



FAMILY SUPPORT SERVICES

KEEPING FAMILIES HEALTHY AND INTACT

FAMILY SUPPORT SERVICES

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2020 AND JUNE 30, 2019



Accountants & Advisors

FAMILY SUPPORT SERVICES

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Independent Auditors' Report

The Board of Directors
Family Support Services

Report on the Financial Statements

We have audited the accompanying financial statements of Family Support Services (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Family Support Services as of June 30, 2020 and June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and schedule of County of Alameda Contracts, as required by Alameda County, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2021 on our consideration of Family Support Services' 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 solely 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 Family Support Services' 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 Family Support Services' internal control over financial reporting and compliance.

RINA accounting LLP

Certified Public Accountants

Oakland, California

February 8, 2021

FAMILY SUPPORT SERVICES

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
CURRENT:		
Cash and cash equivalents	\$ 1,250,592	\$ 506,015
Investments	1,221,074	1,228,465
Contracts receivable	687,051	854,113
Accounts receivable, net of \$0 in allowance	193,629	248,360
Prepaid expenses	123,624	117,108
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	3,475,970	2,954,061
PROPERTY AND EQUIPMENT, net	75,409	113,338
OTHER ASSETS:		
Unemployment reserve	62,231	70,181
Deposits	54,590	54,590
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 3,668,200</u>	<u>\$ 3,192,170</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 61,064	\$ 98,282
Accrued salaries and benefits	173,173	223,134
Accrued vacation	144,317	140,434
Deferred revenue	18,594	5,598
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	397,148	467,448
LONG-TERM LIABILITIES:		
Deferred rent	199,826	181,319
PPP loan	625,000	-
	<hr/>	<hr/>
TOTAL LONG-TERM LIABILITIES	824,826	181,319
	<hr/>	<hr/>
TOTAL LIABILITIES	1,221,974	648,767
NET ASSETS:		
Without donor restrictions	2,185,754	2,390,315
With donor restrictions	260,472	153,088
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TOTAL NET ASSETS	2,446,226	2,543,403
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,668,200</u>	<u>\$ 3,192,170</u>

See notes to financial statements.

FAMILY SUPPORT SERVICES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:						
Contract revenue and program fees	\$ 4,658,141	\$ -	\$ 4,658,141	\$ 4,955,988	\$ -	\$ 4,955,988
Grants and contributions	65,330	254,677	320,007	59,236	214,066	273,302
In-kind contributions	30,000	-	30,000	30,000	-	30,000
Fundraising event income, net of costs of \$921 (2020) and \$32,957 (2019)	(921)	-	(921)	41,669	-	41,669
Interest and dividend income	47,281	-	47,281	36,220	-	36,220
Net gain (loss) from investments	(33,200)	-	(33,200)	33,125	-	33,125
Investment expenses	(12,699)	-	(12,699)	(12,167)	-	(12,167)
Other income	1,967	-	1,967	1,000	-	1,000
Net assets released from restrictions	147,293	(147,293)	-	114,366	(114,366)	-
TOTAL REVENUE	4,903,192	107,384	5,010,576	5,259,437	99,700	5,359,137
EXPENSES:						
Program services:						
Respite care	2,463,576	-	2,463,576	2,502,752	-	2,502,752
Family preservation	879,702	-	879,702	1,017,743	-	1,017,743
Kinship	758,437	-	758,437	865,250	-	865,250
Supporting services:						
Administration	837,588	-	837,588	824,467	-	824,467
Fundraising	168,450	-	168,450	177,963	-	177,963
TOTAL EXPENSES	5,107,753	-	5,107,753	5,388,175	-	5,388,175
CHANGE IN NET ASSETS	(204,561)	107,384	(97,177)	(128,738)	99,700	(29,038)
NET ASSETS, beginning of year	2,390,315	153,088	2,543,403	2,519,053	53,388	2,572,441
NET ASSETS, end of year	\$ 2,185,754	\$ 260,472	\$ 2,446,226	\$ 2,390,315	\$ 153,088	\$ 2,543,403

See notes to financial statements.

FAMILY SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services		Total
	Respite Care	Family Preservation	Kinship	Administration	Fundraising	
Salaries	\$ 1,603,814	\$ 553,359	\$ 398,575	\$ 395,285	\$ 64,068	\$ 3,015,101
Employee benefits	279,510	84,311	64,121	58,264	8,704	494,910
Professional services	155,750	8,909	45,388	226,248	42,224	478,519
Rent	116,041	101,535	127,553	74,875	11,425	431,429
Payroll taxes	135,233	43,881	31,134	28,680	4,737	243,665
Travel and mileage	67,688	4,996	2,168	542	66	75,460
Client needs/supplies	13,144	11,327	27,585	35	10,194	62,285
Communications	20,842	17,312	12,979	8,663	1,265	61,061
Insurance	7,262	10,508	9,481	12,197	534	39,982
Depreciation	8,704	9,942	13,567	4,933	783	37,929
Supplies and expendable furniture	6,863	6,917	4,580	4,560	7,577	30,497
Building repair and maintenance	8,522	6,890	6,527	3,555	627	26,121
Printing	6,871	1,585	1,687	2,720	258	13,121
Books and subscriptions	852	1,138	281	8,651	1,221	12,143
Equipment rental	3,498	2,809	3,282	1,399	247	11,235
Advertising	-	-	-	-	11,115	11,115
Trainings	6,715	2,537	1,546	62	127	10,987
Auto repair and maintenance	1,879	2,489	3,202	-	-	7,570
Software- purchase & subs	2,981	1,771	1,275	715	126	6,868
Utilities	4,080	2,777	-	-	-	6,857
Meetings and orientations	1,764	1,897	955	1,286	693	6,595
Bank and other fees	1,945	321	543	1,841	1,795	6,445
Pre-employment costs	4,579	711	690	139	13	6,132
Recruitment	2,978	1,579	851	549	17	5,974
Postage	2,031	176	442	2,375	632	5,656
Equipment repair and maintenance	30	25	25	14	2	96
TOTAL EXPENSES	\$ 2,463,576	\$ 879,702	\$ 758,437	\$ 837,588	\$ 168,450	\$ 5,107,753

See notes to financial statements.

FAMILY SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services		Total
	Respite Care	Family Preservation	Kinship	Administration	Fundraising	
Salaries	\$ 1,581,684	\$ 644,368	\$ 468,918	\$ 460,686	\$ 88,127	\$ 3,243,783
Employee benefits	249,632	100,729	77,633	65,377	10,712	504,083
Rent	137,799	102,084	120,322	63,886	10,172	434,263
Professional services	173,134	10,127	44,597	106,039	46,797	380,694
Payroll taxes	122,253	48,955	35,817	33,536	6,447	247,008
Travel and mileage	91,657	11,483	5,330	631	253	109,354
Supplies and expendable furniture	21,915	19,388	21,939	38,950	2,130	104,322
Client needs/supplies	17,201	12,281	36,172	-	945	66,599
Communications	15,551	12,652	11,010	7,159	1,112	47,484
Insurance	9,043	8,157	8,017	15,540	367	41,124
Depreciation	12,531	9,815	12,427	4,730	698	40,201
Building repair and maintenance	7,916	6,162	5,904	7,510	520	28,012
Printing	10,531	4,352	3,183	2,940	652	21,658
Trainings	11,814	4,789	3,092	975	134	20,804
Meetings and orientations	3,429	4,829	949	6,790	306	16,303
Equipment rental	4,309	3,238	3,484	1,908	298	13,237
Recruitment	9,133	2,071	774	324	18	12,320
Auto repair and maintenance	2,923	4,491	2,339	-	-	9,753
Software- purchase & subs	3,671	2,734	1,780	1,121	180	9,486
Bank and other fees	1,656	148	232	2,980	2,593	7,609
Books and subscriptions	2,812	1,846	290	831	1,290	7,069
Pre-employment costs	5,739	322	385	411	14	6,871
Utilities	3,838	2,612	-	-	-	6,450
Postage	2,514	45	203	2,090	559	5,411
Advertising	-	-	-	-	3,630	3,630
Equipment repair and maintenance	67	65	453	53	9	647
TOTAL EXPENSES	\$ 2,502,752	\$ 1,017,743	\$ 865,250	\$ 824,467	\$ 177,963	\$ 5,388,175

See notes to financial statements.

FAMILY SUPPORT SERVICES

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2020	Year Ended June 30, 2019
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (97,177)	\$ (29,038)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	37,929	40,201
Net (gain) loss from investments	33,200	(33,125)
(Increase) decrease in:		
Contracts receivable	167,062	(275,861)
Accounts receivable	54,731	(16,074)
Prepays	(6,516)	(7,206)
Unemployment reserve	7,950	156
Deposits	-	15,797
Increase (decrease) in:		
Accounts payable	(37,218)	44,843
Accrued salaries and benefits	(49,961)	1,743
Accrued vacation	3,883	14,953
Deferred revenue	12,996	(307)
Deferred rent	18,507	181,319
	<u>145,386</u>	<u>(62,599)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	<u>145,386</u>	<u>(62,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	(193,403)	(114,109)
Proceeds from sale of securities	167,594	88,651
Purchases of property and equipment	-	(79,993)
	<u>(25,809)</u>	<u>(105,451)</u>
NET CASH USED BY INVESTING ACTIVITIES		
	<u>(25,809)</u>	<u>(105,451)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	625,000	-
	<u>625,000</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
	<u>625,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	744,577	(168,050)
CASH AND CASH EQUIVALENTS, beginning of year	506,015	674,065
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,250,592</u>	<u>\$ 506,015</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -

See notes to financial statements.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Family Support Services (“FSS”) is a private, nonprofit organization that provides services in Alameda, Contra Costa and San Francisco Counties and has offices in Oakland and San Francisco, California. FSS was formed to provide supportive services to families caring for children with special needs. FSS’s mission is to nurture children, youth and caregivers to keep families healthy and intact.

Family Support Services of the Bay Area (FSSBA) was incorporated October 31, 1989 and in June 1990, the Organization received their federal, non-profit exemption status. Effective September 23, 2016, the Organization changed its name from Family Support Services of the Bay Area to Family Support Services.

Family Support Services provides the following programs:

- Respite Care Program gives parents and caregivers a break from the daily demands of caring for children who are medically fragile or have developmental disabilities. This program operates in Alameda, San Francisco and Contra Costa Counties.
- Kinship Support Services Program provides support to relative caregivers so they are able to keep their children in their homes. The Organization provides case management, support groups, parenting workshops, legal assistance, and youth services. A significant component of this program is the Kinship Youth Program, a year-round comprehensive after-school and summer program for kinship youth ages 8-18.
- Family Preservation Program supports families identified as at-risk by County Child Welfare departments. The Organization provides intensive home-based services to improve parenting skills and family functioning.
- Growing Up Strong is a mental health program that provides therapy to children exposed to trauma, maltreatment, or violence.

Family Support Services provides highly trained social workers, mentors, therapists, academic coaches, and respite care providers who deliver services based on each families’ unique situation, helping families to create safe, permanent homes for their children.

Basis of accounting:

The financial statements of FSS have been prepared using the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Financial statement presentation:

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)- Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been adopted for all periods presented.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Financial statement presentation (continued):

FSS reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of these categories are as follows:

Without donor restrictions:

The portion of net assets available for use in general operations and not subject to donor-imposed restrictions.

With donor restrictions:

The portion of net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

Cash and cash equivalents:

For purposes of the statement of cash flows, FSS considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Fair value measurements:

Professional accounting standards establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs consist of quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, and observable inputs other than quoted prices for the assets. Level 3 inputs are unobservable inputs developed based on the best information available and reflect assumptions market participants would use in valuing the asset or liability.

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. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in net assets without donor restrictions unless a donor restricts their use.

Contracts and accounts receivables:

Accounts and contracts receivable include various third-party payment arrangements that are stated at the amount management expects to collect. FSS provides for losses on accounts receivable using the allowance method. The allowance is based on past experience, third-party contracts, and other circumstances, which may affect the ability of service recipients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is FSS's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fixed assets and depreciation:

Fixed assets are recorded at cost, if purchased, or fair value, if donated. Depreciation is provided over the estimated useful lives of respective assets, normally three to seven years, using the straight-line method of depreciation. FSS records acquisitions with a basis of \$1,000 or more as fixed assets. Fixed assets purchased under third-party reimbursement arrangements are recorded and depreciated in the above manner, although FSS is required to request disposition instructions from third parties under most of these arrangements.

Deferred rent:

Deferred rent represents landlord concessions recorded in connection with the Oakland office lease. It is being amortized over the life of the lease.

Revenue recognition:

FSS adopted Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC Topic 606”) on July 1, 2019 using the modified retrospective method. FSS’s operating results for reporting periods beginning after July 1, 2019 are presented under ASC Topic 606, while prior period amounts continue to be reported in accordance with historic accounting under Topic 605. The timing and measurement of revenues under ASC Topic 606 is similar to that recognized under previous guidance, accordingly, the adoption of ASC Topic 606 did not have a material impact on the statement of financial position, statement of activities, cash flows, or presentation thereof at adoption or in the current period. There were no changes in the opening net assets balance as a result of the adoption of ASC Topic 606.

Sponsorships and ticket sales from fundraising events is recorded in the period the event was held.

In June 2018, FASB issued ASU No. 2018-08, Not-For-Profit Entities – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018. FSS has implemented the standard in the year ended June 30, 2020.

Unconditional contributions are recorded at their fair value as net assets without donor restrictions or net assets with donor restrictions, depending on the absence or existence of donor-imposed restrictions, as applicable. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. FSS reports support and revenues from donations without donor-imposed restrictions in the period received. Conditional contributions received before they are earned are recorded as deferred revenue.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue recognition (continued):

FSS reports gifts of fixed assets as in-kind contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, FSS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Government, local grants and contracts are recognized as revenue to the extent of qualifying expenditures being incurred. Amounts received prior to incurring qualifying expenses are classified in the financial statements as deferred revenue. In addition, government, local grants and contracts with donor-imposed restrictions whose restrictions are met in the same year are reported initially as grants and contributions with donor restrictions, and then, net assets released from restrictions.

In-kind support:

FSS records contributed professional services and materials at their estimated fair value on the date of receipt. Contributed services are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses, or additions to property and equipment.

Income taxes:

FSS has received tax-exempt status under the Internal Revenue Code Section 501(c)(3). The Organization is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. Accordingly, no provision for income taxes has been reflected in these financial statements.

Allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include depreciation, office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, professional services, and travel, which are allocated on the basis of direct costs associated with the programs and supporting services.

Shared expenses, primarily related to facilities operations, are pooled in various cost centers and allocated to program and supporting activities benefiting from such costs based on the ratio of total direct cost of each activity to the direct cost of all activities benefiting from such expenses.

Subsequent events:

Management has evaluated subsequent events through February 8, 2021, the date which the financial statements were available for issue. Management has concluded that there were no subsequent events to be disclosed or recognized in the financial statements.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 2. NATURE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenue and expenses during the reporting period. Significant accounting estimates reflected in FSS's financial statements include the valuation of investments, the valuation of receivables and the functional allocation of expenses. Actual results may differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

FSS has several contracts with San Francisco, Alameda, and Contra Costa Counties. Outstanding amounts from these contracts represent approximately 88% and 86% of receivables at June 30, 2020 and June 30, 2019, respectively. Total revenue from these contracts represent 93% and 92% of total revenue at June 30, 2020 and June 30, 2019, respectively.

Financial instruments that potentially subject FSS to concentrations of credit risk consist principally of cash and cash equivalents and investments. Cash and cash equivalents were held in financial institutions in amounts exceeding the guaranteed amounts of the Federal Deposit Insurance Corporation. Investments are held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation. FSS has not experienced any losses in such accounts.

Note 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,250,592	\$ 506,015
Investments	1,221,074	1,228,465
Contracts receivable	687,051	854,113
Accounts receivable	193,629	248,360
	<hr/>	<hr/>
Totals	3,352,346	2,836,953
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	(260,472)	(153,088)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,091,874</u></u>	<u><u>\$ 2,683,865</u></u>

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 5. INVESTMENTS:

Investments consist of the following at June 30:

	June 30, 2020	June 30, 2019
Money market funds	\$ 25,434	\$ 35,232
Stocks	305,980	333,696
Exchange-traded and close-end funds	440,970	496,341
Corporate fixed income	24,655	28,950
Mutual funds	424,035	334,246
	<u> </u>	<u> </u>
Total investments	<u>\$ 1,221,074</u>	<u>\$ 1,228,465</u>

Investment income consists of the following at June 30:

	June 30, 2020	June 30, 2019
Interest and dividend income	\$ 47,281	\$ 36,220
Realized gain	22,083	3,270
Unrealized gain (loss)	<u>(55,283)</u>	<u>29,855</u>
	<u> </u>	<u> </u>
Total investment income	<u>\$ 14,081</u>	<u>\$ 69,345</u>

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$12,699 and \$12,167 for the years ended June 30, 2020 and 2019, respectively. The expenses are included in the accompanying statements of activities.

The valuation methodologies used by FSS to determine the fair value of its assets are categorized as follows:

	June 30, 2020			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading Securities:				
Money market funds	\$ 25,434	\$ -	\$ -	\$ 25,434
Stocks	305,980	-	-	305,980
Exchange-traded and closed-end funds	440,970	-	-	440,970
Corporate fixed income	24,655	-	-	24,655
Mutual funds	424,035	-	-	424,035
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 1,221,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,221,074</u>

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 5. INVESTMENTS (Continued):

	June 30, 2019			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading Securities:				
Money market funds	\$ 35,232	\$ -	\$ -	\$ 35,232
Stocks	333,696	-	-	333,696
Exchange-traded and closed-end funds	496,341	-	-	496,341
Corporate fixed income	28,950	-	-	28,950
Mutual funds	334,246	-	-	334,246
	<u>\$ 1,228,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,228,465</u>

Note 6. FIXED ASSETS AND DEPRECIATION:

Fixed assets consist of the following at June 30:

	June 30, 2020	June 30, 2019
Furniture and equipment	\$ 264,213	\$ 264,213
Vehicles	123,452	123,452
Leasehold improvements	18,101	18,101
Totals	405,766	405,766
Less accumulated depreciation	(330,357)	(292,428)
Property and equipment, net	<u>\$ 75,409</u>	<u>\$ 113,338</u>

Depreciation expense for June 30, 2020 and June 30, 2019 was \$37,929 and \$40,201, respectively.

Total cost and accumulated depreciation of assets purchased under third-party reimbursement arrangements were as follows:

	June 30, 2020	June 30, 2019
Furniture and equipment	\$ 27,226	\$ 27,226
Vehicles	70,675	70,675
Totals	97,901	97,901
Less accumulated depreciation	(97,901)	(88,598)
Property and equipment, net	<u>\$ -</u>	<u>\$ 9,303</u>

Under such arrangements, FSS may be obligated to return all or part of the acquisition cost upon disposing of the assets.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 7. UNEMPLOYMENT RESERVE:

FSS is self-insured for unemployment claims through an arrangement with the 501(c) Agencies Trust (the Trust), whereby quarterly payments are made to the Trust and all claims are reviewed and paid by the Trust. Any excess payments by FSS over claims paid by the Trust, less the proportional share of the Trust's income and expenses, is added to FSS's unemployment reserve and will be returned to FSS if and when the relationship is discontinued. The Trust established the optimum level of account balance for each participant. FSS's account balance was not below that level at June 30, 2020 and 2019. Had FSS's account balance been below that level, the deficiency would have been recorded as an unemployment reserve liability on the statements of financial position.

Note 8. PAYCHECK PROTECTION PROGRAM PROMISSORY NOTE:

On May 6, 2020, the Organization received loan proceeds in the amount of \$625,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

Note 9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following for the year ended June 30, 2020:

	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Support various aspects of:				
Kinship program:				
Kinship youth program	\$ 114,558	\$ 99,100	\$ (38,418)	\$ 175,240
Respite for kinship caregivers	26,227	25,000	(46,547)	4,680
Oakland Family Preservation	6,577	50,000	(36,107)	20,470
Future periods	5,726	80,577	(26,221)	60,082
	<u>\$ 153,088</u>	<u>\$ 254,677</u>	<u>\$ (147,293)</u>	<u>\$ 260,472</u>

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 9. NET ASSETS WITH DONOR RESTRICTIONS (Continued):

Net assets with donor restrictions consisted of the following for the year ended June 30, 2019:

	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Support various aspects of:				
Kinship program:				
Kinship youth program	\$ 46,098	\$ 166,031	\$ (97,571)	\$ 114,558
Respite for kinship caregivers	-	27,130	(903)	26,227
Oakland Family Preservation	2,339	20,000	(15,762)	6,577
Future periods	4,951	905	(130)	5,726
	<u>\$ 53,388</u>	<u>\$ 214,066</u>	<u>\$ (114,366)</u>	<u>\$ 153,088</u>

Note 10. IN-KIND CONTRIBUTIONS:

In-kind services received and recorded as “in-kind contributions” in the statements of activities consist of legal services at June 30, 2020 and June 30, 2019.

Note 11. PENSION PLAN:

FSS has a defined contribution plan covering all employees that are at least 21 years of age and have worked more than 1,000 hours in a year, after completion of one year of employment. The total amount contributed by FSS for the years ended June 30, 2020 and June 30, 2019 was \$32,926 and \$37,762, respectively.

Note 12. LINE OF CREDIT:

FSS had a \$300,000 line of credit with Wells Fargo Bank secured by all personal property of FSS with a floating interest rate per annum equal to the greater of the Bank’s prime rate plus 0.75% or the floor rate of 5%. The outstanding balance on this line was \$0 at June 30, 2019. The line expired on January 10, 2020 and was not renewed.

Note 13. OPERATING LEASES:

FSS leases its offices in Oakland and San Francisco and certain equipment under various non-cancelable operating lease arrangements. Rents on facility leases are subject to increases annually. The minimum future lease payments under these arrangements are:

Year Ending June 30,	
2021	\$ 414,402
2022	382,020
2023	364,992
2024	371,794
2025	379,230
2026-2029	<u>1,334,531</u>
	<u>\$ 3,246,969</u>

Rental expense for the years ended June 30, 2020 and June 30, 2019 was \$442,664 and \$447,500, respectively.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 14. COVID-19 IMPACT:

As a result of the spread of COVID-19 coronavirus, economic uncertainties have impacted revenue and operating results. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

FAMILY SUPPORT SERVICES

SUPPLEMENTARY INFORMATION

FAMILY SUPPORT SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal Grantor Program Title Pass-through Agency	Federal Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
<u>Foster Care Title IV E</u>			
Passed through Alameda County Social Services Agency	93.658	PO #16932	\$ 261,225
Passed through Alameda County Social Services Agency	93.658	PO #16929	15,009
Passed through Alameda County Social Services Agency	93.658	PO #16032	35,154
Passed through Alameda County Social Services Agency	93.658	PO #16297	<u>66,191</u>
			<u>\$ 377,579</u>
<u>Stephanie Tubbs Jones Child Welfare Services Program</u>			
Passed through Alameda County Social Services Agency	93.645	PO #16932	<u>\$ 7,360</u>
<u>National Family Caregiver Support Title II, Part E</u>			
Passed through Alameda County Area Agency on Aging	93.052	PO #17123	\$ 65,865
Passed through Alameda County Area Agency on Aging	93.052	PO #16314	<u>18,708</u>
			<u>\$ 84,573</u>
<u>Temporary Assistance for Needy Families</u>			
Passed through San Francisco Human Services Agency	93.558	PO #232735	\$ 91,898
Passed through San Francisco Human Services Agency	93.558	PO #373261	<u>365,276</u>
			<u>\$ 457,174</u>
<u>Promoting Safe and Stable Families</u>			
Passed through Alameda County Social Services Agency	93.556	PO #16915	\$ 163,981
Passed through Alameda County Social Services Agency	93.556	PO #16024	<u>36,469</u>
			<u>\$ 200,450</u>
<u>Social Services Block Grant</u>			
Passed through Alameda Counts Social Services Agency	93.667	PO #16932	\$ 18,461
Passed through Alameda Counts Social Services Agency	93.667	PO #16297	<u>5,834</u>
			<u>\$ 24,295</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,151,431</u>

See notes to schedule of expenditures of federal awards.

FAMILY SUPPORT SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Family Support Services under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Family Support Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Support Services.

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 *Uniform Guidance, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate:

Family Support Services has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

INDEPENDENT AUDITORS' 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*

The Board of Directors
Family Support Services

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 Family Support Services, which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Support Services' 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 Family Support Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Family Support Services' 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Family Support Services financial statements are free of 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 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 association'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.

RINA accounting LLP

Certified Public Accountants

Oakland, California
February 8, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Family Support Services

Report on Compliance for Each Major Federal Program

We have audited Family Support Services compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Family Support Services' major federal programs for the year ended June 30, 2020. Family Support Services' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Family Support Services' 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 Family Support Services' 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 Family Support Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Family Support Services 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, 2020.

Report on Internal Control Over Compliance

Management of Family Support Services 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 Family Support Services' 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 Family Support Services' 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RINA accounting LLP

Certified Public Accountants

Oakland, California
February 8, 2021

FAMILY SUPPORT SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITORS' RESULTS:

- 1) The auditors' report expresses an unmodified opinion on whether the financial statements of Family Support Services were prepared in accordance with GAAP.
- 2) No significant deficiencies disclosed during the audit of the financial statements are reported in the 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*. No material weaknesses are reported.
- 3) No instances of noncompliance material to the financial statements of Family Support Services which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- 4) No significant deficiencies in internal control over major federal award programs disclosed during the audit are reported on the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance. No material weaknesses are reported.
- 5) The auditors' report on compliance for the major federal awards programs for Family Support Services expresses an unmodified opinion on all major programs.
- 6) There are no audit findings required to be reported in accordance with 2 CFR section 200.516(a) reported in this schedule.
- 7) The programs tested as major federal award programs were:

Federal Agency: U.S. Department of Health and Human Services
CFDA: 93.558
Program title: Temporary Assistance for Needy Families
- 8) The threshold for distinguishing Type A and B programs was \$750,000.
- 9) Family Support Services qualified as a low risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT:

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT:

None

FAMILY SUPPORT SERVICES

SCHEDULE OF COUNTY OF ALAMEDA CONTRACTS

YEAR ENDED JUNE 30, 2020

	CARI & Foster Respite Services	HIV/AIDS Childcare	Family Caregiver Supp- Respite	Kinship Support Services	EPSDT - Output Mental Health	Family Reclaim - SSA	CAPIT - Family Reclaim
TOTAL PROGRAM INCOME	\$ 396,127	\$ 9,991	\$ 70,365	\$ 790,091	\$ 242,494	\$ 210,794	\$ 54,772
EXPENDITURES:							
Personnel expense	322,104	11,341	49,418	442,140	168,914	146,237	39,163
Consultants	1,429	51	7,002	12,501	1,187	1,024	291
Bank and investment fees	870	3	172	304	76	65	19
Occupancy expense	16,736	726	2,904	121,461	18,333	15,828	4,502
Operating expense	7,012	574	2,389	24,729	4,095	7,205	571
Business insurance	1,491	32	129	8,611	812	1,076	199
Travel and mileage	6,638	258	2,657	2,108	2,098	1,345	422
Client-related expense	530	12	111	12,537	44	2,211	221
Depreciation	1,087	47	189	12,484	1,191	1,028	292
Allocated expense	71,563	2,608	12,909	127,184	39,370	34,775	9,091
In kind expense	-	-	4,500	25,500	-	-	-
TOTAL EXPENDITURES	429,460	15,652	82,380	789,559	236,120	210,794	54,771
AMOUNT REIMBURSED BY ALAMEDA COUNTY	396,127	9,991	70,365	790,091	242,494	210,794	54,772
REVENUES EXCESS (DEFICIT)	<u>\$ (33,333)</u>	<u>\$ (5,661)</u>	<u>\$ (12,015)</u>	<u>\$ 532</u>	<u>\$ 6,374</u>	<u>\$ -</u>	<u>\$ 1</u>

See notes to financial statements.