



FAMILY SUPPORT SERVICES

KEEPING FAMILIES HEALTHY AND INTACT

FAMILY SUPPORT SERVICES

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2019 AND JUNE 30, 2018



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, 2019 and June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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 January 23, 2020 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
January 23, 2020

FAMILY SUPPORT SERVICES

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
CURRENT:		
Cash and cash equivalents	\$ 506,015	\$ 674,065
Investments	1,228,465	1,169,882
Contracts receivable	854,113	578,252
Accounts receivable, net of \$0 in allowance	248,360	232,286
Prepaid expenses	117,108	109,902
TOTAL CURRENT ASSETS	2,954,061	2,764,387
PROPERTY AND EQUIPMENT, net	113,338	73,546
OTHER ASSETS:		
Unemployment reserve	70,181	70,337
Deposits	54,590	70,387
	\$ 3,192,170	\$ 2,978,657
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 98,282	\$ 53,439
Accrued salaries and benefits	223,134	221,391
Accrued vacation	140,434	125,481
Deferred revenue	5,598	5,905
TOTAL CURRENT LIABILITIES	467,448	406,216
LONG-TERM LIABILITIES:		
Deferred rent	181,319	-
TOTAL LIABILITIES	648,767	406,216
NET ASSETS:		
Without donor restrictions	2,390,315	2,519,053
With donor restrictions	153,088	53,388
TOTAL NET ASSETS	2,543,403	2,572,441
TOTAL LIABILITIES AND NET ASSETS	\$ 3,192,170	\$ 2,978,657

See notes to financial statements.

FAMILY SUPPORT SERVICES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without	With	Total	Without	With	Total
	Donor Restrictions	Donor Restrictions		Donor Restrictions	Donor Restrictions	
REVENUE:						
Contract revenue and program fees	\$ 4,955,988	\$ -	\$ 4,955,988	\$ 4,754,473	\$ -	\$ 4,754,473
Grants and contributions	59,236	214,066	273,302	63,187	210,381	273,568
In-kind contributions	30,000	-	30,000	30,000	-	30,000
Fundraising event income, net of costs of \$32,957 (2019) and \$28,961 (2018)	41,669	-	41,669	44,635	-	44,635
Interest and dividend income	36,220	-	36,220	34,390	-	34,390
Net gain (loss) from investments	33,125	-	33,125	52,852	-	52,852
Investment expenses	(12,167)	-	(12,167)	(11,983)	-	(11,983)
Gain on disposal of fixed assets	-	-	-	2,706	-	2,706
Other income	1,000	-	1,000	-	-	-
Net assets released from restrictions	114,366	(114,366)	-	177,629	(177,629)	-
TOTAL REVENUE	5,259,437	99,700	5,359,137	5,147,889	32,752	5,180,641
EXPENSES:						
Program services:						
Respite care	2,502,752	-	2,502,752	2,464,003	-	2,464,003
Family preservation	1,017,743	-	1,017,743	972,739	-	972,739
Kinship	865,250	-	865,250	791,287	-	791,287
Supporting services:						
Administration	824,467	-	824,467	799,994	-	799,994
Fundraising	177,963	-	177,963	127,049	-	127,049
TOTAL EXPENSES	5,388,175	-	5,388,175	5,155,072	-	5,155,072
CHANGE IN NET ASSETS	(128,738)	99,700	(29,038)	(7,183)	32,752	25,569
NET ASSETS, beginning of year	2,519,053	53,388	2,572,441	2,526,236	20,636	2,546,872
NET ASSETS, end of year	\$ 2,390,315	\$ 153,088	\$ 2,543,403	\$ 2,519,053	\$ 53,388	\$ 2,572,441

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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services		Total
	Family			Administration	Fundraising	
	Respite Care	Preservation	Kinship			
Salaries	\$ 1,549,522	\$ 642,067	\$ 446,516	\$ 429,639	\$ 43,979	\$ 3,111,723
Employee benefits	272,383	98,672	72,184	56,550	4,162	503,951
Professional services	168,804	6,894	41,213	148,360	54,412	419,683
Rent	142,897	88,283	101,702	64,005	11,831	408,718
Payroll taxes	125,585	51,647	35,490	32,912	3,310	248,944
Travel and mileage	86,208	12,283	7,747	707	176	107,121
Client needs/supplies	13,312	10,974	34,070	-	-	58,356
Communications	13,422	12,316	10,234	5,716	1,057	42,745
Insurance	11,222	8,206	5,695	16,071	362	41,556
Depreciation	13,444	13,025	6,860	4,538	757	38,624
Supplies and expendable furniture	6,178	4,236	7,337	3,297	931	21,979
Printing	9,208	4,753	2,127	3,391	668	20,147
Building repair and maintenance	5,906	3,724	6,092	3,468	632	19,822
Trainings	12,408	3,390	1,547	1,318	216	18,879
Recruitment	3,792	1,200	682	9,215	150	15,039
Equipment rental	5,193	2,466	3,865	2,936	553	15,013
Meetings and orientations	1,295	719	646	9,108	127	11,895
Auto repair and maintenance	2,370	2,394	4,107	-	-	8,871
Pre-employment costs	7,554	412	557	170	121	8,814
Bank and other fees	2,044	111	310	3,532	2,330	8,327
Software- purchase & subs	3,006	1,294	1,219	1,598	193	7,310
Utilities	4,115	2,801	-	-	-	6,916
Postage	2,448	45	153	1,752	664	5,062
Books and subscriptions	1,008	543	230	977	308	3,066
Equipment repair and maintenance	679	284	704	734	110	2,511
Advertising	-	-	-	-	-	-
TOTAL EXPENSES	\$ 2,464,003	\$ 972,739	\$ 791,287	\$ 799,994	\$ 127,049	\$ 5,155,072

See notes to financial statements.

FAMILY SUPPORT SERVICES

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2019	Year Ended June 30, 2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (29,038)	\$ 25,569
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	40,201	38,624
Gain on fixed asset disposal	-	(2,706)
Net gain from investments	(33,125)	(52,852)
(Increase) decrease in:		
Contracts receivable	(275,861)	94,288
Accounts receivable	(16,074)	(14,900)
Prepays	(7,206)	365
Unemployment reserve	156	(854)
Deposits	15,797	(34,422)
Increase (decrease) in:		
Accounts payable	44,843	(7,982)
Accrued salaries and benefits	1,743	8,426
Accrued vacation	14,953	5,339
Deferred revenue	(307)	840
Deferred rent	181,319	-
Unemployment reserve liability	-	(3,110)
	(62,599)	56,625
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	(114,109)	(217,280)
Proceeds from sale of securities	88,651	199,646
Proceeds from sale of fixed assets	-	17,695
Purchases of property and equipment	(79,993)	(29,866)
	(105,451)	(29,805)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(168,050)	26,820
CASH AND CASH EQUIVALENTS, beginning of year	674,065	647,245
CASH AND CASH EQUIVALENTS, end of year	\$ 506,015	\$ 674,065
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, 2019 AND JUNE 30, 2018

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 care-givers 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. FSS has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2019 AND JUNE 30, 2018

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 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.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2019 AND JUNE 30, 2018

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

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.

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.

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.

Due to federal tax law changes effective January 1, 2018, management believes the Organization may be subject to unrelated business income tax on certain employee benefits. Management is monitoring related tax matters and believes any tax will be immaterial to the financial statements.

Revenue recognition:

FSS reports gifts of cash and other assets as grants and contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 classified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. FSS reports support and revenues from donations without donor-imposed restrictions in the period received.

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.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2019 AND JUNE 30, 2018

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

Revenue recognition (continued)

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.

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.

Reclassification:

Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on change in net assets or financial position as previously reported.

Subsequent events:

Management has evaluated subsequent events through January 23, 2020, 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.

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.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2019 AND JUNE 30, 2018

Note 3. CONCENTRATIONS OF CREDIT RISK:

FSS has several contracts with San Francisco and Alameda County. Outstanding amounts from these contracts represent approximately 86% and 77% of receivables at June 30, 2019 and June 30, 2018, respectively. Total revenue from these contracts represent 92% of total revenue at June 30, 2019 and June 30, 2018.

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:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 506,015
Investments	1,228,465
Contracts receivable	854,113
Accounts receivable	<u>248,360</u>
Total	2,836,953
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	<u>(153,088)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,683,865</u></u>

Note 5. INVESTMENTS:

Investments consist of the following at June 30:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Money market funds	\$ 35,232	\$ 126,905
Stocks	333,696	309,539
Exchange-traded and close-end funds	496,341	492,906
Corporate fixed income	28,950	27,032
Mutual funds	<u>334,246</u>	<u>213,500</u>
Total investments	<u><u>\$ 1,228,465</u></u>	<u><u>\$ 1,169,882</u></u>

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2019 AND JUNE 30, 2018

Note 5. INVESTMENTS (Continued):

Investment income consists of the following at June 30:

	June 30, 2019	June 30, 2018
Interest and dividend income	\$ 36,220	\$ 34,390
Realized gains	3,270	35,108
Unrealized gains	29,855	17,744
Total investment income	\$ 69,345	\$ 87,242

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$12,167 and \$11,983 for the years ended June 30, 2019 and 2018, 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, 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
	\$ 1,228,465	\$ -	\$ -	\$ 1,228,465

	June 30, 2018			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading Securities:				
Money market funds	\$ 126,905	\$ -	\$ -	\$ 126,905
Stocks	309,539	-	-	309,539
Exchange-traded and closed-end funds	492,906	-	-	492,906
Corporate fixed income	27,032	-	-	27,032
Mutual funds	213,500	-	-	213,500
	\$ 1,169,882	\$ -	\$ -	\$ 1,169,882

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2019 AND JUNE 30, 2018

Note 6. FIXED ASSETS AND DEPRECIATION:

Fixed assets consist of the following at June 30:

	June 30, 2019	June 30, 2018
Furniture and equipment	\$ 264,213	\$ 196,839
Vehicles	123,452	110,840
Leasehold improvements	18,101	18,101
Totals	405,766	325,780
Less accumulated depreciation	(292,428)	(252,234)
Property and equipment, net	\$ 113,338	\$ 73,546

Depreciation expense for June 30, 2019 and June 30, 2018 was \$40,201 and \$38,624, respectively.

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

	June 30, 2019	June 30, 2018
Furniture and equipment	\$ 27,226	\$ 27,226
Vehicles	70,675	70,675
Totals	97,901	97,901
Less accumulated depreciation	(95,430)	(88,598)
Property and equipment, net	\$ 2,471	\$ 9,303

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

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, 2019 and 2018. 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.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2019 AND JUNE 30, 2018

Note 8. NET ASSETS WITH DONOR RESTRICTIONS:

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
	\$ 53,388	\$ 214,066	\$ (114,366)	\$ 153,088

Net assets with donor restrictions consisted of the following for the year ended June 30, 2018:

	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Support various aspects of:				
Kinship program:				
Kinship youth program	\$ 10,000	\$ 181,500	\$ (145,402)	\$ 46,098
Respite for kinship caregivers	6,573	-	(6,573)	-
Oakland Family Preservation	-	20,000	(17,661)	2,339
Future periods	4,063	8,881	(7,993)	4,951
	\$ 20,636	\$ 210,381	\$ (177,629)	\$ 53,388

Note 9. 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, 2019 and June 30, 2018.

Note 10. 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 the Company for the years ended June 30, 2019 and June 30, 2018 was \$37,762 and \$37,433, respectively.

Note 11. LINE OF CREDIT:

FSS has 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 and 2018.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2019 AND JUNE 30, 2018

Note 12. 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:

<u>Year Ending June 30,</u>	
2020	\$ 403,041
2021	413,567
2022	381,184
2023	364,504
2024	371,794
2025-2029	<u>1,713,761</u>
	<u>\$ 3,647,851</u>

Rental expense for the years ended June 30, 2019 and June 30, 2018 was \$447,500 and \$423,731, respectively.

Note 13. COMMITMENTS AND CONTINGENCIES:

FSS is aware of certain unasserted legal claims that arise in the normal course of business. While the potential outcomes are inherently uncertain and cannot be determined at this time, management does not know the extent of the potential financial impact, if any, from unasserted claims.

FAMILY SUPPORT SERVICES

SUPPLEMENTARY INFORMATION

FAMILY SUPPORT SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor Program Title Pass-through Agency	Federal CFDA 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 #15306	\$ 12,936
Passed through Alameda County Social Services Agency	93.658	PO #15181	10,489
Passed through Alameda County Social Services Agency	93.658	PO #16032	150,441
Passed through Alameda County Social Services Agency	93.658	PO #16024	107,422
Passed through Alameda County Social Services Agency	93.658	PO #16297	282,115
Passed through Alameda County Social Services Agency	93.658	PO #15320	<u>25,030</u>
			<u>\$ 588,433</u>
<u>National Family Caregiver Support Title II, Part E</u>			
Passed through Alameda County Area Agency on Aging	93.052	PO #94408	<u>\$ 48,628</u>
<u>Temporary Assistance for Needy Families</u>			
Passed through San Francisco Human Services Agency	93.558	PO #101126	\$ 14,117
Passed through San Francisco Human Services Agency	93.558	PO #232735	<u>148,931</u>
			<u>\$ 163,048</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 800,109</u>

See notes to financial statements.

FAMILY SUPPORT SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

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, 2019. 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, 2019, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2020.

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
January 23, 2020



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, 2019. 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 the requirements of laws, regulations, contracts, and grants 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 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, 2019.

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
January 23, 2020

FAMILY SUPPORT SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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: 93.658
 - Program title: Foster Care Title IV-E
- 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, 2019

	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	\$ 371,256	\$ 11,749	\$ 78,807	\$ 804,161	\$ 229,323	\$ 251,476	\$ 75,166
EXPENDITURES:							
Personnel expense	284,532	9,525	47,621	512,066	162,418	211,305	44,344
Consultants	7,647	168	5,926	11,736	987	1,097	297
Bank and investment fees	777	2	80	73	27	55	15
Occupancy expense	10,841	434	1,644	49,035	7,226	11,217	2,924
Operating expense	12,257	1,182	3,409	43,995	5,598	6,983	1,439
Business insurance	1,398	47	101	6,789	580	839	178
Travel and mileage	8,944	426	3,965	5,202	3,131	3,594	2,329
Client-related expense	603	97	141	19,552	-	724	3,361
Depreciation	1,118	104	181	10,913	1,003	1,121	304
Allocated expense	57,619	2,122	11,109	117,718	31,884	41,952	9,185
In kind expense	-	-	4,500	25,500	-	-	-
TOTAL EXPENDITURES	385,736	14,107	78,677	802,579	212,854	278,887	64,376
AMOUNT REIMBURSED BY ALAMEDA COUNTY	371,256	11,749	78,807	804,161	229,323	251,476	75,166
REVENUES EXCESS (DEFICIT)	<u>\$ (14,480)</u>	<u>\$ (2,358)</u>	<u>\$ 130</u>	<u>\$ 1,582</u>	<u>\$ 16,469</u>	<u>\$ (27,411)</u>	<u>\$ 10,790</u>

See notes to financial statements.