InnVision Shelter Network

June 30, 2015

Independent Auditors' Report

and

Consolidated Financial Statements

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Independent Auditors' Report

TO THE BOARD OF DIRECTORS
INNVISION SHELTER NETWORK
Menlo Park, California

We have audited the accompanying consolidated financial statements of **INNVISION SHELTER NETWORK**, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

CELEBRATING 1234567890 YEARS AND STILL COUNTING

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of InnVision Shelter Network as of June 30, 2015, 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 InnVision Shelter Network's June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
December 18, 2015

InnVision Shelter Network

Consolidated Statement of Financial Position

June 30, 2015 (with comparative totals for 2014)	2015	2014
Assets		
Cash and cash equivalents	$ 2,969,481	$ 512,153
Grants and other receivables, net	1,974,236	2,432,935
Investments	2,218,232	2,449,210
Prepaid expenses	64,468	188,349
Promises for future use of assets, net	574,682	585,510
Investment in partnerships	1,012,948	1,094,172
Other assets	146,933	150,665
Property and equipment, net	14,692,958	18,230,321
Total assets	$ 23,653,938	$ 25,643,315

Liabilities and Net Assets

	2015	2014
Liabilities:		
Accounts payable and accrued expenses	$ 1,062,652	$ 1,600,522
Accrued interest	505,977	483,143
Other liabilities	129,994	77,014
Loans and notes payable	2,462,318	3,717,971
Forgivable advances	6,161,712	6,246,105
Total liabilities	10,322,653	12,124,755
Net Assets:		
Unrestricted	11,942,167	12,514,246
Temporarily restricted	1,389,118	1,004,314
Total net assets	13,331,285	13,518,560
Total liabilities and net assets	$ 23,653,938	$ 25,643,315

See accompanying notes to consolidated financial statements.

InnVision Shelter Network

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015 (with comparative totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support:				
Government grants and contracts	$ 11,366,889		$ 11,366,889	$ 9,914,560
Individual, corporate and foundation contributions	4,573,229	$ 927,754	5,500,983	6,003,706
In-kind donations, including contributed facilities	1,478,627		1,478,627	481,518
Client program fees	637,890		637,890	638,511
Special events, net of direct expenses of $61,664	353,544		353,544	359,222
Net investment (loss) income	(4,974)		(4,974)	479,629
Loss from investments in partnerships	(81,224)		(81,224)	(95,273)
Forgiven principal and interest	110,472		110,472	120,093
Loss on sale of property	(236,916)		(236,916)	(62,731)
Other income	99,939		99,939	212,014
Net assets released from restrictions	542,950	(542,950)		
Net revenue and support	18,840,426	384,804	19,225,230	18,051,249
Expenses:				
Program services	15,135,365		15,135,365	15,164,231
Supporting services:				
Management and general	2,862,990		2,862,990	3,337,781
Development and fundraising	1,414,150		1,414,150	1,694,602
Total expenses	19,412,505		19,412,505	20,196,614
Change in Net Assets	(572,079)	384,804	(187,275)	(2,145,365)
Net Assets, beginning of year	12,514,246	1,004,314	13,518,560	15,663,925
Net Assets, end of year	$ 11,942,167	$ 1,389,118	$ 13,331,285	$ 13,518,560

See accompanying notes to consolidated financial statements.

InnVision Shelter Network

Consolidated Statement of Functional Expenses

Year Ended June 30, 2015 (with comparative totals for 2014)

	2015					2014
		Supporting Services				
	Program Services	Management and General	Development and Fundraising	Total	Total	Total
Salaries and benefits	$ 6,167,715	$ 1,336,088	$ 1,003,263	$ 2,339,351	$ 8,507,066	$ 10,338,571
Payroll taxes	492,973	106,791	80,189	186,980	679,953	813,849
Total salaries and related expenses	6,660,688	1,442,879	1,083,452	2,526,331	9,187,019	11,152,420
Client assistance	3,469,788				3,469,788	3,074,573
Consulting services		309,635		309,635	309,635	329,180
Donated goods	947,076				947,076	89,880
Equipment and furniture	41,458	2,008		2,008	43,466	
Equipment leases	283,586	3,376		3,376	286,962	218,738
Insurance	150,995	15,299		15,299	166,294	10,270
Interest expense		44,378		44,378	44,378	52,445
Interest forgiven	26,079				26,079	70,620
Maintenance, repairs and supplies	349,072	23,828		23,828	372,900	670,324
Office expense	36,786	25,207	2,208	27,415	64,201	300,712
Professional services	304,881	469,924	42,241	512,165	817,046	723,880
Property taxes	114,559	13,067		13,067	127,626	161,170
Rent	173,090	220,498		220,498	393,588	475,971
Rent (donated use)	410,816				410,816	373,394
Telephone	350,941	12,152	57,346	69,498	420,439	360,387
Temporary services	15,981	125,476		125,476	141,457	99,381
Travel and mileage	145,855	36,919	8,133	45,052	190,907	156,151
Utilities	515,566	23,401		23,401	538,967	556,175
Other	434,934	53,431	220,770	274,201	709,135	493,567
Total expenses before depreciation and amortization	14,432,151	2,821,478	1,414,150	4,235,628	18,667,779	19,369,238
Depreciation and amortization	703,214	41,512		41,512	744,726	827,376
	$ 15,135,365	$ 2,862,990	$ 1,414,150	$ 4,277,140	$ 19,412,505	$ 20,196,614

See accompanying notes to consolidated financial statements.

InnVision Shelter Network

Consolidated Statement of Cash Flows

Year Ended June 30, 2015 (with comparative totals for 2014)	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	$ (187,275)	$ (2,145,365)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	744,726	827,376
Loss on disposal of property	236,916	62,731
Principal forgiven on forgivable advances	(84,393)	(96,311)
Realized and unrealized losses (gains) on investments	39,861	(422,950)
Loss from investments in partnerships	81,224	95,273
Amortization of promises for future use of assets	10,828	4,198
(Increase) decrease in assets:		
Grants and other receivables	458,699	(42,898)
Prepaid expenses	123,881	(70,162)
Other assets	3,732	(37,480)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(537,870)	123,693
Accrued interest	22,834	31,910
Other liabilities	52,980	(47,110)
Net cash provided (used) by operating activities	966,143	(1,717,095)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(67,438)	
Proceeds from sale of property	2,623,159	
Purchases of investments	(1,083,523)	(2,865,363)
Proceeds from sale of investments	1,274,640	3,836,485
Net cash provided by investing activities	2,746,838	971,122
Cash Flows from Financing Activities:		
Issuance of loans and notes payable		3,000,000
Payments on loans and notes payable	(1,255,653)	(3,238,753)
Net cash used by financing activities	(1,255,653)	(238,753)
Net Change in Cash and Cash Equivalents	2,457,328	(984,726)
Cash and Cash Equivalents, beginning of year	512,153	1,496,879
Cash and Cash Equivalents, end of year	$ 2,969,481	$ 512,153
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 35,623	$ 20,535

See accompanying notes to consolidated financial statements.

Note 1 – Nature of Activities:

InnVision Shelter Network (IVSN), a California public benefit corporation, was formed in the summer of 2012 by the merger of Shelter Network of San Mateo County, and InnVision the Way Home of Santa Clara County, which were founded in 1987, and 1973, respectively.

IVSN's mission is to eliminate homelessness in its territory of San Mateo and Santa Clara Counties and surrounding communities. IVSN provides services to its homeless clients at 18 sites between Daly City and San Jose, including 12 overnight shelters, which provide shelter to approximately 1,000 clients each night. Beyond emergency, interim, and permanent shelter, IVSN provides food, clothing, healthcare, job training and counseling, financial literacy seminars, child care and programs, computer labs, and cell phones to thousands of its homeless clients each year.

IVSN's programs are built around its "Beyond the Bed" approach to create long term solutions to homelessness and getting its clients on the road to self-sufficiency and permanent housing. Each client individual or family receives support services through an assigned case manager intimately familiar with local community and government resources. This service provides access to job training, resume preparation, job counseling, access to physical and mental healthcare, life skills training, children-centric programs, rental assistance, mandatory savings, and follow up.

IVSN's business is highly susceptible to downward cycles in local, county, state, and federal funding. Ironically, and unlike other certain nonprofits, upticks and improvement in the local economy actually creates more homelessness due to skyrocketing rents and the concomitant loss of affordable residential stock. These variables in demand for services and government funding forces IVSN to rely on its successful fund-raising activities.

Note 2 - Summary of Significant Accounting Policies:

a. <u>Basis of Accounting</u>

The consolidated financial statements of IVSN have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

b. <u>Basis of Consolidation</u>

The consolidated financial statements include the accounts of IVSN and its wholly owned subsidiary, Vendome, LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

c. Basis of Presentation

IVSN reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

Temporarily Restricted Net Assets - net assets that are limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of IVSN.

Permanently Restricted Net Assets - the portion of net assets that are limited by donor-imposed restrictions that neither expire by passage of time nor can be removed by actions of IVSN. IVSN does not have any permanently restricted net assets.

d. Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less and does not include cash held in investment accounts.

e. Grants and Other Receivables

Receivables are stated at the amount management expects to collect on the outstanding balances. Receivables are due from federal, state and local governments and agencies and others and are all expected to be collected in the year ending June 30, 2015. An allowance of approximately $171,000 is recorded for estimated uncollectible amounts as of June 30, 2015.

f. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. These investments are subject to market fluctuations and are exposed to various risks such as interest rate, market, and credit risk. Realized and unrealized gains and losses are included in the Consolidated Statement of Activities and Changes in Net Assets. Direct investment expenses, consisting of trustee fees and management fees, are recorded as a reduction of investment income.

g. Promises for Future Use of Assets

Promises for future use of assets represent the future value of land and facilities usage that is being donated to IVSN. The promises have been recorded at the estimated fair value of the asset utilized, discounted to its net present value. When the promises were made, revenue was recognized for the present value of the gifts and each year the discount is amortized and contribution revenue is recognized. Each year, donated revenue and donated expense are recognized for the value of the usage for that year.

h. Investments in Partnerships

Investments in limited partnerships are accounted for using the equity method of accounting. IVSN, a co-general partner with another not-for-profit organization, is not deemed to control the partnerships. The investment is recorded at cost and is adjusted for IVSN's proportionate share of undistributed earnings or losses. Profits and losses are allocated in accordance with the partners' interest percentages. Because the limited partners' losses are limited to its investment, the limited partners' equity will not be reduced below zero unless future capital contributions will be made in an amount sufficient to absorb the losses. All remaining losses are allocated to the general partners. Any subsequent income allocable to the limited partners is allocated to the general partners first until the general partners' share of that income offsets the losses not previously recognized by the limited partners.

i. Fair Value Measurements

IVSN classifies its financial instruments measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs as described below. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 values are based on unadjusted quoted prices in active markets for identical instruments. Level 2 values are based on significant observable market inputs, such as quoted prices for similar instruments or unobservable inputs that are corroborated by market data. Level 3 values are based on unobservable inputs that are not corroborated by market data. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying instrument.

j. Property and Equipment

Land, building and equipment are stated at cost or, if donated, at their approximate fair value as of the date of donation. All acquisitions in excess of $5,000 and all expenditures that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 30 years.

k. Forgivable Advances

Forgivable advances represent loans that can be forgiven if certain conditions are met. Management believes that the conditions are all attainable. The liability is recorded at the value of the loan. When a condition is met that results in all or part of the loan principal and/or interest being forgiven, the liability is reduced and revenue is recognized.

l. Revenue Recognition

Grant and contract revenues from federal and other governmental agencies are reported as unrestricted revenue when qualifying expenses are incurred under the grant and contract agreements on a cost-reimbursement basis.

Contributions, including unconditional promises to give, are recorded as revenue at their fair value in the period the contribution or promise is received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions. Contributions are considered to be unrestricted unless specifically restricted by the donor. Conditional contributions are not recorded until the conditions on which they depend are substantially met and the promises become unconditional.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of the donation.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by IVSN. IVSN volunteers assisted in fund-raising and special projects throughout the year. The value of volunteer time is not reflected in the accompanying financial statements since it does not meet the above criteria.

Client program fees and special event revenue are recognized as revenue when the programs and special events occur.

m. Income Tax Status

IVSN is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from California income tax under Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision is made for current or deferred income taxes. IVSN has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC.

Management evaluated IVSN’s tax positions and concluded that IVSN had maintained its tax exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

n. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services based on factors such as total costs incurred or relative payroll expense.

o. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

p. Reclassifications

Certain 2014 accounts have been reclassified to conform to the 2015 financial statement presentation. These reclassifications have no impact on net assets or changes in net assets for the year ended June 30, 2014.

q. Comparative Financial Information

The consolidated 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 U.S. GAAP. Accordingly, such information should be read in conjunction with IVSN's financial statements for the year end June 30, 2014 from which the summarized information was derived.

r. Subsequent Events

IVSN has evaluated subsequent events from June 30, 2015 through December 18, 2015, the date these consolidated financial statements were available to be issued. Except for the events discussed in Note 15, there were no other material subsequent events that required recognition or disclosure in the consolidated financial statements.

Note 3 - Investments:

Investments, at fair value at June 30, 2015, are as follows:

	Total	Level 1	Level 2
Money market funds	$ 414,513	$ 414,513	
Certificates of deposit	53,390	53,390	
U.S. equity securities	774,590	774,590	
International equity securities	229,281	229,281	
U.S. Treasury bills and bonds	106,420		$ 106,420
Corporate bonds	478,674		478,674
Other assets	161,364	161,364	
Total investments	$ 2,218,232	$ 1,633,138	$ 585,094

There are no investments measured at Level 3 as of June 30, 2015.

Net investment income for the year ended June 30, 2015 is comprised of the following:

Net realized and unrealized losses	$ (39,861)
Dividends and interest	50,242
Investment management fees	(15,355)
Total net investment income	$ (4,974)

Note 4 - Promises for Future Use of Assets:

IVSN has short-term lease agreements with Mid-Peninsula Housing Coalition (MPHC), an unrelated non-profit public benefit corporation, to provide transitional and emergency housing facilities for homeless individuals and families at two shelter locations in San Mateo County - Family Crossroads and Redwood Family House. The lease agreements, which are renewed annually, include rental rates that are less than the market rate. The difference between the fair market value rent and the rent payable per the lease is recorded as donated revenue and expense.

IVSN has a long-term lease agreement, which originated in 2002, with MPHC to use certain land to operate the transitional and emergency housing facility at First Step for Families for 30 years. Under the lease, IVSN has the right, title, and interest to the improvements on the land. IVSN is required to pay electricity, water, and other utilities for the use of the facility and is also responsible for all maintenance and repairs necessary to maintain the land and building in good condition. The fair market value of the future rent at the date the promise was originally made was discounted at 7%, the applicable rate in effect at the time of the gift.

For the year ended June 30, 2015, donated revenue and expense of approximately $444,924 was recorded which related to the above three agreements.

Amounts receivable under these agreements as of June 30, 2015 are as follows:

Receivable in less than one year	$ 250,917
Receivable in one to five years	177,355
Receivable in more than five years	499,564
	927,836
Less discounts to net present value	(353,154)
Total promises for future use of assets, net	$ 574,682

Note 5 - Investments in Partnerships:

In furtherance of its tax-exempt purpose, IVSN invested in two limited partnerships that own and manage apartments for survivors of domestic violence and their children. These properties are subject to low-income housing tax credit regulations and compliance requirements under IRC Section 42. IVSN has the option to acquire the properties at the end of their respective tax credit compliance periods in accordance with terms of the purchase agreements. Following is information as of June 30, 2015 relating to these partnerships in which IVSN is a co-general partner with Caritas Housing, an unrelated non-profit organization.

Partnership Name	% Interest	Investment
HomeSafe Santa Clara L.P.	0.05%	$ 129,276
HomeSafe San Jose L.P.	0.05%	883,672
Total investment in partnerships		$ 1,012,948

Total assets for HomeSafe Santa Clara L.P. and HomeSafe San Jose L.P. were approximately $2,991,059 and $5,086,296, respectively, and total liabilities were approximately $2,733,000 and $3,142,000 respectively, according to the partnerships' unaudited financial statements as of June 30, 2015.

The general partners have agreed to advance amounts necessary to cover operating deficits by making an interest free loan to the partnership, subject to certain limitations, payable out of net cash flows. Advances receivable from these partnerships of approximately $104,000 are included in other assets.

The general partners have agreed to indemnify the limited partners for the tax benefits expected by the limited partners, subject to certain limitations.

Note 6 - Property and Equipment:

Property, equipment and improvements and accumulated depreciation are as follows at June 30, 2015:

Land	$ 5,096,379
Buildings and improvements	16,846,679
Leasehold improvements	1,156,822
Equipment, furniture, and software	1,508,649
Vehicles	304,534
	24,913,063
Less accumulated depreciation	(10,220,105)
Total property and equipment, net	$ 14,692,958

Depreciation and amortization expense for the year ended June 30, 2015 was $744,726.

As discussed in Notes 7 and 8, many properties serve as collateral for notes and loans payable and forgivable advances. Many of those properties are restricted as to use and cannot be sold or transferred, except through consent of note holders of those properties. The cost of land and buildings included in the table above that are restricted as to use is approximately $20,919,000. Net book value of those assets is approximately $13,400,000 at June 30, 2015.

Note 7 - Loans and Notes Payable:

Loans and notes payable consist of the following as of June 30, 2015:

Loan payable to the David & Lucile Packard Foundation, (original amount $3,000,000), collateralized by a deed of trust on certain property in San Jose, California. The loan bears interest at 1% per year. Principal payments of $50,408 and accrued interest are due quarterly, commencing in October 2015 through July 2023. In December 2014, IVSN disposed of a building it owned in San Jose, California that had been collateral on this loan. IVSN paid down the loan by $700,000 from the proceeds of the sale, and negotiated certain terms of the loan agreement. The loan contains certain covenants requiring certain consents of the loan holder and the maintaining of certain asset balances for debt performance.	$ 1,656,326

Hester Avenue	
Note payable to Housing Trust of Santa Clara County, (original amount $130,000), collateralized by the Hester Avenue property. The note bears no interest. Principal is due upon maturity in December 2060.	130,000
Note payable to the City of San Jose, (original amount $425,000), collateralized by the Hester Avenue property. The 55 year note bears no interest and requires annual payments of the lesser of principal on a 30 year amortization or 50% of net cash flow of the property. No payments are required should there be negative cash flow. All remaining principal is due upon maturity in May 2061.	425,000
Graduate House	
Note payable to the County of Santa Clara, (original amount $200,000), collateralized by the Graduate House property. The 30 year note bears interest at 5.75% per year. Principal and accrued interest are due upon maturity in February 2025.	200,000
Other	50,992
Total	2,462,318
Less current portion	(217,528)
Long-term portion of loans and notes payable	$ 2,244,790

Future annual principal payments on the above notes and loans are as follows:

Year Ending June 30,		
2016	$	217,528
2017		229,585
2018		201,633
2019		201,633
2020		201,633
Thereafter		1,410,306
Total future payments	$	2,462,318

The above notes and loans generally contain provisions restricting the use of the property to such purposes as shelters for low income families or transitional housing. If defaults occur relating to those restrictions or other covenants, the holder of the debt could accelerate payment, among other options available.

Note 8 - Forgivable Advances:

Forgivable advances represent funds that have been advanced to IVSN in the past, primarily to refurbish various properties. These advances are forgivable as long as IVSN maintains the properties as emergency, transitional, or longer term supportive housing for homeless and low-income individuals and families in San Mateo and Santa Clara Counties. As of June 30, 2015, forgivable advances consisted of the following:

County of San Mateo – Haven Family House	$	936,500
Community Development Block Grant for transitional housing and support services:		
County of San Mateo		426,020
City of San Mateo		81,317
HOME Investment Partnership:		
County of San Mateo		283,333
City of San Mateo		202,017
Mid Peninsula Coalition Belle Haven, Inc.		593,500

State of California Department of Housing and Community Development:		
Emergency Housing & Assistance Program		500,000
City of San Jose:		
Villa		624,709
Julian Street Inn		860,000
Georgia Travis (formerly Commercial Street) Inn		447,150
Montgomery Street Inn		700,000
City of Mountain View		
Graduate House		245,697
County of Santa Clara		
Steven's House		73,686
Montgomery Street Inn		1,083
County of San Mateo		
First Step for Families		11,700
Elsa Segovia Center/Clara-Mateo Alliance Shelter		175,000
Total forgivable advances	$	6,161,712

Haven Family House

Note payable to the County of San Mateo, collateralized by a deed of trust on Haven Family House. The 30 year note, maturing in December 2015, bears no interest and requires no principal payments. If IVSN is still operating the facility at maturity, the principal will be forgiven at that time.	$	30,000
Note payable to the County of San Mateo County Housing and Community Development, partially collateralized by a deed of trust on the Haven Family House and partially unsecured. The 30 year note, maturing in August 2029, bears no interest and requires no principal payments. If IVSN is still operating the facility at maturity, the principal will be forgiven at that time.		906,500
Note payable to Mid-Peninsula Coalition Belle Haven, Inc., collateralized by a second deed of trust on the Haven Family House. The 30 year note, maturing in May 2029, bears no interest and requires no principal payments, unless there is a default relating to obligations or restrictions on the use of the property.		593,500

First Step for Families	
Notes payable to the County of San Mateo, (original amount \$751,800), and the City of San Mateo, (original amount \$143,500), for Community Development Block Grants and to the HOME Investment Partnership for the County of San Mateo (original amount \$540,000), amount and the City of San Mateo, (original amount \$356,500), collateralized by a deed of trust on the property. The 30 year notes, maturing in March 2032, bear interest at 3% per year. Payments are due annually in the amount of 50% of the net surplus cash generated by the property for the year. If there is no net surplus cash, no payment is necessary. If the use of the facility does not change, one-thirtieth (1/30) of the principal will be forgiven for each full year of operation, along with accrued interest.	992,687
Note payable to the Emergency Housing and Assistance Program of the California Department of Housing and Community Development, collateralized by deed of trust on the property. The 10 year note, maturing in October 2014, bears interest at 3% per year, which accrues but is not payable until maturity, and requires no principal payments. If the use of the facility does not change for the full term of the note, the principal and accrued interest will be forgiven at maturity. IVSN is currently working with the agency to obtain a final release of liability.	500,000
Note payable to the County of San Mateo, (original amount \$25,000), unsecured. The 20 year note, maturing in August 2021, bears interest at 3% per year and requires no principal payments. If the use of the facility does not change, 25% of the principal will be forgiven at the end of each five year period and all accrued interest will be forgiven at maturity.	11,700

<u>Villa</u>	
Note payable to the City of San Jose, collateralized by deed of trust on the property. The note, which matures in July 2029, bears no interest, and requires no principal payments. However, if the approved use of the property changes or sale of the property occurs prior to July 2029, interest will retroactively increase to 3% per year from the date of recordation of the deed of trust. If conditions do not change relating to the property, the principal will be forgiven upon maturity.	624,709
<u>Julian Street Inn</u>	
Note payable to the City of San Jose, collateralized by a deed of trust on the property. The 55 year note, which matures in August 2062, bears no interest and requires no principal payments. If the use of the facility does not change, the principal will be forgiven upon maturity.	860,000
<u>Georgia Travis Inn (formerly Commercial Street Inn)</u>	
Note payable to the City of San Jose, collateralized by a deed of trust on the property. The 30 year note, maturing in May 2017, bears no interest and requires no principal payments. The principal will be forgiven upon maturity. However, if changes in the use of the property occur, interest will retroactively increase to 3% per year from the origination date of the note to the date of change in use of the property, and the principal and interest shall become immediately due.	447,150
<u>Montgomery Street Inn</u>	
Note payable to the City of San Jose, collateralized by a deed of trust on the property. The 30 year note, which matures in December 2025, bears no interest and requires no principal payments. The principal will be forgiven upon maturity. However, if changes in the use of the property occur, interest will increase to 3% per year from the date of change in use of the property, and the principal and interest shall become immediately due.	700,000

Note payable to the County of Santa Clara, (original amount $130,000), collateralized by a deed of trust on the property, subordinated to other deeds of trust on the property. The 10 year note, which matures in July 2015, bears no interest. Principal of $13,000 is forgivable each year for 10 years if no changes in the use of the property occur. However, if changes do occur, the principal shall be payable upon maturity. IVSN is currently working with the County of Santa Clara to obtain a final release of liability.	1,083
<u>Graduate House</u>	
Note payable to the City of Mountain View, collateralized by a deed of trust on the property, subordinated to another deed of trust on the property. The 33 year note, which matures in September 2034, bears no interest and requires no principal payments. The principal will be forgiven upon maturity if there are no violations with the terms of the related regulatory agreement and other agreements.	245,697
<u>Steven's House</u>	
Note payable to the County of Santa Clara, (original amount $130,000), unsecured. The 10 year note, maturing in February 2021, bears no interest. If the use of the facility does not change, principal of $13,000 is forgivable each year.	73,686
<u>Elsa Segovia Center/Clara-Mateo Alliance Shelter</u>	
Note payable to County of San Mateo, (original amount $350,000), unsecured. The 20 year note, which matures in December 2021, bears interest at 3% per year. If the use of the facility does not change, 25% of the principal and accrued interest will be forgiven every 5 years through the maturity date. The center was closed in April 2011. IVSN is working with the County of San Mateo to identify another program site to provide services required under the loan agreement.	175,000
Total principal portion of advances	6,161,712
Less current portion	(602,476)
Long-term portion of forgivable advances	$ 5,559,236

Principal of approximately $84,000 and interest of approximately $26,000 was forgiven during the year ended June 30, 2015.

The forgivable advances generally contain restrictions on the use of the related property for certain purposes that meet the objectives of the note holder and IVSN. Some of the notes require compliance with related agreements and contain other requirements for IVSN. If such restrictions are not maintained or if other requirements are not followed, the note holder has various remedies that could occur, including, for some, requiring payment of the advance and/or interest. Management believes that noncompliance is remote and that compliance, and, therefore, forgiveness of the advances, is reasonable to anticipate.

Future forgiveness of principal on the advances are estimated as follows (presuming there are no events of default or changes in the uses of the facilities):

Year Ending June30,	
2016	$ 602,476
2017	612,293
2018	71,393
2019	71,393
2020	71,393
Thereafter	4,732,764
Total future forgiveness	$ 6,161,712

Note 9 - Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2015 consist of the following:

Client services and assistance	$ 104,815
Alexander House	75,000
Graduate House	83,169
Food services	77,605
Children’s programs	30,345
Marketing support	73,501
Facilities improvements	33,353
Promises for future use of assets:	
First Step for Families	356,461
Redwood Family House	131,456
Family Crossroads	86,765
Other time restrictions	336,648
Total temporarily restricted net assets	$ 1,389,118

Net assets of $542,950 were released from donor restrictions during the year ended June 30, 2015 by incurring expenses satisfying the purpose restrictions or by meeting the time restrictions specified by donors.

Note 10 - Donated Goods and Services:

Donated legal services of approximately $86,627 and donated goods of approximately $947,000 were recorded as revenues and expenses for the year ended June 30, 2015.

In 2015, IVSN improved its ability to utilize certain in-kind donations for the benefit of its programs and therefore began recognizing gifts that previously were not considered recognizable under U.S. GAAP.

Note 11 - Retirement Plan:

IVSN has a retirement plan that covers all full-time employees with one year of service in which they have worked 1,000 hours, and who are at least 18 years of age. The plan allows employees to defer up to a maximum of $17,500 of their earned wages. The plan also allows for a discretionary contribution up to 3% of the employees' wages with an additional matching contribution equal to the first 2% of the employee contribution. The employer retirement plan contribution for the year ended June 30, 2015 was approximately $15,000.

Note 12 - Operating Leases:

IVSN has non-cancelable operating leases for several facilities and for equipment located at various shelter locations and at the administrative offices that expire at various dates. Rental expense under these leases for the year ended June 30, 2015 was approximately $376,584.

IVSN leases its main corporate office in Menlo Park under an operating lease that provides for free rent for the first three months starting July 1, 2013, then monthly payments of $16,134 for the remainder of the first year; then increasing each year up to $21,989 per month for the tenth year of the lease. In addition IVSN has agreed to reimburse the Landlord for tenant improvements in the amount of $2,448 per month for 120 months starting July 1, 2013.

As a result of IVSN's merger in 2012, it assumed a lease for corporate office space occupied by InnVision the Way Home until July 1, 2013, the first year of the merger. These offices were vacant until IVSN sub-leased the space in August of 2014 for $7,067 per month. The primary lease payments are $12,367 per month and will expire at September 30, 2015. IVSN pays 16.4% of the building annual operating expenses.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2015 are as follows:

Years Ending June 30,	Facilities	Equipment	Total
2016	$ 296,492	$ 83,075	$ 379,567
2017	266,050	68,069	334,119
2018	267,864	15,495	283,359
2019	246,266		246,266
2020	254,314		254,314
Thereafter	904,976		904,976
Total future payments	$ 2,235,962	$ 166,639	$ 2,402,601

Note 13 - Commitments and Contingencies:

IVSN has received multi-year cost-reimbursement grants from the U.S. Department of Housing and Urban Development and other state and local government agencies and has entered into regulatory agreements, the terms of which require resources to be used in accordance with said agreements, which includes operating methods, rental charges, length of stay and other matters. Amounts received from the funding agencies may be required to be repaid to the agencies if not used for the purposes for which they are intended. No provision has been made for any liabilities that may arise from special audits that may be performed by these government agencies. IVSN believes that it has been in compliance with all such agreements.

In connection with the paying off of a mortgage secured by the Villa property in June 2009, Inn Vision the Way Home received a conditional grant from the City of San Jose of $578,240. The grant agreement established new guidelines on the maximum income levels of new tenants through 2064.

IVSN requires its clients to save funds so that they will be able to accumulate enough money to afford the initial cost of providing their own housing. At June 30, 2015, IVSN held $107,230 of participant funds in two bank accounts. These funds are not included on IVSN's Consolidated Statement of Financial Position.

Note 14 - Concentrations of Risk:

IVSN is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well-being of IVSN is contingent upon successful achievement of its long-term revenue-raising goals.

IVSN has defined its financial instruments, which are potentially subject to risk as cash, cash equivalents, receivables, investments, promises for future use of assets, investments in partnerships, loans and notes payable and forgivable advances.

At times, IVSN has cash deposits in financial institutions in excess of federally insured limits. Receivables are due from various sources, including federal, state and local governments. Investments are diversified as described in Note 3. Promises for future use of assets are due from a nonprofit organization and described in Note 4. Investments in partnerships relate to two partnerships in which IVSN is a co-general partner as discussed in Note 5. Loans and notes payable and forgivable advances are due to various lenders and include restrictions as described in Notes 7 and 8.

Note 15 - Subsequent Events:

In February 2013 IVSN was awarded a capital development loan of $1,000,000 from the California Department of Housing and Community Development in anticipation of starting a project to improve the facility at Family Crossroads. In October 2015, the facility was purchased from Mid-Peninsula Housing for $1. Ownership of the facility was transferred to a wholly-owned limited liability company. The appraised fair value of the facility at the time of purchase was approximately $3,500,000. IVSN began the renovation construction in November 2015. The project is expected to cost approximately $3,400,000. Additional funding of approximately $2,400,000 was secured from the County of San Mateo.