

FAMILY SUPPORT SERVICES
(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2017 AND JUNE 30, 2016



FAMILY SUPPORT SERVICES

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Independent Auditors' Report

The Board of Directors
Family Support Services

We have audited the accompanying financial statements of Family Support Services (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2017 and June 30, 2016, 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, 2017 and June 30, 2016, 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 November 30, 2017, 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 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 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 accountancy corporation

Certified Public Accountants

Oakland, California
November 30, 2017

FAMILY SUPPORT SERVICES

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
CURRENT:		
Cash and cash equivalents	\$ 647,245	\$ 369,355
Investments	1,099,398	1,412,307
Contracts receivable	672,540	631,495
Accounts receivable, net of \$0 in allowance	217,386	164,413
Prepaid expenses	108,665	87,265
TOTAL CURRENT ASSETS	2,745,234	2,664,835
PROPERTY AND EQUIPMENT, net	98,893	115,245
OTHER ASSETS:		
Unemployment reserve	69,483	67,796
Deposits	35,965	35,709
	\$ 2,949,575	\$ 2,883,585
<u>LIABILITIES</u>		
CURRENT:		
Accounts payable	\$ 61,421	\$ 43,640
Accrued salaries and benefits	212,965	196,954
Accrued vacation	120,142	129,366
Deferred revenue	5,065	3,830
Unemployment reserve liability	3,110	48,462
TOTAL LIABILITIES (ALL CURRENT)	402,703	422,252
NET ASSETS:		
Unrestricted	2,526,236	2,350,408
Temporarily restricted	20,636	110,925
TOTAL NET ASSETS	2,546,872	2,461,333
TOTAL LIABILITIES AND NET ASSETS	\$ 2,949,575	\$ 2,883,585

See notes to financial statements.

FAMILY SUPPORT SERVICES

STATEMENT OF ACTIVITIES

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Unrestricted	Temporarily	Total	Unrestricted	Temporarily	Total
REVENUE:						
Contract revenue and program fees	\$ 4,805,195	\$ -	\$ 4,805,195	\$ 4,857,631	\$ -	\$ 4,857,631
Grants and contributions	66,620	146,230	212,850	69,269	236,605	305,874
In-kind contributions	31,403	-	31,403	38,107	-	38,107
Fundraising event income, net of costs of \$26,090 (2017) and \$16,791 (2016)	50,270	-	50,270	38,915	-	38,915
Interest income	29,882	-	29,882	32,380	-	32,380
Net gain (loss) from investments	104,403	-	104,403	(26,418)	-	(26,418)
Gain on disposal of fixed assets	1,000	-	1,000	1,000	-	1,000
Other income	-	-	-	31	-	31
Net assets released from restrictions:	236,519	(236,519)	-	227,378	(227,378)	-
TOTAL REVENUE	5,325,292	(90,289)	5,235,003	5,238,293	9,227	5,247,520
EXPENSES:						
Program services:						
Respite care	2,192,702	-	2,192,702	1,964,483	-	1,964,483
Family preservation	979,717	-	979,717	1,027,266	-	1,027,266
Kinship	850,199	-	850,199	1,062,940	-	1,062,940
Mentoring	151,845	-	151,845	180,740	-	180,740
Supporting services						
Administration	816,187	-	816,187	843,109	-	843,109
Fundraising	158,814	-	158,814	118,224	-	118,224
TOTAL EXPENSES	5,149,464	-	5,149,464	5,196,762	-	5,196,762
CHANGE IN NET ASSETS	175,828	(90,289)	85,539	41,531	9,227	50,758
NET ASSETS, beginning of year	2,350,408	110,925	2,461,333	2,308,877	101,698	2,410,575
NET ASSETS, end of year	<u>\$ 2,526,236</u>	<u>\$ 20,636</u>	<u>\$ 2,546,872</u>	<u>\$ 2,350,408</u>	<u>\$ 110,925</u>	<u>\$ 2,461,333</u>

See notes to financial statements.

FAMILY SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services		Total
	Family		Kinship	Mentoring	Administration	Fundraising	
	Respite Care	Preservation					
Salaries	\$ 1,388,369	\$ 633,915	\$ 480,075	\$ 91,222	\$ 497,051	\$ 45,450	\$ 3,136,082
Payroll taxes	107,138	48,711	36,181	7,069	36,293	3,258	238,650
Employee benefits	235,589	103,982	80,053	21,538	66,646	4,636	512,444
Rent	119,184	86,415	108,456	15,045	58,551	11,134	398,785
Professional services	155,039	14,962	43,660	4,359	98,617	63,131	379,768
Travel and mileage	76,253	16,010	11,153	555	815	83	104,869
Client needs/supplies	14,193	10,962	30,487	4,411	-	-	60,053
Communications	13,523	12,408	11,735	1,294	6,938	1,557	47,455
Supplies and expendable furniture	11,252	10,370	10,577	758	3,332	580	36,869
Insurance	8,150	8,049	5,345	1,150	15,705	481	38,880
Printing	7,369	1,397	2,439	186	3,548	1,405	16,344
Trainings	8,767	3,447	1,967	275	924	169	15,549
Equipment repair and maintenance	90	2	227	31	116	23	489
Building repair and maintenance	4,323	4,081	6,028	462	1,944	358	17,196
Postage	2,304	195	228	561	1,779	1,076	6,143
Equipment rental	4,677	2,597	4,351	724	2,757	536	15,642
Auto repair and maintenance	2,122	2,927	8,500	-	20	-	13,569
Bank and other fees	1,897	48	96	17	3,252	2,204	7,514
Meetings and orientations	1,999	1,154	920	227	7,911	214	12,425
Employee enhancement	-	-	-	-	-	-	-
Pre-employment costs	8,353	488	688	180	257	-	9,966
Depreciation	13,348	12,752	5,767	1,092	4,801	808	38,568
Utilities	3,529	2,402	-	-	-	-	5,931
Books and subscriptions	1,202	582	414	530	1,379	621	4,728
Recruitment	4,032	1,861	852	159	3,551	681	11,136
Advertising	-	-	-	-	-	20,369	20,369
Other expenses	-	-	-	-	-	40	40
TOTAL EXPENSES	\$ 2,192,702	\$ 979,717	\$ 850,199	\$ 151,845	\$ 816,187	\$ 158,814	\$ 5,149,464

See notes to financial statements.

FAMILY SUPPORT SERVICES
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services		Total
	Family		Kinship	Mentoring	Administration	Fundraising	
	Respite Care	Preservation					
Salaries	\$ 1,207,827	\$ 677,294	\$ 607,654	\$ 108,308	\$ 476,931	\$ 63,745	\$ 3,141,759
Payroll taxes	117,417	55,508	51,250	9,176	36,499	4,867	274,717
Employee benefits	201,869	127,349	109,580	25,109	66,804	8,793	539,504
Rent	107,015	70,880	123,039	14,921	58,477	6,622	380,954
Professional services	131,836	12,232	50,214	2,699	141,305	23,887	362,173
Travel and mileage	89,886	13,961	12,526	2,481	463	90	119,407
Client needs/supplies	15,682	10,885	29,424	6,849	10	1	62,851
Communications	18,433	14,174	20,618	2,414	11,072	1,028	67,739
Supplies and expendable furniture	18,308	9,420	9,622	588	3,795	205	41,938
Insurance	6,052	6,472	7,730	1,241	16,671	329	38,495
Printing	8,179	2,955	3,999	701	3,214	2,750	21,798
Trainings	9,588	3,183	3,168	1,339	2,118	137	19,533
Equipment repair and maintenance	13	23	107	-	2	-	145
Building repair and maintenance	4,317	3,850	8,313	564	2,481	250	19,776
Postage	1,380	178	300	540	1,708	600	4,706
Equipment rental	4,443	2,199	4,477	729	2,799	323	14,970
Auto repair and maintenance	177	2,843	5,551	-	-	-	8,571
Bank and other fees	1,788	20	51	13	3,723	1,726	7,321
Meetings and orientations	2,054	1,070	1,014	171	7,745	1,170	13,224
Employee enhancement	125	125	-	69	-	500	819
Pre-employment costs	3,194	42	1,158	906	212	-	5,512
Depreciation	6,392	9,745	10,459	1,067	4,673	473	32,809
Utilities	3,612	2,106	1,234	-	-	-	6,952
Books and subscriptions	1,466	677	402	742	2,057	578	5,922
Recruitment	3,430	75	1,050	113	350	150	5,168
TOTAL EXPENSES	\$ 1,964,483	\$ 1,027,266	\$ 1,062,940	\$ 180,740	\$ 843,109	\$ 118,224	\$ 5,196,762

See notes to financial statements.

FAMILY SUPPORT SERVICES

STATEMENT OF CASH FLOWS

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 85,539	\$ 50,758
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	38,568	32,809
Gain on fixed asset disposal	(1,000)	(1,000)
Net loss (gain) from investments	(104,403)	26,418
Increase (decrease) in:		
Accounts receivable	(52,973)	1,145
Contracts receivable	(41,045)	54,009
Prepays	(21,400)	30,222
Unemployment reserve	(1,687)	1,742
Deposits	(256)	(732)
Increase (decrease) in:		
Accounts payable	17,781	(28,697)
Accrued vacation	(9,224)	9,601
Accrued salaries and benefits	16,011	(11,696)
Unemployment reserve liability	(45,352)	(14,383)
Deferred revenue	1,235	-
	<u>(118,206)</u>	<u>150,196</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	<u>(118,206)</u>	<u>150,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	(596,886)	(423,333)
Proceeds from sale of securities	1,014,197	401,640
Proceeds from sale of fixed assets	1,000	1,000
Purchases of property and equipment	(22,215)	(19,923)
	<u>396,096</u>	<u>(40,616)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
	<u>396,096</u>	<u>(40,616)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	277,890	109,580
CASH AND CASH EQUIVALENTS, beginning of year		
	<u>369,355</u>	<u>259,775</u>
CASH AND CASH EQUIVALENTS, end of year		
	<u>\$ 647,245</u>	<u>\$ 369,355</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ 250

See notes to financial statements.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2017 AND JUNE 30, 2016

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.

Effective September 23, 2016, the Organization changed its name from Family Support Services of the Bay Area to Family Support Services.

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 with incurred.

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.

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 five 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.

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.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2017 AND JUNE 30, 2016

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

Revenue recognition:

FSS reports gifts of cash and other assets as restricted support 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 end or purpose of restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. FSS reports support and revenues from donations without donor-imposed restrictions as unrestricted support in the period received.

FSS reports gifts of fixed assets as unrestricted support 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 restricted support. 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 temporarily restricted, and then the net assets are released from restriction and recorded as unrestricted revenues.

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.

Financial statement presentation:

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of FSS and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject by donor-imposed stipulations that may or will be met either by actions of FSS and/or the passage of time.

Permanently restricted net assets- The portion of net assets whose use by FSS is limited by donor imposed stipulations that the net assets be held in perpetuity and its income be used for the stipulated purposes. There were no permanently restricted net assets as of June 30, 2017 and June 30, 2016.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2017 AND JUNE 30, 2016

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

Allocation of shared expenses:

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.

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 unrestricted net assets unless a donor restricts their use.

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. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2017 AND JUNE 30, 2016

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

Following is a description of the valuation methodologies used for assets measured at fair value:

Equity, securities, debt securities, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Date of management's review:

Management has evaluated events through November 30, 2017, 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 account estimates reflect 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:

The Agency has several contracts with San Francisco and Alameda County. At June 30, 2017, outstanding amounts from these contracts represent approximately 86% of receivables and at June 30, 2016 outstanding amounts from these contracts represented approximately 93% of receivables. Total revenue from these contracts represent 92% and 93% of total revenue at June 30, 2017 and June 30, 2016, respectively.

Financial instruments that potentially subject the Agency 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. The Agency has not experienced any losses in such accounts.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2017 AND JUNE 30, 2016

Note 4. INVESTMENTS:

Investments consist of the following at June 30, 2017 and June 30, 2016:

	June 30, 2017	June 30, 2016
Money market funds	\$ 120,049	\$ 45,165
Stocks	308,788	529,794
Exchange-traded and close-end funds	538,440	190,867
Corporate fixed income	35,585	42,415
Mutual funds	96,536	604,066
Total investments	\$ 1,099,398	\$ 1,412,307

Investment income (expense) consists of the following at June 30, 2017 and June 30, 2016:

	June 30, 2017	June 30, 2016
Interest and dividend income	\$ 29,882	\$ 32,380
Realized gain (loss)	60,570	14,468
Unrealized gain (loss)	43,833	(40,886)
Totals	\$ 134,285	\$ 5,962

The valuation methodologies used by the Agency to determine the fair value of its assets are categorized as follows at June 30, 2017 and June 30, 2016:

	June 30, 2017			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading Securities:				
Money market funds	\$ 120,049	\$ -	\$ -	\$ 120,049
Stocks	308,788	-	-	308,788
Exchange-traded and closed-end funds	538,440	-	-	538,440
Corporate fixed income	35,585	-	-	35,585
Mutual funds	96,536	-	-	96,536
	\$ 1,099,398	\$ -	\$ -	\$ 1,099,398

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2017 AND JUNE 30, 2016

Note 4. INVESTMENTS (Continued):

	June 30, 2016			
	Quoted Prices in	Significant	Significant	Total
	Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Trading Securities:				
Money market funds	\$ 45,165	\$ -	\$ -	\$ 45,165
Stocks	529,794	-	-	529,794
Exchange-traded and closed-end funds	190,867	-	-	190,867
Corporate fixed income	42,415	-	-	42,415
Mutual funds	604,066	-	-	604,066
	<u>\$ 1,412,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,412,307</u>

Note 5. FIXED ASSETS AND DEPRECIATION:

Fixed assets consist of the following at June 30, 2017 and June 30, 2016:

	June 30, 2017	June 30, 2016
Furniture and equipment	\$ 196,838	\$ 195,536
Vehicles	101,575	87,075
Leasehold improvements	18,101	17,551
Totals	316,514	300,162
Less accumulated depreciation	(217,621)	(184,917)
Property and equipment, net	<u>\$ 98,893</u>	<u>\$ 115,245</u>

Depreciation expense for June 30, 2017 and June 30, 2016 was \$38,567 and \$32,809, respectively.

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

	June 30, 2017	June 30, 2016
Furniture and equipment	\$ 27,226	\$ 26,568
Vehicles	89,675	70,675
Totals	116,901	97,243
Less accumulated depreciation	(76,989)	(60,452)
Property and equipment, net	<u>\$ 39,912</u>	<u>\$ 36,791</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, 2017 AND JUNE 30, 2016

Note 6. 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 below that level by \$3,110 and \$48,462 at June 30, 2017 and June 30, 2016, respectively. The deficiency is recorded as unemployment reserve liability on the statement of financial position.

Note 7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following for the year ended June 30, 2017:

	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Support various aspects of Kinship program:				
Kinship youth program	\$ 19,431	\$ 123,000	\$ (132,431)	\$ 10,000
Respite for kinship caregivers	81,752	-	(75,179)	6,573
Mentoring services	8,529	-	(8,529)	-
Oakland Family Preservation	-	20,000	(20,000)	-
Future periods	1,013	-	-	1,013
Other	200	3,230	(380)	3,050
	<u>\$ 110,925</u>	<u>\$ 146,230</u>	<u>\$ (236,519)</u>	<u>\$ 20,636</u>

Temporarily restricted net assets consisted of the following for the year ended June 30, 2016:

	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Support various aspects of Kinship program:				
Kinship youth program	\$ 12,024	\$ 119,431	\$ (112,024)	\$ 19,431
Respite for kinship caregivers	56,766	100,000	(75,014)	81,752
Mentoring services	15,030	-	(6,501)	8,529
San Francisco Respite	2,795	-	(2,795)	-
Oakland Family Preservation	13,083	15,569	(28,652)	-
Future periods	-	1,013	-	1,013
Other	2,000	592	(2,392)	200
	<u>\$ 101,698</u>	<u>\$ 236,605</u>	<u>\$ (227,378)</u>	<u>\$ 110,925</u>

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2017 AND JUNE 30, 2016

Note 8. IN-KIND CONTRIBUTIONS:

In-kind services received and recorded as “in-kind contributions” in the statement of activities consist of the following at June 30:

	June 30, 2017	June 30, 2016
Legal services	\$ 30,000	\$ 38,107
Field Trips	1,403	-
	\$ 31,403	\$ 38,107

Note 9. PENSION PLAN:

FSS has a defined contribution plan covering all employees who work more than 1,000 hours in a year, after completion of one year of employment. Total expenses for the years ended June 30, 2017 and June 30, 2016 were \$41,275 and \$40,762, respectively.

Note 10. 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 Bank’s prime rate plus 0.50%. The outstanding balance of this line was \$0 at June 30, 2017.

Note 11. 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 at June 30, 2017 were:

Year Ending June 30,	
2018	\$ 394,524
2019	44,717
	\$ 439,241

Rental expense for the years ended June 30, 2017 and June 30, 2016 was \$398,785 and \$380,954, respectively.

FAMILY SUPPORT SERVICES

SUPPLEMENTARY INFORMATION

FAMILY SUPPORT SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grantor Program Title Pass-through Agency	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
<u>Promoting Safe & Stable Families</u>			
Passed through Alameda County Social Services Agency	93.556	PO #13288 Procurement #12588	<u>\$ 50,414</u>
<u>Foster Care Title IV E</u>			
Passed through Alameda County Social Services Agency	93.658	PO #13587 Procurement #12866	\$ 17,857
Passed through Alameda County Social Services Agency	93.658	PO #14273 Procurement #14166	29,172
Passed through Alameda County Social Services Agency	93.658	PO #14229 Procurement #14116	44,472
Passed through Alameda County Social Services Agency	93.658	PO #13463 Procurement #12756	25,421
Passed through Alameda County Social Services Agency	93.658	PO #14241 Procurement #13289	286,162
Passed through Alameda County Social Services Agency	93.658	PO #14393 Procurement #13796	76,694
Passed through Alameda County Social Services Agency	93.658	PO #13297 Procurement #12599	<u>6,070</u>
			<u>\$ 485,848</u>
<u>National Family Caregiver Support Title II, Part E</u>			
Passed through Alameda County Area Agency on Aging	93.052	PO #13337 Procurement #12623	\$ 12,345
Passed through Alameda County Area Agency on Aging	93.052	PO #14333 Procurement #14194	<u>48,592</u>
			<u>\$ 60,937</u>
<u>Temporary Assistance for Needy Families</u>			
Passed through San Francisco Human Services Agency	93.558	#DPSS16000151	\$ 102,543
Passed through San Francisco Human Services Agency	93.558	#DPSS17000027	<u>473,537</u>
			<u>\$ 576,080</u>
<u>Community Based Child Abuse Prevention</u>			
Passed through San Francisco Human Services Agency	93.590	#DPSS17000392	<u>\$ 12,746</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,186,025</u>

See notes to financial statements.

FAMILY SUPPORT SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Family Support Services under programs of the federal government for the year ended June 30, 2017. 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 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***

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, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon November 30, 2017.

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.

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 corporation

Certified Public Accountants

Oakland, California
November 30, 2017



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, 2017. 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, 2017.

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.

Purpose of this Report

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 corporation

Certified Public Accountants

Oakland, California
November 30, 2017

FAMILY SUPPORT SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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, Inc. 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) are 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, 2017

	CARI & Foster Respite Services	HIV/AIDS Childcare - Jul 16 - Feb 17	HIV/AIDS Childcare - Mar 17 - Jun 17	Family Caregiver Supp-Respite	Kinship Support Services	EPSDT - Outpt Mental Health	Family Reclaim - SSA	CAPIT- Family Reclaim	Foster Youth Mentoring
Total Program Income	\$ 348,189	\$ 25,354	\$ 14,693	\$ 66,494	\$ 650,000	\$ 178,701	\$ 251,313	\$ 69,384	\$ 162,108
Expenditures:									
Salaries - General	90,302	9,267	4,413	16,010	413,114	108,353	163,914	34,257	92,066
Salaries - Hourly Providers	86,399	6,498	2,658	18,823	4,149	-	-	-	-
Salaries - Full Time Providers	21,359	-	-	89	-	-	-	-	-
Vacation Accrual Expense	(544)	(103)	154	(30)	(1,105)	(737)	(754)	192	(844)
Payroll taxes - FICA	14,608	1,213	541	2,672	31,006	8,289	12,523	2,619	6,984
Payroll taxes - SUI	250	-	34	50	300	58	118	22	84
Retirement	1,969	-	116	234	6,375	2,084	2,538	619	1,364
Life, ADD & LTD Ins.	601	48	24	84	2,145	531	850	179	531
Health Insurance	24,895	1,460	707	2,631	52,066	19,027	20,855	4,471	19,042
Workers Compensation Insurance	9,084	569	256	1,609	10,612	702	1,033	239	602
Out-of-Home Providers	3,161	-	-	6,241	-	-	-	-	-
KYSP Stipends	-	-	-	-	250	-	-	250	-
Consultants	3,634	81	73	792	9,245	3,019	4,637	1,364	4,359
Other Fees/Bank Fees	903	2	-	891	66	10	12	4	17
Recruitment	295	11	3	34	853	540	301	-	159
Communications	1,589	127	70	224	10,423	1,361	2,102	558	1,294
Rent	12,506	1,246	627	1,854	88,097	10,943	13,539	3,870	15,045
Building repair & maintenance	398	39	19	65	4,939	785	961	269	462
Office Supplies & Expense	768	43	34	92	3,007	151	230	56	724
Memberships & Subscriptions	84	2	5	646	407	55	352	7	530
Printing	1,167	32	43	136	2,399	93	116	34	186
Postage & Delivery	392	15	9	45	152	56	28	-	561
Equipment Repair & Maintenance	26	4	-	4	219	-	1	1	31
Equipment Rental	591	58	32	89	2,731	306	384	112	724
Equipment & Furnishings	617	33	2	62	4,773	25	239	52	33
Subtotals	\$ 275,054	\$ 20,645	\$ 9,820	\$ 53,347	\$ 646,223	\$ 155,651	\$ 223,979	\$ 49,175	\$ 143,954

See notes to financial statements.

FAMILY SUPPORT SERVICES

SCHEDULE OF COUNTY OF ALAMEDA CONTRACTS

YEAR ENDED JUNE 30, 2017

	CARI & Foster Respite Services	HIV/AIDS Childcare - Jul 16 - Feb 17	HIV/AIDS Childcare - Mar 17 - Jun 17	Family Caregiver Supp-Respite	Kinship Support Services	EPSDT - Outpt Mental Health	Family Reclaim - SSA	CAPIT- Family Reclaim	Foster Youth Mentoring
Subtotals from page 25	\$ 275,054	\$ 20,645	\$ 9,820	\$ 53,347	\$ 646,223	\$ 155,651	\$ 223,979	\$ 49,175	\$ 143,954
Insurance	469	54	17	71	2,747	352	437	126	1,074
Vehicle Insurance	62	6	3	9	1,441	25	32	9	76
Pre Employment Costs	2,354	6	224	787	547	23	265	-	180
Trainings	1,293	37	47	530	1,223	266	701	135	275
Travel and Mileage	426	44	1	92	5,581	2,893	9,311	3,573	555
Provider Mileage	11,346	742	398	2,222	808	-	-	-	-
Meetings & Orientations	122	11	7	18	657	118	148	26	227
In-Kind Serv/Mats	-	-	-	4,075	25,925	-	-	-	-
Auto Repair & Maintenance	457	2	1	6	7,255	-	-	-	-
Depreciation	891	91	45	135	4,820	581	724	209	1,092
Client Pantry	-	100	-	125	750	-	125	100	325
Client Basic Needs	-	-	-	-	200	-	1,231	377	-
Program Activities/Supplies	314	5	2	81	13,798	50	204	20	4,086
Allocated G&A Expense	<u>55,401</u>	<u>4,223</u>	<u>1,974</u>	<u>10,865</u>	<u>131,418</u>	<u>30,372</u>	<u>44,752</u>	<u>10,026</u>	<u>28,898</u>
Total Expenditures	<u>348,189</u>	<u>25,966</u>	<u>12,539</u>	<u>72,363</u>	<u>843,393</u>	<u>190,331</u>	<u>281,909</u>	<u>63,776</u>	<u>180,742</u>
Amount reimbursed by Alameda County	<u>348,189</u>	<u>25,354</u>	<u>14,693</u>	<u>66,494</u>	<u>650,000</u>	<u>178,701</u>	<u>251,313</u>	<u>69,384</u>	<u>162,108</u>
Revenue excess/deficit	<u>\$ -</u>	<u>\$ (612)</u>	<u>\$ 2,154</u>	<u>\$ (5,869)</u>	<u>\$ (193,393)</u>	<u>\$ (11,630)</u>	<u>\$ (30,596)</u>	<u>\$ 5,608</u>	<u>\$ (18,634)</u>

See notes to financial statements.