

UNION STATION HOMELESS SERVICES
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2023 AND 2022

UNION STATION HOMELESS SERVICES

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CERTIFIED PUBLIC ACCOUNTANTS

JAMEN WURM, CPA, M.S., PARTNER
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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Union Station Homeless Services
Pasadena, California

Opinion

We have audited the accompanying financial statements of Union Station Homeless Services, which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental statements are presented for purposes of additional analysis and are 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.



Goehner Accountancy
March 20, 2024
Pasadena, California

UNION STATION HOMELESS SERVICES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash	\$ 5,148,130	\$ 4,605,865
Cash held in trust - client accounts	6,077	8,535
Investments	15,628,696	13,928,684
Prepaid expenses	817,430	1,102,168
Grants receivable	7,584,555	8,817,982
Contributions receivable	120,000	-
Other receivables	<u>14,494</u>	<u>6,428</u>
Total current assets	<u>29,319,382</u>	<u>28,469,662</u>
INTANGIBLE ASSETS - NET	<u>2,411</u>	<u>5,751</u>
PROPERTY AND EQUIPMENT - NET	<u>5,956,493</u>	<u>6,227,791</u>
OTHER ASSETS		
Tenant deposits held in trust - underfunded	3,802	3,796
Investments - endowment	3,435,499	3,063,258
Right-of-use assets - operating leases	995,798	-
Restricted reserves	<u>16,417</u>	<u>16,417</u>
Total other assets	<u>4,451,516</u>	<u>3,083,471</u>
TOTAL ASSETS	<u>\$ 39,729,802</u>	<u>\$ 37,786,675</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,	
	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 5,261,593	\$ 4,759,657
Client trust liability	6,077	8,535
Tenant security deposits	8,034	8,034
Other liabilities, current portion	1,328,240	2,896,139
Line of credit	1,500,000	1,500,000
Lease liabilities - operating leases, current portion	418,806	-
Total current liabilities	<u>8,522,750</u>	<u>9,172,365</u>
LONG-TERM LIABILITIES		
Lease liabilities - operating leases, less current portion	591,874	-
Other liabilities, less current portion	2,029,852	-
Notes payable	2,390,392	2,389,856
Total long-term liabilities	<u>5,012,118</u>	<u>2,389,856</u>
TOTAL LIABILITIES	<u>13,534,868</u>	<u>11,562,221</u>
NET ASSETS		
Without donor restriction		
Undesignated	7,023,568	6,899,702
Board designated	2,561,222	2,282,629
Total without donor restriction	<u>9,584,790</u>	<u>9,182,331</u>
With donor restriction	<u>16,610,144</u>	<u>17,042,123</u>
TOTAL NET ASSETS AND PARTNERS' CAPITAL	<u>26,194,934</u>	<u>26,224,454</u>
TOTAL LIABILITIES, NET ASSETS, AND PARTNERS' CAPITAL	<u>\$ 39,729,802</u>	<u>\$ 37,786,675</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without donor restriction	With donor restriction	Total
SUPPORT AND REVENUE			
Government grants	\$ 26,704,392	\$ -	\$ 26,704,392
Individuals	3,075,846	20,000	3,095,846
Foundations	1,485,624	435,500	1,921,124
Other organizations	414,624	240,000	654,624
Churches	36,503	-	36,503
Other income	21,162	-	21,162
Gifts-in-kind	659,828	-	659,828
Investment income - net	378,965	83,159	462,124
Realized and unrealized gain on investments	1,321,202	289,082	1,610,284
Rental revenue	78,307	-	78,307
Net assets released from restriction	1,499,720	(1,499,720)	-
	<u>35,676,173</u>	<u>(431,979)</u>	<u>35,244,194</u>
Special events revenue	311,569	-	311,569
Special events expenses	(441,934)	-	(441,934)
Net loss from special events	(130,365)	-	(130,365)
Total support and revenue	<u>35,545,808</u>	<u>(431,979)</u>	<u>35,113,829</u>
EXPENSES			
Program services	28,137,547	-	28,137,547
Management and general	5,383,438	-	5,383,438
Fundraising	1,622,364	-	1,622,364
Total expenses	<u>35,143,349</u>	<u>-</u>	<u>35,143,349</u>
CHANGE IN NET ASSETS	402,459	(431,979)	(29,520)
NET ASSETS AND PARTNERS' CAPITAL AT BEGINNING OF YEAR	<u>9,182,331</u>	<u>17,042,123</u>	<u>26,224,454</u>
NET ASSETS AND PARTNERS' CAPITAL AT END OF YEAR	<u>\$ 9,584,790</u>	<u>\$ 16,610,144</u>	<u>\$ 26,194,934</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government grants	\$ 26,715,744	\$ -	\$ 26,715,744
Individuals	2,635,498	124,726	2,760,224
Foundations	1,084,095	630,000	1,714,095
Other organizations	231,533	179,000	410,533
Churches	22,445	15,000	37,445
Other income	66,485	-	66,485
Gifts-in-kind	438,677	5,185,572	5,624,249
Investment income - net	646,350	141,120	787,470
Realized and unrealized loss on investments	(3,618,965)	(755,713)	(4,374,678)
Loss on disposition of assets	(7,941)	-	(7,941)
Rental revenue	80,228	-	80,228
Net assets released from restriction	1,223,957	(1,223,957)	-
	<u>29,518,106</u>	<u>4,295,748</u>	<u>33,813,854</u>
Special events revenue	366,005	-	366,005
Special events expenses	(350,242)	-	(350,242)
Net revenue from special events	<u>15,763</u>	<u>-</u>	<u>15,763</u>
Total support and revenue	<u>29,533,869</u>	<u>4,295,748</u>	<u>33,829,617</u>
EXPENSES			
Program services	27,687,264	-	27,687,264
Management and general	4,717,428	-	4,717,428
Fundraising	1,689,583	-	1,689,583
Total expenses	<u>34,094,275</u>	<u>-</u>	<u>34,094,275</u>
CHANGE IN NET ASSETS	(4,560,406)	4,295,748	(264,658)
NET ASSETS AND PARTNERS' CAPITAL AT BEGINNING OF YEAR	<u>13,742,737</u>	<u>12,746,375</u>	<u>26,489,112</u>
NET ASSETS AND PARTNERS' CAPITAL AT END OF YEAR	<u>\$ 9,182,331</u>	<u>\$ 17,042,123</u>	<u>\$ 26,224,454</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
PERSONNEL EXPENSES				
Salaries	\$ 14,075,462	\$ 3,054,421	\$ 950,656	\$ 18,080,539
Payroll taxes and employee benefits	<u>3,236,691</u>	<u>487,090</u>	<u>199,902</u>	<u>3,923,683</u>
Total personnel expenses	<u>17,312,153</u>	<u>3,541,511</u>	<u>1,150,558</u>	<u>22,004,222</u>
OTHER EXPENSES				
Food and kitchen	1,397,665	10,763	5,184	1,413,612
Development and public relations	67,284	4,693	145,733	217,710
Utilities and telephone	286,707	19,304	10,184	316,195
Facility expenses	871,168	51,863	48,245	971,276
Lease expense	493,220	-	-	493,220
Insurance and taxes	108,909	117,032	8,023	233,964
Legal and professional services	345,721	494,904	98,053	938,678
Staff training and meetings	232,445	118,104	9,936	360,485
Program participant aid and other program expenses	6,431,790	52,716	20,367	6,504,873
Office expense	446,789	310,347	94,399	851,535
Auto, including reimbursements	11,625	25,501	3,230	40,356
Volunteer program	239	58	13,502	13,799
Bank and payroll fees	29,859	103,661	14,950	148,470
Interest expense	<u>-</u>	<u>135,865</u>	<u>-</u>	<u>135,865</u>
Total other expenses	<u>10,723,421</u>	<u>1,444,811</u>	<u>471,806</u>	<u>12,640,038</u>
Depreciation and amortization	<u>101,973</u>	<u>397,116</u>	<u>-</u>	<u>499,089</u>
TOTAL EXPENSES	<u>\$ 28,137,547</u>	<u>\$ 5,383,438</u>	<u>\$ 1,622,364</u>	<u>\$ 35,143,349</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
PERSONNEL EXPENSES				
Salaries	\$ 13,814,258	\$ 1,872,741	\$ 1,045,474	\$ 16,732,473
Payroll taxes and employee benefits	<u>3,059,677</u>	<u>356,495</u>	<u>188,676</u>	<u>3,604,848</u>
Total personnel expenses	<u>16,873,935</u>	<u>2,229,236</u>	<u>1,234,150</u>	<u>20,337,321</u>
OTHER EXPENSES				
Food and kitchen	580,675	54,025	21,041	655,741
Development and public relations	513	390	156,742	157,645
Utilities and telephone	432,551	94,291	32,245	559,087
Facility expenses	786,385	75,397	116,812	978,594
Insurance and taxes	93,377	93,962	8,996	196,335
Legal and professional services	967	1,014,825	-	1,015,792
Staff training and meetings	222,562	103,560	13,233	339,355
Program participant aid and other program expenses	8,052,405	39,862	4,198	8,096,465
Office expense	498,838	249,681	66,847	815,366
Auto, including reimbursements	40,551	6,300	2,602	49,453
Volunteer program	66	2,148	24,107	26,321
Bank and payroll fees	-	125,684	8,610	134,294
Interest expense	<u>-</u>	<u>112,876</u>	<u>-</u>	<u>112,876</u>
Total other expenses	<u>10,708,890</u>	<u>1,973,001</u>	<u>455,433</u>	<u>13,137,324</u>
Depreciation and amortization	<u>104,439</u>	<u>515,191</u>	<u>-</u>	<u>619,630</u>
TOTAL EXPENSES	<u>\$ 27,687,264</u>	<u>\$ 4,717,428</u>	<u>\$ 1,689,583</u>	<u>\$ 34,094,275</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES
CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ (29,520)	\$ (264,658)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	499,089	619,630
Donated assets	-	(5,185,572)
Amortized lease expense	14,882	-
Amortized interest expense	536	535
Realized and unrealized (gain) loss on investments	(1,610,284)	4,374,678
Loss on disposition of assets	-	7,941
Changes in operating assets and liabilities:		
Prepaid expenses	284,738	(266,713)
Grants receivable	1,233,427	(602,437)
Contributions receivable	(120,000)	-
Other receivables	(8,066)	48,594
Accounts payable and accrued expenses	501,936	423,910
Client trust liability	(2,458)	-
Tenant security deposits	(6)	22
Other liabilities	461,953	444,606
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>1,226,227</u>	<u>(399,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	72,514	5,090,732
Purchase of investments	(534,483)	(860,963)
Purchase of property and equipment	(224,451)	(364,310)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(686,420)</u>	<u>3,865,459</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional borrowing on line of credit	1,500,000	3,000,000
Principal payments on line of credit	(1,500,000)	(2,000,000)
CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>1,000,000</u>
NET INCREASE IN CASH	539,807	4,465,995
CASH AT BEGINNING OF YEAR	<u>4,630,817</u>	<u>164,822</u>
CASH AT END OF YEAR	<u>\$ 5,170,624</u>	<u>\$ 4,630,817</u>
SUMMARY OF CASH AT END OF YEAR:		
Cash	\$ 5,148,130	\$ 4,605,865
Cash held in trust - client accounts	6,077	8,535
Restricted reserves	16,417	16,417
	<u>\$ 5,170,624</u>	<u>\$ 4,630,817</u>
CASH PAID DURING THE YEAR FOR:		
INTEREST	\$ 37,329	\$ 14,340
TAXES	\$ 800	\$ 800

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

MISSION STATEMENT

We prevent and end homelessness by focusing on permanent solutions: housing, supportive services, employment, and community reintegration and engagement.

ORGANIZATION

Union Station Homeless Services is the leading provider of social services for homeless and low-income adults and families in Los Angeles County's San Gabriel Valley. Our work is guided by the belief that everyone deserves a life of dignity and a place to call home. We treat all people with compassion and adhere to an uncompromising belief in the dignity and inherent humanity of those we serve.

For nearly 50 years, we have continued to grow to meet the needs of our community and our unhoused neighbors, and today we are one of Los Angeles County's preeminent homeless services non-profits due to the quality and impact of our work. We have consistently been on the cutting edge of the homelessness sector—deploying and promoting inclusionary, low-barrier, evidence-based strategies such as Housing First, harm reduction, and trauma-informed care, which are now considered best practices in the region and country.

Founded in 1973 as a volunteer-run storefront serving homeless adults, Union Station incorporated as a 501(c)(3) nonprofit in 1985, started offering overnight shelter in 1987 and built our Adult Center in 1989. In 2014, the County of Los Angeles selected Union Station as the Lead Agency of the Coordinated Entry Systems (CES) for both individuals and families in the San Gabriel Valley, also known as Service Planning Area 3 (SPA 3). Our service region is one of the largest in Los Angeles County, stretching from Pasadena to Pomona with a combined population of over 1.5 million across more than 40 cities and communities.

Each year, we serve approximately 4,000 individuals and coordinate the work of 130 service partners. Last year we helped nearly 1,000 people end their homelessness and find housing, and 97% of them have remained housed thanks to our wrap-around supportive services. We are dedicated to working to rebuild lives and empower people to find homes for good.

Learn more at www.unionstationhs.org

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.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

ORGANIZATION (continued)

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 Los Angeles County. The Partnership is subject to business risks associated with fluctuations in the economy and level of unemployment in 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, the United States Department of Housing and Urban Development (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.

OUR PROGRAMS

Our programs offer a continuum of services that meet the unique needs of vulnerable individuals and families in the San Gabriel Valley. As we continue to confront the ongoing pandemic and the homeless crisis, we are working diligently to meet the wide-ranging housing, health, and hunger needs of our community. Our approach has four core pillars of services: Outreach, Interim Housing, Permanent Housing, and Community Integration. These pillars are designed to not only meet people's immediate needs, but to offer a continuum of services that support their journey from homelessness to housing with long-term stability.

OUTREACH, INTAKE, AND ASSESSMENT

Union Station coordinates homeless services across the San Gabriel Valley (SPA 3). Along with more than 130 local partners, we provide street outreach; intake and assessment; connection to services; care coordination; and housing navigation, housing placement, and retention assistance. We also provide homeless prevention services for families and individuals at imminent risk for homelessness.

Our Multi-Disciplinary Teams conduct outreach in the community to engage with unhoused community members in streets, parks, around public transportation, and other outdoor spaces. To best address the needs of these highly vulnerable community members, these teams include substance use specialists, mental health clinicians, and peer specialists who have live experience. Enhancing the work of our Multi-Disciplinary Teams, we partner with the University of Southern California Keck School of Medicine Street Medicine Team, who provide medical expertise, assessments, testing, and primary healthcare services for individuals on the street.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

OUR PROGRAMS (continued)

Once we connect with people living outdoors, we work to make the systems as accessible as possible to those who are in crisis and experiencing complex challenges and barriers to housing. As the designated lead agency for the region's Adult Coordinated Entry System (CES), we connect the most vulnerable people first to safe and affordable supportive housing.

The **Family Coordinated Entry System (CES-F)** is the primary point of entry for families seeking services who are experiencing homelessness or at imminent risk of becoming unhoused. We have specially trained staff to work with families with offices in Irwindale, Pasadena, and Pomona.

Additionally, our Hospital Liaison and three Patient Navigators work with those who are frequent users of the hospital system providing case management and housing referrals. In the City of Pasadena, we are the team liaison for the Pasadena Police Department HOPE (Homeless Outreach Psychiatric Evaluation) Team and our staff are embedded within the Pasadena Fire and Public Health Department's PORT (Pasadena Outreach Response Team).

INTERIM HOUSING

The drivers of homelessness are as varied as the needs of the individual. For many the first step on their path to permanent housing is interim housing. We offer a variety of interim housing options with wraparound services to support people while they rebuild their lives and find stability.

The Adult Center, our oldest existing program, was built in 1989 in Pasadena. It has 56 beds and separate men's and women's dormitories. In the past we have offered a wide variety of supportive services to both residents and day patrons, including our Community Meals and Showers Programs, on-site primary health care, and emergency overnight shelter. We have temporarily reduced bed counts during COVID and are utilizing motel rooms to ensure uninterrupted service to those in need. We have paused our showers and meals programs for non-residents during the pandemic. Moving forward, we are continuing to expand services and increase capacity near pre-pandemic levels.

The Family Center is a nurturing, home-like environment that offers sanctuary for up to 14 homeless families at a time. Families receive safe and secure housing, three nutritious meals per day, care coordination services, and wraparound support such as parenting classes, budgeting, and financial literacy.

Motel Vouchers

Project Homekey is the State of California's COVID-19 response to protecting Californians experiencing homelessness who are at high risk for serious illness. Project Homekey hotels are purchased by a combination of federal and state funds. These hotels will serve as interim housing for three years, after which they will be turned into permanent supportive housing. We opened two Project Homekey hotels in El Sereno in March 2021. Almost 100 people moved from the local encampments into the Casa Luna and Huntington Villas.

Union Station also supports hundreds of families in need of interim housing with motel vouchers, which offer a private environment that may better meet their needs until they are able to attain permanent housing.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

OUR PROGRAMS (continued)

PERMANENT HOUSING

Our permanent housing programs provide safe, affordable, and private apartments, as well as on-site support services for long-term stability. Residents in all permanent supportive housing locations pay 30% of their income to the property manager as a condition of their housing voucher.

Some of our families and individuals only need short-term assistance. We use an innovative rapid re-housing approach to help locate and retain housing as well provide temporary rental support, if needed. Based on their needs, clients are enrolled in either the Family Solutions Program, the Rapid Rehousing Program, or the Recovery Rehousing Program, a COVID-19 Recovery Plan.

For clients who would benefit from a more long-term approach, we offer on-site supportive services and care coordination to aid in retaining their permanent housing. We offer services at our facilities including intensive case management, referrals, and benefits advocacy.

- Euclid Villa is a 14-unit apartment building where families have private units with kitchens
- Marv's Place provides 19 units of affordable housing for formerly homeless families
- Centennial Place offers 142 single-room occupancy apartments for very low-income adults

We also offer several scattered-site housing programs that link individuals with housing vouchers and services throughout the communities of the San Gabriel Valley.

- Holly Street Housing links chronically homeless adults and families with community housing resources
- Housing for Health provides on-site specialized care services to chronically homeless adults with complex health issues
- Los Angeles County Development Authority (LACDA) Program provides permanent supportive housing along with comprehensive supportive services at scattered-site locations in the San Gabriel Valley

In the last fiscal year, 97% of people served remain housed across all of our housing programs.

COMMUNITY REINTEGRATION AND EMPLOYMENT

SOURCES Career Development

SOURCES Career Development has helped people overcome poverty and homelessness by connecting them to meaningful employment.

For our clients:

We offer a multi-disciplinary approach for our clients, as well as low income and unhoused job seekers referred by our partner agencies. We assist with all aspects of a job search, from how to effectively use the internet to resume writing and interview techniques. As part of the SOURCES Career Development/Job Club, a Job Developer creates customized career plans for each individual. Services include everything from career counseling to assistance with short-term training, ID cards, clothing, shoes, uniforms, and tools.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

OUR PROGRAMS (continued)

For companies:

SOURCES will find the right candidate for your position and put them in touch with you so you can set up an interview. Once a candidate is hired, our team continues to foster the relationship to ensure success in their new role.

Benefits of Working with SOURCES Candidates

- Skills matching
- Motivated workers
- Free placement
- Retention services

SOURCES is helping to achieve community, social and economic growth through rebuilding our community, one hire at a time.

Community Allies

The purpose of our Community Allies Program is to support our neighbors as they transition into housing. The program fosters one-on-one relationships and fun social networks to combat isolation and to support wellness and housing stability. This year, despite the unique challenges presented by the pandemic, Community Allies continued to change lives. Our programs have kept residents in our supportive housing programs connected in small in-person groups and virtually. Activities included book clubs, picnics in the park, yoga and more.

Continuing Wellness Activities

Thanks to our volunteers and community partners, we can offer various activities for individuals and families, including monthly birthday celebrations, nutrition classes, budgeting, yoga, and much more to build inclusive and healthy communities.

VOLUNTEER AND COMMUNITY PROGRAMS

We can only open more doors and embrace more communities with the help of our dedicated volunteers. These wonderful people and organizations have continued to serve alongside our staff throughout the last year. They support our staff with meal services, administrative needs, and other vital supportive services that enable our staff to continue to provide the highest standard of service for all our clients.

Volunteers have generously given their time and talent to several of our key programs and along the way they have found purpose and joy when connecting with our clients.

Total Volunteers - 4,545
Volunteer Hours - 18,562

LIQUIDITY

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, 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 or the Governing Board. The Organization evaluates future liquidity requirements based on expected future expenditures.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

LIQUIDITY (continued)

	June 30,	
	<u>2023</u>	<u>2022</u>
Cash	\$ 5,148,130	\$ 4,605,865
Cash held in trust - client accounts	6,077	8,535
Investments	15,628,696	13,928,684
Investments - endowment	3,435,499	3,063,258
Grants receivable	7,584,555	8,817,982
Contributions receivable	120,000	-
Less:		
Cash held in trust - client accounts	(6,077)	(8,535)
Board designated reserves	(2,561,222)	(2,282,629)
Net assets with donor restriction	<u>(16,610,144)</u>	<u>(17,042,123)</u>
	<u>\$ 12,745,514</u>	<u>\$ 11,091,037</u>

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Certain prior year amounts have been reclassified to conform with the current year presentation. A summary of significant accounting policies is described below:

CONSOLIDATION

In accordance with GAAP, the financial statements of Union Station Homeless Services, 160 Euclid Partners, LP (the Partnership) and Pacific Housing Alliance are consolidated into the financial statements of Union Station Homeless Services. All material intercompany transactions as of June 30, 2023 and 2022 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

TENANT DEPOSITS HELD IN TRUST

In accordance with the Regulatory Agreement with the U.S. Department of Housing and Urban Development (HUD), the Partnership is required to maintain a tenant security deposit trust account. The amount must at all times be equal to or exceed the aggregate of all outstanding obligations to tenants for refundable security deposits. The tenant security deposits fund consists of cash.

As of June 30, 2023, the balances of the tenant security deposit trust account and the tenant security deposit liability were \$3,802 and \$8,034, respectively, leaving an underfunded liability of \$4,232. As of June 30, 2022, the balances of the tenant security deposit trust account and the tenant security deposit liability were \$3,768 and \$8,034, respectively, leaving an underfunded liability of \$4,266.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023 and 2022.

Opening and closing balances of grants receivable for the years ended June 30, 2023 and 2022 were as follows:

	June 30,	
	<u>2023</u>	<u>2022</u>
Grants receivable - gross, beginning of year	\$ 8,817,982	\$ 8,215,545
Grants receivable - gross, end of year	\$ 7,584,555	\$ 8,817,982

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.

DEFERRED LOAN COSTS

Costs incurred with obtaining financing through banks are capitalized and amortized as a component of interest expense over the lives of the respective financing arrangements using the straight-line method. In accordance with GAAP, these costs are reflected as a direct deduction from the face amount of the related debt obligations. GAAP requires that the effective interest method be used to amortize the costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method.

Loan fees as of June 30, 2023 and 2022 are reflected net of accumulated amortization of \$9,969 and \$10,453, respectively (SEE NOTES PAYABLE). Amortized interest expense for the years ended June 30, 2023 and 2022 was \$536 and \$535, respectively.

OTHER LIABILITIES

Other liabilities consist of advances received from contracts to provide for future services. One funding source has allowed the Organization to either use the funds or repay the funds by February 2027. That amount is reflected as a long-term liability. Other liabilities for the years ended June 30, 2023 and 2022 were as follows:

	June 30,	
	<u>2023</u>	<u>2022</u>
Other liabilities, beginning balance	\$ 2,896,139	\$ 2,451,533
Contract advances recognized as revenue	(88,449)	(2,451,533)
Contract advance payments received	<u>550,402</u>	<u>2,896,139</u>
Other liabilities, ending balance	\$ <u>3,358,092</u>	\$ <u>2,896,139</u>

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

The Organization's material revenue-generating activities and related accounting policies are as follows:

Contracts with Funding Agencies

Revenue from contracts with federal, state, and local funding agencies is recognized when qualifying costs are incurred for cost-reimbursement contracts or when units of service are provided for performance contracts. The adoption of ASU 2014-09 has not resulted in a change in the Organization's method of recognizing revenue under these contracts.

The transaction price is stated in each contract and is satisfied over time, generally by monthly billing over the contract period. The significant judgments required to determine the timing of satisfaction of the performance obligations includes 1) determining that a cost allowable under the contract has been incurred, and 2) determining that the cost relates to a period covered by the contract. Both of these performance obligations must be satisfied before the funding agency can be billed for reimbursement, and revenue is recognized when the funding agency is billed. Contract revenues are subject to audit and review by funding agencies, and in some cases, cost reimbursement may be disallowed.

Contributions

All donations received are considered available for unrestricted use unless restricted by the donor. The Organization records contributions as with donor restriction if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

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

Rents

The Partnership's rental revenue is earned pursuant to leases of various apartment units that generally do not exceed more than one year. All leases between the Partnership and the tenants of the property are operating leases. Rent revenue is recognized monthly at agreed upon rates over the terms stated within the lease agreements.

LEASES

Effective July 1, 2022, the Organization adopted FASB ASC Topic 842, Leases (ASC 842). The new standard requires recognition of a Right-of-Use (ROU) asset and liability for future lease payments for contracts that meet the definition of a lease and requires disclosure of certain other information about leasing arrangements.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

In addition, ASC 842 offers various practical expedients upon adoption, of which the Organization has elected the following:

1. An entity need not reassess whether any expired or existing contracts are or contain leases
2. An entity need not reassess the lease classification for any expired or existing leases (for example, all existing leases that were classified as operating leases in accordance with previous GAAP guidance for leases will be classified as operating leases, and all existing leases that were classified as capital leases in accordance with previous GAAP guidance for leases that will be classified as finance leases)
3. An entity need not reassess initial direct costs for any existing leases
4. An entity may use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use assets

The Organization categorizes leases with contractual terms longer than 12 months as either operating or finance. Lease liabilities are recognized at the present value of the fixed lease payments, reduced by any incentives received. Lease ROU assets are recognized based on the initial present value of the fixed lease payments, less any lease incentives, plus any direct costs incurred in executing the lease. In measuring the present value, the Organization uses the interest rate stated or implicit in the lease agreement. If the interest rate is not easily determinable based on the terms of the lease agreement, the Organization uses the risk-free rate at the commencement of the lease. When the lease includes an option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that the Organization will exercise the option, the option is considered in determining the classification and measurement of the lease. Lease agreements with lease and non-lease components are combined as a single lease component for all classes of underlying assets.

Costs associated with operating leases are recognized on a straight-line basis over the term of the lease. Finance lease assets are amortized on a straight-line basis over the lease term, with the interest component of the lease included in interest expense. Certain leases include variable payments based on factors such as price indices, common area maintenance, the lessor's operating costs, or other incidental costs, which are expensed as incurred.

Leases with an initial term of 12 months or less are expensed on a straight-line basis over the lease term. The Organization does not recognize a ROU asset or lease liability for leases with terms of less than 12 months.

BASIS OF PRESENTATION

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restriction and with 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, or both (see NET ASSETS WITH DONOR RESTRICTION).

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Union Station Homeless Services and Pacific Housing Alliance operate as California nonprofit corporations under section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes; accordingly, no provision is made for current or deferred income taxes. The organizations use the same accounting methods for tax and financial reporting.

The Partnership is a pass-through entity for income tax purposes and all items of income and losses of the Partnership are reported by the partners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. The Partnership is required to file tax returns with the Internal Revenue Service and other taxing authorities. The state of California assesses limited partnerships an annual minimum tax of \$800. The total tax assessed for the years ended June 30, 2023 and 2022 was \$800 and \$800, respectively.

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.

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, 2023 and 2022, 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.

OPERATING AND REPLACEMENT RESERVES

The Partnership is required to provide annual deposits to the operating reserve of three percent of gross rental collections up to a maximum of \$85,952, with an initial operating deposit of \$76,000, upon development financing, as defined; and \$350 per unit (\$5,250 annually) for the replacement reserve, commencing upon completion of construction (December 1999).

UNION STATION HOMELESS SERVICES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023 AND 2022

OPERATING AND REPLACEMENT RESERVES (continued)

As of June 30, 2023 the Partnership had a shortfall in its operating reserve and replacement reserve in the amount of \$19,324 and \$13,580, respectively.

As of June 30, 2023, the cash balances restricted for such reserves were as follows:

	<u>Operating Reserves</u>	<u>Replacement Reserves</u>	<u>Total Reserves</u>
Restricted reserve balances as of June 30, 2021	\$ 1,122	\$ 15,295	\$ 16,417
Additions	-	-	-
Withdrawals	-	-	-
Restricted reserve balances as of June 30, 2022	1,122	15,295	16,417
Additions	-	-	-
Withdrawals	-	-	-
Restricted reserve balances as of June 30, 2023	<u>\$ 1,122</u>	<u>\$ 15,295</u>	<u>\$ 16,417</u>

INVESTMENTS

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

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Mutual funds - fixed income	\$ 4,095,300	\$ 4,142,866
Mutual funds - equity	14,968,895	12,849,076
	<u>\$ 19,064,195</u>	<u>\$ 16,991,942</u>

Investment income of \$462,124 and \$787,470 on the statement of activities consists of dividends, interest, and capital gain distributions and is reflected net of investment fees of \$72,514 and \$76,391 for the years ended June 30, 2023 and 2022, respectively.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

INTANGIBLE ASSETS

Intangible assets consisted of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
Website	\$ 66,696	\$ 66,696
Less accumulated amortization	<u>(64,285)</u>	<u>(60,945)</u>
	<u>\$ 2,411</u>	<u>\$ 5,751</u>

Amortization expense for the years ended June 30, 2023 and 2022 was \$3,339 and \$3,339, respectively.

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
Land	\$ 2,615,756	\$ 2,615,756
Buildings	4,753,447	4,753,447
Building improvements	7,363,590	7,281,512
Land improvements	245,128	245,128
Office equipment	832,898	832,898
Furniture and equipment	1,265,211	1,220,835
Vehicles	501,016	426,063
Construction in process	<u>42,690</u>	<u>19,645</u>
Property and equipment - gross	17,619,736	17,395,284
Less accumulated depreciation	<u>(11,663,243)</u>	<u>(11,167,493)</u>
Property and equipment - net	<u>5,956,493</u>	<u>6,227,791</u>
Less debt secured by property	<u>(2,400,361)</u>	<u>(2,400,361)</u>
Net investment in property and equipment	<u>\$ 3,556,132</u>	<u>\$ 3,827,430</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$495,750 and \$616,291, respectively.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

NOTES PAYABLE

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Pasadena Community Development Commission note secured by land and buildings with assignment of rents; four outstanding loan amounts in the aggregate not to exceed \$623,500; simple interest at 4.00%; principal and interest payable annually from available residual receipts exclusively from 160 Euclid Partners, LP, as defined in the loan agreement; unpaid principal and interest due December 2029; if all loan requirements are met, the loan will be forgiven at maturity	\$ -	\$ 623,500	\$ 623,500
Housing Authority of the City of Glendale note secured by land and buildings with assignment of rents; original principal of \$658,500; simple interest at 6.00%; principal and interest payable annually from available residual receipts exclusively from 160 Euclid Partners, LP, as defined in the loan agreement; unpaid principal and interest due August 2030; if all loan requirements are met, the loan will be forgiven at maturity	-	658,500	658,500
Housing Authority of the County of Los Angeles note secured by a deed of trust, in the amount of \$1,118,361; simple interest at 3.00%; principal and interest payable annually from available residual receipts exclusively from 160 Euclid Partners, LP, as defined in the loan agreement; unpaid principal and interest due July 2066; if all loan requirements are met, the loan will be forgiven at maturity	<u>-</u>	<u>1,118,361</u>	<u>1,118,361</u>
	\$ <u>-</u>	\$ <u>2,400,361</u>	\$ <u>2,400,361</u>
Less: unamortized debt issuance costs			<u>(9,969)</u>
			<u>\$ 2,390,392</u>

The residual receipts notes payable are payable upon availability of residual receipts. No residual receipts were generated by the Partnership for the years ended June 30, 2023 and 2022.

UNION STATION HOMELESS SERVICES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023 AND 2022

NOTES PAYABLE (continued)

Future maturities for outstanding loans as of June 30, 2023 are as follows:

2024	\$	-
2025		-
2026		-
2027		-
2028		-
Thereafter		<u>2,400,361</u>
	\$	<u><u>2,400,361</u></u>

Accrued interest of \$2,054,785 and \$1,956,784 associated with the notes payable is included in accrued expenses as of June 30, 2023 and 2022, respectively. Interest expense for the years ended June 30, 2023 and 2022 was \$135,865 and \$112,876, respectively.

LINE OF CREDIT

The Organization has a line of credit with Citizens Business Bank in an amount not to exceed \$4,000,000 with a maturity date of November 2025. The credit line bears interest at the bank's prime rate of interest, with a floor rate of 4.25%. As of June 30, 2023 and 2022, the outstanding balance on the line of credit was \$1,500,000 and \$1,500,000, respectively.

SPECIAL EVENTS

During the years ended June 30, 2023 and 2022, the Organization conducted various special events designed to raise funds for general operations. These events included a food festival, and other small events. Total support from these events was \$311,569 and \$366,005 and total expenses from these events were \$441,934 and \$350,242, respectively. The cost of other fundraising activities is classified as fundraising expense.

LEASES

The Organization leases three office properties located in the San Gabriel Valley and six vehicles under noncancelable leases. The Organization also leases other equipment under short-term lease agreements.

The Organization recognized the following lease expense, for the year ended June 30, 2023:

Operating lease expense	\$	381,826
Short-term lease expense		<u>111,394</u>
Total lease expense	\$	<u><u>493,220</u></u>

UNION STATION HOMELESS SERVICES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023 AND 2022

LEASES (continued)

Other information regarding cash flows related to operating leases, ROU assets obtained in exchange for new operating lease liabilities, weighted average remaining lease terms for operating leases, as well as weighted average discount rates used in determining present value discounts are as follows:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	366,944
ROU assets obtained in exchange for new operating lease liabilities	\$	1,344,461
Weighted-average remaining lease term in years for operating leases		2.79
Weighted-average discount rate for operating leases		2.90%

The future maturities of operating lease liabilities are as follows:

2024	\$	441,594
2025		395,629
2026		87,022
2027		75,556
2028		51,696
		<u>1,051,497</u>
Less discount		<u>(40,817)</u>
	\$	<u>1,010,680</u>

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, 2023 and 2022 were \$413,499 and \$382,939, respectively, and are included in payroll taxes and employee benefits on the statement of functional expenses.

UNION STATION HOMELESS SERVICES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023 AND 2022

NONCASH TRANSACTIONS

GIFTS-IN-KIND

The following gifts-in-kind were received:

	June 30,	
	<u>2023</u>	<u>2022</u>
Stock	\$ -	\$ 5,185,572
Food and kitchen supplies used in daily operations	458,789	259,209
Non-food items distributed to patrons	142,754	124,054
Other supplies used in daily operations	54,785	45,316
Professional services	3,500	10,098
Special events gifts-in-kind	<u>126,205</u>	<u>61,082</u>
	<u>\$ 786,033</u>	<u>\$ 5,685,331</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.

Food, kitchen supplies and other program supplies are valued based upon estimates of fair market value or wholesale values that would be received for selling the items in their principal market considering their condition and utility for use at the time goods are contributed by the donor, and are considered a level 2 classification. The Organization utilized the donated program supplies in various program operations during the year ended June 30, 2023.

Contributed services recognized comprise services from printing services and other professional services provided to the Organization during the year ended June 30, 2023. Contributed services are valued at the estimated fair market value based on current rates for similar services, and are considered a level 2 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 (SPMIFA) 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 SPMIFA.

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

ENDOWMENT (continued)

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.

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.

As of June 30, 2023 and 2022, endowment assets consisted solely of investments in mutual funds. Endowment assets consisted of the following:

ENDOWMENT NET ASSETS COMPOSITION

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required by donor to be retained	\$ -	\$ 2,275,954	\$ 2,275,954
Portion subject to appropriation under SPMIFA	<u>-</u>	<u>787,304</u>	<u>787,304</u>
Endowment net assets at June 30, 2022	<u>\$ -</u>	<u>\$ 3,063,258</u>	<u>\$ 3,063,258</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required by donor to be retained	\$ -	\$ 2,283,239	\$ 2,283,239
Portion subject to appropriation under SPMIFA	<u>-</u>	<u>1,152,260</u>	<u>1,152,260</u>
Endowment net assets at June 30, 2023	<u>\$ -</u>	<u>\$ 3,435,499</u>	<u>\$ 3,435,499</u>

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

ENDOWMENT (continued)

CHANGES IN ENDOWMENT NET ASSETS

	Without donor restriction	With donor restriction	Total
Endowment net assets at June 30, 2021	\$ -	\$ 3,677,851	\$ 3,677,851
Investment return			
Investment income	-	141,120	141,120
Net depreciation (realized and unrealized)	-	(755,713)	(755,713)
Total investment return (loss)	-	(614,593)	(614,593)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets at June 30, 2022	-	3,063,258	3,063,258
Investment return			
Investment income	-	83,159	83,159
Net appreciation (realized and unrealized)	-	289,082	289,082
Total investment return	-	372,241	372,241
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets at June 30, 2023	\$ -	\$ 3,435,499	\$ 3,435,499

NET ASSETS WITH DONOR RESTRICTION

Net assets subject to donor restrictions consisted of the following:

	June 30,	
	2023	2022
Purpose restriction:		
Endowment	\$ 3,435,499	\$ 3,063,258
Capital improvements and education	7,806,458	8,251,849
Staff development	26,934	43,734
Various programs	5,221,253	5,683,282
Time restriction:		
Pledges receivable	120,000	-
Total net assets subject to donor restriction	\$ 16,610,144	\$ 17,042,123

UNION STATION HOMELESS SERVICES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

SUBSEQUENT EVENTS

In accordance with GAAP, management has evaluated subsequent events through the date at which these financial statements were available to be issued and determined no events have occurred that require disclosure.

SUPPLEMENTAL INFORMATION

UNION STATION HOMELESS SERVICES
SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS					
	UNION STATION HOMELESS SERVICES	PACIFIC HOUSING ALLIANCE	160 EUCLID PARTNERS, LP	ELIMINATIONS	TOTAL
CURRENT ASSETS					
Cash	\$ 5,138,179	\$ -	\$ 9,951	\$ -	\$ 5,148,130
Cash held in trust - client accounts	6,077	-	-	-	6,077
Investments	15,781,214	-	-	(152,518)	15,628,696
Prepaid expenses	817,430	-	-	-	817,430
Grants receivable	7,584,555	-	-	-	7,584,555
Contributions receivable	120,000	-	-	-	120,000
Other receivables	203,301	6,035	258,038	(452,880)	14,494
Total current assets	<u>29,650,756</u>	<u>6,035</u>	<u>267,989</u>	<u>(605,398)</u>	<u>29,319,382</u>
INTANGIBLE ASSETS - NET	<u>2,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,411</u>
PROPERTY AND EQUIPMENT - NET	<u>3,302,491</u>	<u>-</u>	<u>2,654,002</u>	<u>-</u>	<u>5,956,493</u>
OTHER ASSETS					
Tenant deposits held in trust - underfunded	-	-	3,802	-	3,802
Investments - endowment	3,435,499	-	-	-	3,435,499
Right-of-use assets - operating leases	995,798	-	-	-	995,798
Restricted reserves	-	-	16,417	-	16,417
Total other assets	<u>4,431,297</u>	<u>-</u>	<u>20,219</u>	<u>-</u>	<u>4,451,516</u>
TOTAL ASSETS	<u>\$ 37,386,955</u>	<u>\$ 6,035</u>	<u>\$ 2,942,210</u>	<u>\$ (605,398)</u>	<u>\$ 39,729,802</u>
LIABILITIES, NET ASSETS, AND PARTNERS' CAPITAL					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 3,431,668	\$ -	\$ 2,547,718	\$ (717,793)	\$ 5,261,593
Client trust liability	6,077	-	-	-	6,077
Tenant security deposits	-	-	8,034	-	8,034
Other liabilities, current portion	1,328,240	-	-	-	1,328,240
Line of credit	1,500,000	-	-	-	1,500,000
Lease liabilities - operating leases, current portion	418,806	-	-	-	418,806
Total current liabilities	<u>6,684,791</u>	<u>-</u>	<u>2,555,752</u>	<u>(717,793)</u>	<u>8,522,750</u>
LONG-TERM LIABILITIES					
Lease liabilities - operating leases, less current portion	591,874	-	-	-	591,874
Other liabilities, less current portion	2,029,852	-	-	-	2,029,852
Notes payable	-	-	2,390,392	-	2,390,392
Total long-term liabilities	<u>2,621,726</u>	<u>-</u>	<u>2,390,392</u>	<u>-</u>	<u>5,012,118</u>
TOTAL LIABILITIES	<u>9,306,517</u>	<u>-</u>	<u>4,946,144</u>	<u>(717,793)</u>	<u>13,534,868</u>
NET ASSETS AND PARTNERS' CAPITAL					
Without donor restriction					
Undesignated	8,909,072	6,035	-	(40,123)	8,874,984
Partners' Capital (Deficit)	-	-	(2,003,934)	152,518	(1,851,416)
Total undesignated	8,909,072	6,035	(2,003,934)	112,395	7,023,568
Board designated	2,561,222	-	-	-	2,561,222
Total without donor restriction	<u>11,470,294</u>	<u>6,035</u>	<u>(2,003,934)</u>	<u>112,395</u>	<u>9,584,790</u>
With donor restriction	<u>16,610,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,610,144</u>
TOTAL NET ASSETS (DEFICIT)	<u>28,080,438</u>	<u>6,035</u>	<u>(2,003,934)</u>	<u>112,395</u>	<u>26,194,934</u>
TOTAL LIABILITIES, NET ASSETS AND PARTNERS' CAPITAL (DEFICIT)	<u>\$ 37,386,955</u>	<u>\$ 6,035</u>	<u>\$ 2,942,210</u>	<u>\$ (605,398)</u>	<u>\$ 39,729,802</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES
SUPPLEMENTAL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	UNION STATION HOMELESS SERVICES	PACIFIC HOUSING ALLIANCE	160 EUCLID PARTNERS, LP	ELIMINATIONS	Total
SUPPORT AND REVENUE					
Government grants	\$ 26,704,392	\$ -	\$ 140,005	\$ (140,005)	\$ 26,704,392
Individuals	3,095,846	-	-	-	3,095,846
Foundations	1,921,124	-	-	-	1,921,124
Other organizations	654,624	-	-	-	654,624
Churches	36,503	-	-	-	36,503
Other income	16,222	-	4,940	-	21,162
Gifts-in-kind	659,828	-	-	-	659,828
Investment income - net	462,124	-	-	-	462,124
Realized and unrealized gain on investments	1,610,284	-	-	-	1,610,284
Rental revenue	-	-	78,307	-	78,307
	<u>35,160,947</u>	<u>-</u>	<u>223,252</u>	<u>(140,005)</u>	<u>35,244,194</u>
Special events revenue	311,569	-	-	-	311,569
Special events expenses	(441,934)	-	-	-	(441,934)
Net loss from special events	<u>(130,365)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,365)</u>
Total support and revenue	<u>35,030,582</u>	<u>-</u>	<u>223,252</u>	<u>(140,005)</u>	<u>35,113,829</u>
EXPENSES					
Program services	27,981,844	-	295,708	(140,005)	28,137,547
Management and general	5,231,055	-	167,235	(14,852)	5,383,438
Fundraising	1,622,364	-	-	-	1,622,364
Total expenses	<u>34,835,263</u>	<u>-</u>	<u>462,943</u>	<u>(154,857)</u>	<u>35,143,349</u>
CHANGE IN NET ASSETS	<u>195,319</u>	<u>-</u>	<u>(239,691)</u>	<u>14,852</u>	<u>(29,520)</u>
NET ASSETS AND PARTNERS' CAPITAL (DEFICIT) AT BEGINNING OF YEAR	<u>27,885,119</u>	<u>6,035</u>	<u>(1,764,243)</u>	<u>97,543</u>	<u>26,224,454</u>
NET ASSETS AND PARTNERS' CAPITAL (DEFICIT) AT END OF YEAR	<u>\$ 28,080,438</u>	<u>\$ 6,035</u>	<u>\$ (2,003,934)</u>	<u>\$ 112,395</u>	<u>\$ 26,194,934</u>

The accompanying notes are an integral part of this statement.

UNION STATION HOMELESS SERVICES
 STATEMENT OF CHANGES IN PARTNERS' CAPITAL
 FOR THE YEAR ENDED JUNE 30, 2023

	General Partner PHA	Limited Partner USHS	Total
	<u> </u>	<u> </u>	<u> </u>
Balance, June 30, 2022	\$ (458,350)	\$ (1,305,893)	\$ (1,764,243)
Net loss	<u>(2,397)</u>	<u>(237,294)</u>	<u>(239,691)</u>
Balance, June 30, 2023	\$ <u><u>(460,747)</u></u>	\$ <u><u>(1,543,187)</u></u>	\$ <u><u>(2,003,934)</u></u>

The accompanying notes are an integral part of this statement.