$619,112 and total expenses from these events were \$360,836 and \$281,920, respectively. The cost of other fundraising activities is classified as fundraising expense.

LEASE COMMITMENTS

The Organization leases five office properties located in the San Gabriel Valley and six vehicles under noncancelable leases. Total monthly payments for the five properties are \$33,152 and monthly payments for the six vehicles are approximately \$819, and the leases expire between March 2020 and April 2025. Future minimum payments are as follows:

2020	\$	433,034
2021		380,126
2022		397,665
2023		393,267
2024		481,289
Thereafter		<u>306,610</u>
	\$	<u>2,391,991</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$302,680 and \$94,723, respectively, and is included in program participant aid and other program expenses on the Statement of Functional Expenses.

CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the Organization's cash and investment accounts may exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) limits.

DEFINED CONTRIBUTION PLAN

The Organization has a 403(b) tax sheltered annuity plan (defined contribution plan) for qualified participants. Contributions to the plan are non-forfeitable. The Organization may annually contribute a percentage of eligible employees' salaries. Eligible participants may contribute up to the maximum amount currently allowed by the Internal Revenue Service. Contributions made by the Organization during the years ended June 30, 2019 and 2018 were \$201,848 and \$130,378, respectively, and are included in payroll taxes and employee benefits in the functional allocation.



UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

NONCASH TRANSACTIONS

GIFTS-IN-KIND

The following gifts-in-kind were received:

	June 30,	
	2019	2018
Food and kitchen supplies used in daily operations	\$ 164,708	\$ 187,266
Non-food items distributed to patrons	102,548	37,658
Other supplies used in daily operations	50,169	1,134
Professional services	15,715	67,611
Special events gifts-in-kind	11,416	9,586
	<u>\$ 344,556</u>	<u>\$ 303,255</u>

Special events gifts-in-kind are included in special events revenue and expenses on the Statement of Activities. All other gifts-in-kind are reported as gifts-in-kind income on the Statement of Activities and are included in program participant aid and other program expenses on the Statement of Functional Expenses.

In accordance with GAAP, professional services are a level 2 classification, while all other gifts-in-kind are a level 3 classification.

ENDOWMENT

The Organization's endowment consists of several funds established for various purposes. The Governing Board of the Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the historical dollar amount of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the California Uniform Prudent Management of Institutional Funds Act.

INVESTMENT POLICY

Endowment funds are to be invested in securities and other instruments using a broad array of asset classes with the goal of minimizing risk and maximizing potential return within certain guidelines. The long-term target rate of return is four to five percent greater than the inflation rate. This goal, while not always achievable, should accommodate an annual target withdrawal rate of four percent of average assets per year for use by the Organization's programs when market conditions allow.

UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

ENDOWMENT (continued)

SPENDING POLICY

The Organization has a policy of appropriating for distribution each year up to four percent of the endowment fund's average net fair market value. Amounts appropriated may be used for operational or capital needs.

The Organization has one endowment whereby the donor requires that 10% of the net income each year be transferred to the corpus of the fund, and the remaining 90% of the net income be used for medical care for the needy.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund for perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in net assets with donor restriction.

CHANGES IN ENDOWMENT NET ASSETS

	Without donor restriction	With donor restriction	Total
Endowment net assets at June 30, 2017	\$ -	\$ 2,234,099	\$ 2,234,099
Investment return			
Investment income	-	93,319	93,319
Net appreciation (realized and unrealized)	-	106,819	106,819
Total investment return	-	200,138	200,138
Contributions	-	20,000	20,000
Appropriation of endowment assets for expenditure	-	(77,781)	(77,781)
Endowment net assets at June 30, 2018	-	2,376,456	2,376,456
Investment return			
Investment income	-	99,353	99,353
Net appreciation (realized and unrealized)	-	69,177	69,177
Total investment return	-	168,530	168,530
Contributions	-	45,043	45,043
Appropriation of endowment assets for expenditure	-	(97,490)	(97,490)
Endowment net assets at June 30, 2019	\$ -	\$ 2,492,539	\$ 2,492,539

UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

ENDOWMENT (continued)

CHANGES IN ENDOWMENT NET ASSETS (continued)

	Without donor restriction	With donor restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required by donor to be retained	\$ -	\$ 1,933,957	\$ 1,933,957
Portion subject to appropriation under SPMIFA	-	442,499	442,499
Endowment net assets at June 30, 2018	\$ -	\$ 2,376,456	\$ 2,376,456
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required by donor to be retained	\$ -	\$ 1,981,977	\$ 1,981,977
Portion subject to appropriation under SPMIFA	-	510,562	510,562
Endowment net assets at June 30, 2019	\$ -	\$ 2,492,539	\$ 2,492,539

Endowment assets consisted of the following:

	June 30,	
	2019	2018
Investments	\$ 2,487,249	\$ 2,371,005
Cash	5,290	5,451
	\$ 2,492,539	\$ 2,376,456

NET ASSETS WITH DONOR RESTRICTION

Net assets subject to donor restrictions consisted of the following:

	June 30,	
	2019	2018
Purpose restriction:		
Endowment	\$ 2,492,539	\$ 2,376,456
Capital improvements and education	8,628,275	8,699,983
Staff development	1,606	50,000
Various programs	654,825	501,036
Time restriction:		
Pledges receivable	41,040	225,720
Total net assets subject to donor restriction	\$ 11,818,285	\$ 11,853,195



UNION STATION HOMELESS SERVICES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

SUBSEQUENT EVENTS

In accordance with GAAP, the Organization has evaluated subsequent events through March 25, 2020, which is the date these financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net investment income. Other financial impact could occur, though such potential impact is unknown at this time.

## SUPPLEMENTAL INFORMATION

UNION STATION HOMELESS SERVICES  
SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019

	ASSETS				
	UNION STATION HOMELESS SERVICES	PACIFIC HOUSING ALLIANCE	160 EUCLID PARTNERS, LP	ELIMINATIONS	TOTAL
CURRENT ASSETS					
Cash	\$ 1,884,673	\$ -	\$ 45,556	\$ -	\$ 1,930,229
Cash held in trust - client accounts	3,893	-	-	-	3,893
Investments	12,394,744	-	-	-	12,394,744
Prepaid expenses	496,042	-	384	-	496,426
Grants receivable	3,099,610	-	-	-	3,099,610
Contributions receivable	41,040	-	-	-	41,040
Other receivables	8,756	6,035	48,304	(52,457)	10,638
Total current assets	17,928,758	6,035	94,244	(52,457)	17,976,580
PROPERTY AND EQUIPMENT - NET	3,503,967	-	3,042,192	-	6,546,159
INTANGIBLE ASSETS - NET	16,696	-	12,110	-	28,806
OTHER ASSETS					
Cash - endowment	5,290	-	-	-	5,290
Investments - endowment	2,487,249	-	-	-	2,487,249
Total other assets	2,492,539	-	-	-	2,492,539
TOTAL ASSETS	\$ 23,941,960	\$ 6,035	\$ 3,148,546	\$ (52,457)	\$ 27,044,084

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES  
SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION (CONTINUED)  
JUNE 30, 2019

LIABILITIES AND NET ASSETS

	UNION STATION HOMELESS SERVICES	PACIFIC HOUSING ALLIANCE	160 EUCLID PARTNERS, LP	ELIMINATIONS	TOTAL
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 1,520,684	\$ -	\$ 1,910,668	\$ (225,840)	\$ 3,205,512
Client trust liability	3,893	-	-	-	3,893
Other liabilities	1,844,560	-	-	(35,875)	1,808,685
Total current liabilities	3,369,137	-	1,910,668	(261,715)	5,018,090
<b>LONG-TERM LIABILITIES</b>					
Notes payable	-	-	2,400,361	-	2,400,361
<b>TOTAL LIABILITIES</b>	3,369,137	-	4,311,029	(261,715)	7,418,451
<b>NET ASSETS AND PARTNERS' CAPITAL</b>					
Without donor restriction					
Undesignated	6,573,268	6,035	-	209,258	6,788,561
Partners' Capital	-	-	(1,162,483)	-	(1,162,483)
Total undesignated	6,573,268	6,035	(1,162,483)	209,258	5,626,078
Board designated	2,181,270	-	-	-	2,181,270
Total without donor restriction	8,754,538	6,035	(1,162,483)	209,258	7,807,348
With donor restriction	11,818,285	-	-	-	11,818,285
<b>TOTAL NET ASSETS</b>	20,572,823	6,035	(1,162,483)	209,258	19,625,633
<b>TOTAL LIABILITIES AND NET ASSETS AND PARTNERS' CAPITAL</b>	<b>\$ 23,941,960</b>	<b>\$ 6,035</b>	<b>\$ 3,148,546</b>	<b>\$ (52,457)</b>	<b>\$ 27,044,084</b>

The accompanying notes are an integral part of this statement.



UNION STATION HOMELESS SERVICES  
SUPPLEMENTAL STATEMENT OF ACTIVITIES  
JUNE 30, 2019

	UNION STATION HOMELESS SERVICES	PACIFIC HOUSING ALLIANCE	160 EUCLID PARTNERS, LP	ELIMINATIONS	Total
<b>SUPPORT AND REVENUE</b>					
Individuals	\$ 1,561,560	\$ -	\$ -	\$ -	\$ 1,561,560
Churches	47,799	-	-	-	47,799
Government grants	14,077,649	-	117,007	(75,692)	14,118,964
Foundations	694,996	-	-	-	694,996
Other organizations	450,492	-	-	-	450,492
Other income	94,531	-	1,512	-	96,043
Gifts-in-kind	333,140	-	-	-	333,140
Investment income - net	605,260	-	-	-	605,260
Loss on sale of investments	(12,325)	-	-	-	(12,325)
Unrealized gain on investments	432,405	-	-	-	432,405
Net rental revenue	-	-	29,469	-	29,469
	<u>18,285,507</u>	<u>-</u>	<u>147,988</u>	<u>(75,692)</u>	<u>18,357,803</u>
Special events revenue	648,035	-	-	-	648,035
Special events expenses	<u>(360,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(360,836)</u>
Net revenue from special events	<u>287,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,199</u>
Total support and revenue	<u>18,572,706</u>	<u>-</u>	<u>147,988</u>	<u>(75,692)</u>	<u>18,645,002</u>
<b>EXPENSES</b>					
Program services	14,865,975	-	236,359	(58,302)	15,044,032
Management and general	2,432,602	-	131,966	(15,194)	2,549,374
Fundraising	<u>854,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>854,882</u>
Total expenses	<u>18,153,459</u>	<u>-</u>	<u>368,325</u>	<u>(73,496)</u>	<u>18,448,288</u>
<b>CHANGE IN NET ASSETS</b>	<u>419,247</u>	<u>-</u>	<u>(220,337)</u>	<u>(2,196)</u>	<u>196,714</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>20,153,576</u>	<u>6,035</u>	<u>(942,146)</u>	<u>211,454</u>	<u>19,428,919</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 20,572,823</u>	<u>\$ 6,035</u>	<u>\$ (1,162,483)</u>	<u>\$ 209,258</u>	<u>\$ 19,625,633</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES  
STATEMENT OF CHANGES IN PARTNERS' CAPITAL  
FOR THE YEAR ENDING JUNE 30, 2019

	General Partner PHA	Limited Partner USHS	Note Receivable from PHA	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, June 30, 2018	\$ (442,334)	\$ (493,541)	\$ (6,271)	\$ (942,146)
Net loss	<u>(2,203)</u>	<u>(218,134)</u>	<u>-</u>	<u>(220,337)</u>
Balance, June 30, 2019	\$ <u><u>(444,537)</u></u>	\$ <u><u>(711,675)</u></u>	\$ <u><u>(6,271)</u></u>	\$ <u><u>(1,162,483)</u></u>

The accompanying notes are an integral part of this statement.