

SAMARITAN HOUSE
FINANCIAL STATEMENTS
June 30, 2017

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Samaritan House
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of Samaritan House, a California non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the assessment of 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 Samaritan House as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Samaritan House's financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2017, on our consideration of Samaritan House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Samaritan House's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Samaritan House's internal control over financial reporting and compliance.

Vicki Knutoffson and Co.

San Mateo, California
October 18, 2017

SAMARITAN HOUSE
STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Assets				
Current Assets:				
Cash and cash equivalents (Note 2)	\$ 1,779,098	\$ 378,111	\$ 2,157,209	\$ 1,928,398
Investments (Note 2 and 4)	3,463,928	-	3,463,928	2,931,130
Funds held in trust (Note 5)	163,373	-	163,373	232,257
Client accounts - Safe Harbor Shelter (Note 5)	45,096	-	45,096	49,803
Bequests receivable - short term	25,000	-	25,000	663,185
Grants receivable	876,399	350,000	1,226,399	808,229
Prepaid expenses	111,044	-	111,044	160,455
Total Current Assets	6,463,938	728,111	7,192,049	6,773,457
Property and Equipment (Note 2):				
Land	1,882,459	-	1,882,459	1,882,459
Buildings and improvements	7,643,794	-	7,643,794	7,576,124
Furniture and equipment	461,494	-	461,494	461,494
Computer hardware and software	309,284	-	309,284	309,284
Vehicles	71,805	-	71,805	71,805
Total Property and Equipment	10,368,836	-	10,368,836	10,301,166
Less accumulated depreciation and amortization	(2,679,844)	-	(2,679,844)	(2,453,687)
Total Property and Equipment, Net	7,688,992	-	7,688,992	7,847,479
Other Assets:				
Grants receivable - long term	-	-	-	200,000
Bequests receivable - long term	67,530	-	67,530	23,390
Security deposits	20,000	-	20,000	20,000
Total Other Assets	87,530	-	87,530	243,390
Total Assets	\$ 14,240,460	\$ 728,111	\$ 14,968,571	\$ 14,864,326

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF FINANCIAL POSITION (Continued)
For the Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Liabilities and Net Assets				
Liabilities				
Current Liabilities:				
Accounts payable	\$ 116,321	\$ -	\$ 116,321	\$ 138,636
Accrued payroll and paid time off	472,757	-	472,757	408,629
Deferred revenue	12,487	-	12,487	9,711
Current portion of notes payable (Note 6)	32,939	-	32,939	31,966
Client accounts - Safe Harbor Shelter (Note 5)	45,096	-	45,096	49,803
Funds held in trust (Note 5)	163,373	-	163,373	232,257
Other current liabilities	3,103	-	3,103	7,427
Total Current Liabilities	846,076	-	846,076	878,429
Long-Term Liabilities:				
Accrued interest payable	100,359	-	100,359	91,996
Notes payable (Note 6)	480,556	-	480,556	513,495
Total Long-Term Liabilities	580,915	-	580,915	605,491
Total Liabilities	1,426,991	-	1,426,991	1,483,920
Net Assets:				
Unrestricted:				
Undesignated	9,429,069	-	9,429,069	9,569,181
Board designated reserves (Note 9)	3,384,400	-	3,384,400	2,954,400
Total Unrestricted	12,813,469	-	12,813,469	12,523,581
Temporarily Restricted (Note 8)		728,111	728,111	856,825
Total Net Assets	12,813,469	728,111	13,541,580	13,380,406
Total Liabilities and Net Assets	\$ 14,240,460	\$ 728,111	\$ 14,968,571	\$ 14,864,326

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue (Note 2):				
Support:				
Individual and organizational contributions	\$ 1,029,588	\$ 109,397	\$ 1,138,985	\$ 940,758
Bequests	120,980	2,000	122,980	900,330
Government grants	2,955,703	-	2,955,703	2,682,157
Healthcare district grants	-	942,577	942,577	990,233
Foundation grants	373,475	620,801	994,276	1,793,085
Business and corporation contributions	118,719	350,620	469,339	695,620
Special event revenue	404,807	3,290	408,097	326,578
Special event direct expenses	(118,724)	-	(118,724)	(91,246)
Donated facilities (Note 7)	207,264	-	207,264	200,141
Donated services (Note 7)	1,390,940	-	1,390,940	1,247,905
Donated food, clothing, equipment, bus passes, and medication (Note 7)	2,911,422	-	2,911,422	3,176,818
Net assets released from restrictions (Note 8)	2,157,399	(2,157,399)	-	-
Total Support	<u>11,551,573</u>	<u>(128,714)</u>	<u>11,422,859</u>	<u>12,862,379</u>
Revenue:				
Contracted meals	35,363	-	35,363	38,949
Rental income	148,455	-	148,455	157,622
Net investment income/(loss) (Note 4)	241,755	-	241,755	(3,726)
Miscellaneous income	91,544	-	91,544	76,907
Total Revenue	<u>517,117</u>	<u>-</u>	<u>517,117</u>	<u>269,752</u>
Total Support and Revenue	<u>12,068,690</u>	<u>(128,714)</u>	<u>11,939,976</u>	<u>13,132,131</u>
Expenses (Note 3):				
Program Services:				
Kids Closet	438,084	-	438,084	158,024
Food Services	2,716,500	-	2,716,500	3,021,192
Client Services	714,783	-	714,783	687,119
Holiday Assistance	128,568	-	128,568	121,832
Homelessness Prevention Assistance	1,058,068	-	1,058,068	999,817
Safe Harbor Shelter	1,513,730	-	1,513,730	1,491,053
Medical and Dental Clinics	3,346,567	-	3,346,567	3,433,199
Worker Resource Center	287,338	-	287,338	267,885
Coordinated Entry System	89,153	-	89,153	-
Total Program Services	<u>10,292,791</u>	<u>-</u>	<u>10,292,791</u>	<u>10,180,121</u>
Supporting Services				
Management and general	724,963	-	724,963	686,839
Fundraising	761,048	-	761,048	704,434
Total Supporting Services	<u>1,486,011</u>	<u>-</u>	<u>1,486,011</u>	<u>1,391,273</u>
Total Expenses	<u>11,778,802</u>	<u>-</u>	<u>11,778,802</u>	<u>11,571,394</u>
Change in Net Assets, carried forward to page 6	<u>289,888</u>	<u>(128,714)</u>	<u>161,174</u>	<u>1,560,737</u>

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (Continued)
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Change in Net Assets, carried forward from page 5	\$ 289,888	\$ (128,714)	\$ 161,174	\$ 1,560,737
Net Assets:				
Beginning of Year	12,523,581	856,825	13,380,406	11,819,669
End of Year	\$ 12,813,469	\$ 728,111	\$ 13,541,580	\$ 13,380,406

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ 161,174	\$ 1,560,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	226,157	239,541
Donated fixed assets	-	(37,330)
Net realized and unrealized (gain)/loss on investments	(189,620)	62,780
Decrease/(Increase) in bequests receivable	594,045	(654,375)
Increase in grants receivable	(218,170)	(394,659)
Decrease/(Increase) in prepaid expenses	49,411	(43,192)
Decrease in accounts payable	(22,315)	(4,611)
Increase in accrued payroll and paid time off	64,128	83,869
Increase in deferred revenue	2,776	9,711
Increase/(Decrease) in other current liabilities	(4,324)	7,427
Increase in accrued interest payable	8,363	8,365
Net Cash Provided by Operating Activities	671,625	838,263
Cash Flows From Investing Activities:		
Proceeds from sale of investments other than money market funds	983,172	2,647,989
Purchases of investments other than money market funds	(1,447,029)	(2,498,911)
Proceeds from money market fund transactions	120,679	45,463
Purchases of property and equipment	(67,670)	(295,791)
Net Cash Used in Investing Activities	(410,848)	(101,250)
Cash Flows From Financing Activities:		
Payments of principal on notes payable	(31,966)	(31,023)
Net Cash Used in Financing Activities	(31,966)	(31,023)
Net Increase in Cash and Cash Equivalents	228,811	705,990
Cash and Cash Equivalents:		
Beginning of year	1,928,398	1,222,408
End of year	\$ 2,157,209	\$ 1,928,398
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 7,588	\$ 8,738
Non-Cash Investing Activities:		
Capitalized donated fixed asset	\$ -	\$ 37,330

See accompanying notes to financial statements.

SAMARITAN HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

2017

	Kids Closet	Food Services	Client Services	Holiday Assistance	Homelessness Prevention Assistance	Safe Harbor Shelter	Medical and Dental Clinics	Worker Resource Center	Coordinated Entry System	Total Program Services
Employee compensation and related payroll taxes	\$ 10,437	\$ 327,334	\$ 503,266	\$ 65,925	\$ 167,720	\$ 901,024	\$ 918,916	\$ 191,544	49,319	\$ 3,135,485
Employee benefits	1,622	58,387	49,120	7,537	17,373	137,333	117,736	28,742	2,428	420,278
Temporary staffing	-	-	-	-	-	-	37,901	-	-	37,901
Donated services	-	-	-	-	-	-	1,390,940	-	-	1,390,940
Donated facilities	-	-	-	-	-	170,784	-	36,480	-	207,264
Employee training	-	1,054	1,616	32	-	799	1,711	291	-	5,503
Equipment rental	69	848	2,314	2,959	893	5,344	3,498	445	878	17,248
Client food, clothing, education and shelter	6,479	12,912	239	36,040	-	27,212	447	1,403	-	84,732
Client housing and emergency assistance	-	-	2,225	-	868,825	-	-	-	-	871,050
Client assistance of in-kind food, bus passes, medication and clothing	355,149	2,136,334	-	-	-	97,889	322,050	-	-	2,911,422
Insurance and taxes	3,238	14,102	5,855	578	-	5,866	51,603	706	-	81,948
Interest	-	-	200	-	-	410	14,194	-	-	14,804
Medical clinic supplies	-	-	-	-	-	-	153,949	-	-	153,949
Outreach and marketing	147	1,225	607	844	-	1,134	2,994	13	1,385	8,349
Outside Services	963	12,446	42,044	6,341	-	44,881	57,916	8,652	18,281	191,524
Postage	9	101	211	50	32	91	551	12	-	1,057
Printing and mailing services	-	-	-	-	384	187	382	-	-	953
Professional fees	-	157	235	23	-	395	511	59	-	1,380
Supplies	11,694	28,020	6,527	1,479	1,135	28,045	8,700	2,469	13,029	101,098
Rent (Note 11)	20	18,490	1,940	4,943	-	5,442	110,125	267	-	141,227
Repairs and maintenance	6,207	16,669	16,450	190	24	24,702	46,854	911	-	112,007
Travel, meetings and conferences	76	7,218	5,711	499	557	14,813	2,550	3,142	1,039	35,605
Utilities and telephone	7,437	46,849	27,897	877	1,125	25,899	52,883	7,209	2,794	172,970
Total expenses before depreciation and amortization	403,547	2,682,146	666,457	128,317	1,058,068	1,492,250	3,296,411	282,345	89,153	10,098,694
Depreciation and amortization	34,537	34,354	48,326	251	-	21,480	50,156	4,993	-	194,097
Total Expenses	\$ 438,084	\$ 2,716,500	\$ 714,783	\$ 128,568	\$ 1,058,068	\$ 1,513,730	\$ 3,346,567	\$ 287,338	\$ 89,153	\$ 10,292,791

See accompanying notes to financial statements

SAMARITAN HOUSE
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
For the Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

	2017			2016		
	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Employee compensation and related payroll taxes	\$ 3,135,485	\$ 487,580	\$ 507,775	\$ 995,355	\$ 4,130,840	\$ 3,956,192
Employee benefits	420,278	30,683	40,757	71,440	491,718	558,401
Temporary staffing	37,901	-	13,699	-	51,600	-
Donated services	1,390,940	-	-	-	1,390,940	1,247,905
Donated facilities	207,264	-	-	-	207,264	200,141
Employee training	5,503	1,522	3,046	4,568	10,071	14,514
Equipment rental	17,248	8,897	3,604	12,501	29,749	41,726
Client food, clothing, education and shelter	84,732	-	-	-	84,732	55,538
Client housing and emergency assistance	871,050	-	-	-	871,050	738,380
Client assistance of in-kind food, bus passes, medication and clothing	2,911,422	-	-	-	2,911,422	3,139,487
Insurance and taxes	81,948	14,613	1,940	16,553	98,501	89,566
Interest	14,804	1,148	-	1,148	15,952	17,102
Medical clinic supplies	153,949	-	-	-	153,949	183,393
Outreach and marketing	8,349	163	14,463	14,626	22,975	21,530
Outside services	191,524	44,454	58,298	102,752	294,276	327,595
Postage	1,057	1,072	18,405	19,477	20,534	23,525
Printing and mailing services	953	808	51,719	52,527	53,480	50,643
Professional fees	1,380	42,789	126	42,915	44,295	27,638
Supplies	101,098	35,357	10,594	45,951	147,049	124,725
Rent (Note 11)	141,227	103	68	171	141,398	133,537
Repairs and maintenance	112,007	8,164	11,157	19,321	131,328	128,503
Travel, meetings and conferences	35,605	10,299	2,953	13,252	48,857	49,058
Utilities and telephone	172,970	17,603	10,092	27,695	200,665	202,754
Total expenses before depreciation and amortization	10,098,694	705,255	748,696	1,453,951	11,552,645	11,331,853
Depreciation and amortization	194,097	19,708	12,352	32,060	226,157	239,541
Total Expenses	<u>\$ 10,292,791</u>	<u>\$ 724,963</u>	<u>\$ 761,048</u>	<u>\$ 1,486,011</u>	<u>\$ 11,778,802</u>	<u>\$ 11,571,394</u>

See accompanying notes to financial statements

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES

Samaritan House (the Organization) is a nonprofit public benefit corporation organized under the laws of the State of California to provide a comprehensive approach to meet the needs of the people in San Mateo County. These needs may include culturally specific case management, shelter, housing assistance, homelessness prevention services (i.e. rental assistance), health care, bilingual assistance, transportation, education, clothing, household, food and emergency needs.

The Organization raises the funds necessary to provide program services to the community from individuals, organizations, foundations, government entities, local businesses, religious organizations, and through fundraising events. Samaritan House engages more than 2,000 volunteers annually to assist in providing these fundraising services.

The Organization is acting as the lead agency with multiple grants in collaboration with seven other non-profit service providers in unduplicated areas of San Mateo County who also provide safety net services. The Organization is the fiscal sponsor with the San Francisco Chronicle's Season of Sharing emergency assistance funds for San Mateo County.

The Organization also manages the Coordinated Entry System (CES) program in partnership with the County of San Mateo. The CES program provides assessments, case management and other services to families and individuals seeking emergency shelter within San Mateo County so they may return to housing as quickly as possible.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization classifies its net assets and changes in net assets as follows:

Unrestricted net assets:

that portion of net assets that is neither time nor purpose restricted by donors;

Temporarily restricted net assets:

that portion of net assets whose use is limited by donor-imposed stipulations that can be fulfilled and removed by actions of the Organization or by the passage of time;

Permanently restricted net assets:

that portion of net assets that have been restricted in perpetuity. The Organization does not have any permanently restricted net assets.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and money market funds held in the UBS investment accounts are excluded from cash equivalents. The Organization maintains cash on deposits at banks in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The uninsured cash balance was approximately \$1,806,912 as of June 30, 2017. The Organization has not experienced any losses in such accounts. Management believes that it is not exposed to any significant cash credit risk.

Receivables

Unconditional promises to give (pledges) are recognized as revenue when the promise is made. Pledges which are conditional are recognized as revenue when conditions are substantially met. Pledges expected to be collected within one year are recorded as revenue and a receivable at net realizable value. Pledges expected to be collected in future years are recorded as revenue and a receivable at the present value of the expected future cash flows.

Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off to expense all balances that are considered uncollectible.

Investments

All mutual funds and exchange traded funds (ETFs) are carried at fair value based upon closing market prices. Unrealized gains and losses are recorded in the statement of activities in the period in which they occur. Interest and dividend income are accrued when earned.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate value at the date of donation. Depreciation is computed on the straight-line method over a period of five years for vehicles, five to fifteen years for furniture and equipment, five years for computer equipment, three years for computer software and thirty-nine to forty years for buildings.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets on the placed in service date and the reclassifications are reported on the Statement of Activities as net assets released from restrictions.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Expenses are allocated directly to program activities if they can be specifically identified with a program. If not specifically identifiable, expenses are allocated to programs based on estimated usage by each program. These allocation ratios are reviewed periodically by management. Total fundraising expenses for the year ended June 30, 2017 including special event expense and fundraising expenses was \$879,772.

Revenue Recognition

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted revenue, which increases those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted contributions are recorded as temporarily restricted revenue and release from restriction when the restriction is met in the same year the contribution is received.

Bequests

Bequests are recorded as revenue when the Organization receives notification that the court declares the will is valid and an estimate is determinable.

Donated Services, Materials and Facilities

Donations of services, materials and facilities are recorded as contributions measured at estimated fair market value when received. The fair value of contributed services, facilities, and supplies has been measured on a nonrecurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

Grant Revenue

Grant revenue on cost-reimbursement grants or contracts is recognized when the Organization requests reimbursement from granting agencies after the program expenditures have been incurred. Such grant programs are subject to independent audit under the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and review by grantor agencies. Such review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds.

Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Concentration of Revenue Sources

During the year ended June 30, 2017, Samaritan House received support, other than donated facilities, services, and materials, in the amount of \$1,765,347 (19%) from San Mateo County (including pass through federal funds of \$590,300).

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and from state income tax under Section 23701(d) of California Revenue and Taxation Code. Accordingly, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

Estimates

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

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Samaritan House Programs

The following programs of the Organization are to provide for the needs of low-income neighbors in San Mateo County.

Kids Closet and Holiday Assistance

Kids Closet program provides quality new and used children's clothing to client families. The Holiday Assistance program provides low-income families with food and toys during the Thanksgiving and Christmas holidays.

Food Services

Food Services program prepares and serves hot meals for its community dining room, mobile meals, kids' summer lunch and snacks program, senior centers, homeless shelter, and other community centers. The Food Pantry program distributes bags of groceries and food items in the bread pantry daily. Food distributions in collaboration with the Second Harvest Food Bank provide fresh produce and additional food items during the year with the Produce Mobile and Family Harvest distributions at various sites in San Mateo County.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (Continued)

Client Services

The client services program includes: case management, counseling, housing assistance, financial asset building and coaching, and referrals to resources, all of which assist clients to move towards self-sufficiency through an individual service plan.

Homelessness Prevention Assistance

The Organization receives and distributes emergency assistance funds for housing and critical family needs. Sources of funding are through the Community Service Block Grant (CSBG), local County Measure A funds, and the San Francisco Chronicle's Season of Sharing fund for the homelessness prevention services. Samaritan House acts as the lead agency in collaboration with seven other non-profit service providers covering unduplicated service areas in San Mateo County to distribute funds on behalf of clients throughout San Mateo County.

Safe Harbor Shelter

The Safe Harbor Shelter program provides emergency and transitional shelter and supportive services for up to ninety men and women each night. Services include meals, bathing facilities, life management skills training, health education, access to healthcare, budgeting education, on-site case management, substance abuse support meetings, housing assistance and other supportive services. Residents work with their case manager to develop a case plan to work towards self-sufficiency and permanent housing.

Medical and Dental Clinics

The San Mateo and Redwood City Free Clinics provide primary and specialty medical care to low-income residents of San Mateo County. Specialty services offered at one or both of the Free Clinics includes dentistry, gynecology, breast cancer screenings, dermatology, diabetic care, endocrinology, neurology, orthopedics, ophthalmology, pediatrics, optometry, podiatry, pulmonology, rheumatology, nutritional counseling, psychology, and psychiatry. In addition to the 12 full-time employee positions, the two Free Clinics are staffed by over 195 volunteers who provided more than 10,000 volunteer hours during the fiscal year ended June 30, 2017.

Worker Resource Center

The Worker Resource Center (WRC), established in 2003, provides a location for temporary laborers and potential employers to meet. In addition, workers receive language training, referrals and other supportive services. The WRC is managed by the Organization and is primarily funded by the City of San Mateo.

Coordinated Entry System

Coordinated entry is a process through which people experiencing or at risk of experiencing homelessness can access homeless services in San Mateo County. This new program for Samaritan House streamlines the assessment through a consistent process and quickly connects to appropriate homeless services to help them return to housing as quickly as possible. In partnership with the County of San Mateo, the Coordinated Entry System (CES) aims to support individuals and families in identifying alternative housing options, ensuring individuals and families experiencing homelessness are connected to applicable resources quickly, and ensuring individuals and families with the greatest need are connected to the best available resources that will help them return to housing.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (Continued)

Samaritan House Supporting Services

Management and General

These expenses include non-program related expenses essential for operating the administrative functions of the Organization. These functions include accounting, governance, strategic planning, legal, and all fiscal responsibilities of the Organization.

Fundraising and Development

Provides the structure necessary to encourage and secure financial support from individuals, government and community agencies, foundations and corporations.

NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

Fair Value Measurements

The Organization classifies its assets carried at fair value on a recurring basis according to the hierarchy of valuation techniques used to determine fair value. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels:

Level 1 inputs – quoted market prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date

Level 2 inputs – quoted prices in active markets for similar assets; quoted prices for similar or identical assets in inactive markets; inputs other than quoted prices that are observable for the asset

Level 3 inputs – at least one significant model assumption or input is unobservable. Valuation methodologies and determination of the fair value requires significant management judgment or estimation.

The following schedule presents the balances of assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Total</u>
Fixed income mutual funds and ETFs:		
Domestic:		
Total return/broad market	\$ 608,624	\$ 608,624
Intermediate/long term	559,940	559,940
Short term corporate	50,305	50,305
Senior rate securities	103,737	103,737
International:	129,935	129,935
Equity mutual funds and ETFs:		
Domestic:		
Broad market/large cap	968,040	968,040
Mid Cap	10,701	10,701
International:	646,168	646,168
Total	<u>\$ 3,077,450</u>	<u>\$ 3,077,450</u>

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The Organization has an investment policy in place. The Investment Committee of the Board reviews performance quarterly and ensures adherence to the investment policy. As of June 30, 2017 the Organization’s investments are in compliance with its investment policy.

The investments consist of the following as of June 30, 2017 and 2016:

	2017	2016
Money market funds	\$ 134,215	\$ 255,926
Certificates of deposits	252,263	251,225
Mutual funds	<u>3,077,450</u>	<u>2,423,979</u>
Total Investments	<u>\$ 3,463,928</u>	<u>\$ 2,931,130</u>

The following schedule summarizes the net investment income classified as unrestricted income in the Statement of Activities for the year ended June 30, 2017:

Interest and dividends	\$ 76,842
Realized gain	25,617
Net unrealized gain	164,003
Less: Investment expenses	<u>(24,707)</u>
Total net investment income	<u>\$ 241,755</u>

NOTE 5 - CASH HELD IN TRUST/AMOUNTS HELD FOR OTHERS

The Organization acts as a fiscal agent on behalf of the San Francisco Chronicle's Season of Sharing Fund to a specific group of San Mateo County Community nonprofit organizations. The Organization has agreed to receive and remit grant assistance to eligible individuals. All grants must be submitted by the participating agency and are for a one-time, non-recurring need. Grants are typically used for housing assistance and critical family needs as defined by the funder. Maximum grant amount per household is \$3,000. During the fiscal year ending June 30, 2017, the Organization received \$671,625 and expended a total of \$740,509. Since the Organization is acting as a fiscal agent, these amounts are not recorded as revenue and expenses of the Organization.

The Organization encourages residents at Safe Harbor Shelter to save money for transitioning back into the community. The Organization deposits and tracks account balances for individual residents. Funds are disbursed to clients as they exit the shelter or as approved by their case manager.

Amounts held as of June 30, 2017 for the above programs are as follows:

San Francisco Chronicle’s Season of Sharing Fund	\$ 163,373
Safe Harbor Shelter	<u>45,096</u>
Total	<u>\$ 208,469</u>

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NOTES PAYABLE

Notes payable as of June 30, 2017 consist of the following:

	<u>Amount</u>
<p>Note payable to the California Health Facilities Financing Authority (CHFFA) payable in monthly installments of \$3,294 consisting of principal plus interest at a fixed rate of 3% through February 2024. The fifteen year note is secured by a deed of trust on the medical office building in San Mateo.</p>	\$ 234,687

<p>Note payable to the County of San Mateo for a facility rehabilitation project. The terms of the note are 3% interest for 10 years maturing on June 30, 2023. Payments are deferred for the entire term. Both principal and interest will be forgiven on the maturity date of June 30, 2023 unless the properties assisted with this loan are sold, conveyed or alienated by Samaritan House or in the case of a violation of the agreement.</p>	100,000
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<p>Note payable to the County of San Mateo accrues interest at 3% per annum, non-compounding. Both principal and accrued interest are payable upon maturity in January 2031, unless the property is sold or refinanced without the consent of the County of San Mateo. The note is secured by a deed of trust on the medical office building in San Mateo. The terms of the note restricts the use of 10.3% of the total building area to the use of free/low cost clinic services. This deed of trust is subordinated to the CHFFA deed of trust.</p>	<u>178,808</u>
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	513,495
Less current portion	<u>(32,939)</u>
Long-term portion	<u>\$ 480,556</u>

Future principal maturities of notes payable are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2018	\$ 32,939
2019	33,941
2020	34,973
2021	36,037
2022	37,133
Thereafter	<u>338,472</u>
Total	<u>\$ 513,495</u>

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - DONATED FACILITIES, SERVICES, AND MATERIALS

Donated services are reported at fair value in the financial statements when those services create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services of \$1,390,940 services were recorded for the year ended June 30, 2017. These donated services included volunteer medical services, in-kind lab tests, in-kind legal services and an in-kind grant for marketing services. The Organization has controls in place and has maintained sufficient records of donated services to be able to record such services in the financial statements for that period.

In addition to the services above, Samaritan House received more than 40,000 hours of donated services that do not meet the criteria for recording contributed services but are nonetheless central to the organizations operations. The value of these services is not reflected in the financial statements.

For the year ended June 30, 2017, gifts-in-kind of food, bus passes, equipment, medication and clothing totaling \$2,911,422 have been recorded in the financial statements. Second Harvest Food Bank was the single largest in-kind contributor of food during the fiscal year with food contributions valued at \$1,341,752. The valuation of food provided by Second Harvest Food Bank is based on a per pound basis and values are derived directly from Feeding America, the national network of food banks.

During the year ended June 30, 2017, total donated facilities of \$207,264 have been recognized in the financial statements for the sites provided by the City of San Mateo and the County of San Mateo for the Worker Resource Center and the Safe Harbor Shelter programs.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017, temporarily restricted net assets are available for the following purposes:

<u>Purpose:</u>	<u>Amount</u>
Kids Closet	\$ 6,585
San Mateo Free Medical Clinic	2,603
Safe Harbor Shelter	5,200
Redwood City Free Medical Clinic	<u>33,723</u>
	<u>48,111</u>
 <u>Timing:</u>	
General Operating	<u>400,000</u>
 <u>Purpose and Timing:</u>	
San Mateo Free Medical Clinic	<u>280,000</u>
 Total	 <u>\$ 728,111</u>

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

During the year ended June 30, 2017, net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

<u>Purpose restriction accomplished:</u>	<u>Amount</u>
Client Services	\$ 188,663
Kids Closet	22,581
Food services	136,400
Holiday program	17,530
Homelessness Prevention	2,025
Safe Harbor Shelter	57,562
San Mateo Free Medical Clinic	677,109
San Mateo Free Dental Clinic	475
Redwood City Free Medical Clinic	846,854
Redwood City Free Dental Clinic	200
Operations (timing)	<u>208,000</u>
Total restrictions released	<u>\$ 2,157,399</u>

NOTE 9 - BOARD DESIGNATED RESERVES

The Board Designated Reserves include funds designated by the Samaritan House Board of Directors to address agency emergency, cash and capital needs. The reserves are set-aside in categories as follow:

<u>Category</u>	<u>Purpose</u>	<u>Amount</u>
Emergency Fund	Intended to be used for unexpected expenses or unexpected revenue shortfalls	\$ 2,584,000
Operating Reserves	Intended for cash flow purposes only to bridge grant and government payments	408,000
Facility Reserve	To address capital repairs and replacement needs	<u>392,400</u>
	Total amount of reserves on June 30, 2017	<u>\$ 3,384,400</u>

NOTE 10 - DONOR FUND

In 1994, the Silicon Valley Community Foundation received a bequest to be used for the benefit of the Organization. These funds are being held by the Foundation and are used "to benefit Samaritan House" as it was specified by the donor. The balance of the funds as of June 30, 2017 is \$79,562 and is not included in the financial statements of Samaritan House as per policies of the Foundation. The amount of these funds that can be made available to the Organization as of June 30, 2017 is \$54,562.

SAMARITAN HOUSE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - OPERATING LEASE OBLIGATION

Samaritan House leases 3,289 square feet of office space for the Redwood City Medical Clinic under a five-year lease through April 2022. Monthly rent payments under this lease are currently \$9,151 and are subject to annual increases on May 1 of each year thereafter. The future minimum lease payments under the lease are as follows:

<u>Years Ending June 30:</u>	
2018	\$ 111,456
2019	114,798
2020	118,248
2021	121,800
2022	<u>42,436</u>
Total	<u>\$ 508,738</u>

NOTE 12 – RETIREMENT PLAN

Samaritan House has a 403(b) retirement plan. The plan covers all employees meeting certain eligibility requirements. Employees voluntarily make contributions to the Plan based upon limits established under the Internal Revenue Code. The Organization may make nonelective contributions as defined by the plan. The Organization did not make any nonelective contributions for the year ended June 30, 2017.

NOTE 13 – BEQUESTS RECEIVABLE

Bequests receivable at June 30, 2017 are as follows:

Total bequests receivable	\$ 92,530
Less: Current portion	<u>(25,000)</u>
Bequests receivable due in one to five years	<u>\$ 67,530</u>

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2017, the date which the financial statements were available to be issued, and determined no reportable events occurred.

SUPPLEMENTARY INFORMATION

SAMARITAN HOUSE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Catalog of Federal Domestic Assistance Number (CFDA)</u>	<u>Pass-Through Entity Identifying Number/Contract Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development/CDBG – Entitlement Grants Cluster</u>			
Community Development Block Grant for transitional housing and support services:			
Pass-through from County of San Mateo	14.218	79000-17-D032	\$ 75,000
Pass-through from City of Redwood City	14.218	2016.265	17,000
Pass-through from City of South San Francisco	14.218	N/A	14,000
Pass-through from City of San Mateo	14.218	PO31-01066	79,996
Loans made in prior fiscal year with continuing compliance -			
Pass-through from County of San Mateo	14.218	N/A	<u>278,808</u>
Total Department of Housing and Urban Development programs in cluster			<u>464,804</u>
Total CDBG – Entitlement Grants Cluster			<u>464,804</u>
Direct Programs:			
Supportive Housing Program	14.235	CA0263L9T121508	79,099
Supportive Housing Program	14.235	12-CA-015	149,010
Federal Emergency Shelter Grants for transitional housing:			
Pass-through from State of California	14.231	LRO 0866-009	36,900
Total Department of Housing and Urban Development			<u>729,813</u>
<u>U.S. Department of Health and Human Services/477 Cluster</u>			
Pass-through from County of San Mateo:			
Community Service Block Grant	93.569	75100-17-D0006	32,078
Community Service Block Grant	93.569	73455	266,608
Community Service Block Grant	93.569	74955	<u>216,614</u>
Total Department of Health and Human Services programs in cluster			<u>515,300</u>
Total 477 Cluster			<u>515,300</u>
Total Expenditures of Federal Awards			<u>\$ 1,245,113</u>

See accompanying notes to the schedule of expenditures of federal awards.

SAMARITAN HOUSE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the Schedule) includes the federal award activity of Samaritan House, under programs of the federal government for the year ended June 30, 2017 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Samaritan House, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Samaritan House.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations* and the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Samaritan House has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

NOTE 3 – FEDERAL LOAN PROGRAMS

The federal loan programs listed subsequently are administered directly by Samaritan House and balances and transactions relating to the programs are included in Samaritan House's basic financial statements. Loans outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. There were no federal loans made during the year. The balance of loans outstanding as of June 30, 2017 consist of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balances</u> <u>As of June 30, 2017</u>
14.218	U.S. Department of Housing and Urban Development	\$ 278,808



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Samaritan House
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Samaritan House (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Samaritan House's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Samaritan House's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Samaritan House's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vocher Knutoffson and Co.

San Mateo, California
October 18, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the Board of Directors of
Samaritan House
San Mateo, California

Report on Compliance for Each Major Federal Program

We have audited Samaritan House's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Samaritan House's major federal programs for the year ended June 30, 2017. Samaritan House's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Samaritan House's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Samaritan House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Samaritan House's compliance.

Opinion on Each Major Federal Program

In our opinion, Samaritan House complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Samaritan House is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Samaritan House's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Samaritan House's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Voeker Kustoffman and Co.

October 18, 2017
San Mateo, California

**SAMARITAN HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	___ yes	<u> X </u> no
Significant deficiencies identified not considered to be material weaknesses?	___ yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	___ yes	<u> X </u> no

Federal Awards

Internal Control over major programs:		
Material weaknesses identified?	___ yes	<u> X </u> no
Significant deficiencies identified not considered to be material weaknesses?	___ yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance?	___ yes	<u> X </u> no

Identification of major programs tested:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.569	Community Service Block Grant for transitional housing and support services

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<u> X </u> yes	___ no

Section II - Financial Statement Findings

No matters were reported.

Section III: Federal Award Findings and Questioned Costs

No matters were reported.