



FAMILY SUPPORT SERVICES

KEEPING FAMILIES HEALTHY AND INTACT

FAMILY SUPPORT SERVICES

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS, AUDITOR'S REPORT AND SUPPLEMENTAL INFORMATION

JUNE 30, 2022 AND 2021



Advisory Assurance Tax Private Client

FAMILY SUPPORT SERVICES

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Independent Auditors' Report

The Board of Directors
Family Support Services

Opinion

We have audited the accompanying financial statements of Family Support Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Family Support Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements as of June 30, 2021, were audited by RINA Accountancy LLP, who merged with Aprio, LLP as of August 1, 2022, and whose report dated February 7, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Support Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

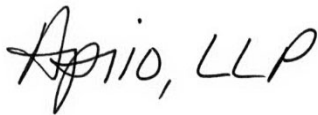
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of County of Alameda Contracts, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



San Francisco, California
February 1, 2023

FAMILY SUPPORT SERVICES

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
CURRENT:		
Cash and cash equivalents	\$ 917,072	\$ 1,135,916
Contracts receivable	600,186	801,482
Accounts receivable	162,141	205,135
Prepaid expenses	124,009	101,330
TOTAL CURRENT ASSETS	1,803,408	2,243,863
PROPERTY AND EQUIPMENT, net	57,312	79,505
OTHER ASSETS:		
Investments	1,331,213	1,559,492
Unemployment reserve	13,082	10,603
Deposits	54,290	54,590
TOTAL ASSETS	\$ 3,259,305	\$ 3,948,053
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 63,349	\$ 141,184
Accrued salaries and benefits	185,022	191,957
Accrued vacation	142,143	155,591
Deferred revenue	-	12,716
TOTAL CURRENT LIABILITIES	390,514	501,448
LONG-TERM LIABILITIES:		
Deferred rent	213,100	215,042
Paycheck Protection Program loan	-	625,000
TOTAL LONG-TERM LIABILITIES	213,100	840,042
TOTAL LIABILITIES	603,614	1,341,490
NET ASSETS:		
Without donor restrictions	2,404,880	2,312,414
With donor restrictions	250,811	294,149
TOTAL NET ASSETS	2,655,691	2,606,563
TOTAL LIABILITIES AND NET ASSETS	\$ 3,259,305	\$ 3,948,053

See notes to financial statements.

FAMILY SUPPORT SERVICES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Without	With	Total	Without	With	Total
	Donor Restrictions	Donor Restrictions		Donor Restrictions	Donor Restrictions	
REVENUE:						
Contract revenue and program fees	\$ 3,899,538	\$ -	\$ 3,899,538	\$ 4,304,178	\$ -	\$ 4,304,178
Grants and contributions	63,225	107,826	171,051	74,893	200,125	275,018
Pay check Protection Program loan forgiveness	625,000	-	625,000	-	-	-
In-kind services	30,000	-	30,000	30,000	-	30,000
Special events revenue, net of related expenses of \$5,750 (2022) and \$0, (2021)	24,736	-	24,736	-	-	-
Investment income (loss), net	(228,279)	-	(228,279)	343,112	-	343,112
Interest income	559	-	559	-	-	-
Other income	9,248	-	9,248	568	-	568
Net assets released from restrictions	151,164	(151,164)	-	166,448	(166,448)	-
TOTAL REVENUE	4,575,191	(43,338)	4,531,853	4,919,199	33,677	4,952,876
EXPENSES:						
Program services:						
Respite care	2,019,828	-	2,019,828	2,263,022	-	2,263,022
Family preservation	843,862	-	843,862	897,476	-	897,476
Kinship	692,950	-	692,950	693,560	-	693,560
Supporting services:						
Administration	837,985	-	837,985	857,296	-	857,296
Fundraising	88,100	-	88,100	81,185	-	81,185
TOTAL EXPENSES	4,482,725	-	4,482,725	4,792,539	-	4,792,539
CHANGE IN NET ASSETS	92,466	(43,338)	49,128	126,660	33,677	160,337
NET ASSETS, beginning of year	2,312,414	294,149	2,606,563	2,185,754	260,472	2,446,226
NET ASSETS, end of year	\$ 2,404,880	\$ 250,811	\$ 2,655,691	\$ 2,312,414	\$ 294,149	\$ 2,606,563

See notes to financial statements.

FAMILY SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services		
	Respite Care	Family	Kinship	Total Program	Administration	Fundraising	Total
		Preservation		Services			
Salaries	\$ 1,292,606	\$ 486,772	\$ 337,013	\$ 2,116,391	\$ 503,210	\$ 17,265	\$ 2,636,866
Rent	118,396	119,291	150,525	388,212	69,719	12,678	470,609
Employee benefits	225,964	72,801	53,486	352,251	90,457	1,551	444,259
Professional services	122,955	18,311	42,065	183,331	79,199	29,349	291,879
Payroll taxes	105,291	38,903	30,479	174,673	43,091	1,153	218,917
Communications	23,047	20,225	14,235	57,507	7,385	1,277	66,169
Client needs and supplies	7,977	17,073	19,498	44,548	45	17,877	62,470
Insurance	10,726	17,841	14,407	42,974	17,884	1,113	61,971
Travel and mileage	53,113	1,725	93	54,931	72	18	55,021
Supplies and expendable furniture	15,308	10,526	4,690	30,524	7,264	565	38,353
Depreciation	3,060	5,744	10,442	19,246	2,504	443	22,193
Printing	5,052	4,001	1,944	10,997	1,828	5	12,830
Trainings	4,160	5,885	1,267	11,312	191	21	11,524
Bank and other fees	3,639	512	786	4,937	4,554	1,754	11,245
Meetings and orientations	3,827	620	144	4,591	6,309	13	10,913
Recruitment	3,102	5,677	834	9,613	525	750	10,888
Auto repairs and maintenance	1,243	4,843	4,377	10,463	-	-	10,463
Building repairs and maintenance	5,341	4,196	513	10,050	190	34	10,274
Equipment rental	3,271	2,779	2,521	8,571	1,217	215	10,003
Utilities	4,551	3,098	-	7,649	-	476	8,125
Information technology	2,718	1,743	1,207	5,668	641	112	6,421
Pre-employment costs	3,023	555	892	4,470	13	-	4,483
Postage	678	75	1,162	1,915	1,473	250	3,638
Books and subscriptions	780	666	370	1,816	214	1,181	3,211
TOTAL EXPENSES	\$ 2,019,828	\$ 843,862	\$ 692,950	\$ 3,556,640	\$ 837,985	\$ 88,100	\$ 4,482,725

See notes to financial statements.

FAMILY SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services		
	Respite Care	Family Preservation	Kinship	Total Program Services	Administration	Fundraising	Total
Salaries	\$ 1,424,698	\$ 505,155	\$ 333,734	\$ 2,263,587	\$ 420,245	\$ 19,936	\$ 2,703,768
Rent	114,305	114,030	140,779	369,114	82,820	11,960	463,894
Employee benefits	247,206	83,674	54,236	385,116	76,763	1,867	463,746
Professional services	139,029	11,101	40,802	190,932	190,544	21,180	402,656
Payroll taxes	153,810	47,467	31,961	233,238	38,071	1,473	272,782
Client needs and supplies	17,785	26,242	35,063	79,090	-	15,600	94,690
Supplies and expendable furniture	29,085	35,212	6,882	71,179	8,440	3,361	82,980
Communications	19,693	17,952	13,454	51,099	7,501	1,140	59,740
Travel and mileage	53,708	376	135	54,219	6	17	54,242
Insurance	8,627	15,211	11,044	34,882	14,957	743	50,582
Trainings	7,803	7,089	3,464	18,356	596	85	19,037
Depreciation	2,054	4,697	8,994	15,745	1,809	309	17,863
Bank and other fees	9,861	494	759	11,114	3,236	1,590	15,940
Printing	8,097	2,408	825	11,330	2,268	186	13,784
Auto repairs and maintenance	2,956	5,209	4,191	12,356	-	-	12,356
Meetings and orientations	2,087	4,178	164	6,429	4,552	6	10,987
Equipment rental	3,368	2,874	2,965	9,207	1,303	231	10,741
Building repairs and maintenance	7,198	3,331	125	10,654	65	11	10,730
Software- purchase & subs	3,365	2,262	1,488	7,115	778	138	8,031
Utilities	3,404	2,317	-	5,721	-	-	5,721
Recruitment	1,312	3,105	675	5,092	300	300	5,692
Books and subscriptions	239	2,472	154	2,865	1,024	737	4,626
Pre-employment costs	2,327	495	721	3,543	563	-	4,106
Postage	1,005	125	945	2,075	1,455	285	3,815
Advertising	-	-	-	-	-	30	30
TOTAL EXPENSES	\$ 2,263,022	\$ 897,476	\$ 693,560	\$ 3,854,058	\$ 857,296	\$ 81,185	\$ 4,792,539

See notes to financial statements.

FAMILY SUPPORT SERVICES

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2022	Year Ended June 30, 2021
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 49,128	\$ 160,337
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	22,193	17,863
Paycheck Protection Program loan forgiveness	(625,000)	-
Net (gain) loss from investments	247,888	(319,994)
(Increase) decrease in:		
Contracts receivable	201,296	(114,431)
Accounts receivable	42,994	(11,506)
Prepaid expenses	(22,679)	22,294
Unemployment reserve	(2,479)	51,628
Deposits	300	-
Increase (decrease) in:		
Accounts payable	(77,835)	80,120
Accrued salaries and benefits	(6,935)	18,784
Accrued vacation	(13,448)	11,274
Deferred revenue	(12,716)	(5,878)
Deferred rent	(1,942)	15,216
	(199,235)	(74,293)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	(307,065)	(261,901)
Proceeds from sale of securities	287,456	243,477
Purchases of property and equipment	-	(21,959)
	(19,609)	(40,383)
NET DECREASE IN CASH	(218,844)	(114,676)
CASH, beginning of year	1,135,916	1,250,592
CASH, end of year	\$ 917,072	\$ 1,135,916

See notes to financial statements.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

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 was incorporated October 31, 1989 and in June 1990, FSS received their federal, nonprofit exemption status.

Family Support Services provides the following programs:

- Respite Care Program gives parents and caregivers a break from the daily demands of caring for children who are medically fragile or have developmental disabilities. This program operates in Alameda, San Francisco and Contra Costa Counties.
- Kinship Support Services Program provides support to relative caregivers so they are able to keep their children in their homes. FSS 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. FSS provides intensive home-based services to improve parenting skills and family functioning as well as a mental health program, Growing Up Strong, 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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when rights to receive them are earned, or when services have been provided, and expenditures are recorded when an obligation to pay is incurred.

Financial statement presentation:

FSS reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Without donor restrictions:

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

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

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

Financial statement presentation (continued):

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.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other basis of presentation policies:

Revenues or support are reported as increases in net assets without donor restriction unless subject to donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law.

Cash and cash equivalents:

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

Fair value measurements:

Professional accounting standards establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- 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 market data by correlation or other means.

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.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

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

Fair value measurements (continued):

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.

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.

Corporate bonds: Valued based upon reports provided by the fund manager.

The Organization has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that FSS could realize in a current market exchange. The use of difference assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2022 and 2021. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in net assets without donor restrictions unless a donor restricts their use.

Contracts and accounts receivable:

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. No amounts were considered uncollectible as of June 30, 2022 and 2021.

Property and equipment and depreciation:

Property and equipment 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. Property and equipment 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.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

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

Impairment of long-lived assets:

FSS reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Deferred rent:

Deferred rent represents landlord concessions recorded in connection with the Oakland office lease. It is being amortized on a straight-line basis over the life of the lease.

Revenue recognition:

Contributions and grants:

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

Contract and program revenue

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.

Special events:

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

Contributed property and equipment

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

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

Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by FSS.

Additionally, volunteers donate a time to the FSS's program services. The fair value of these donated services are not recognized in the statement of activities since they do not meet the criteria for recognition under generally accepted accounting principles.

Income taxes:

FSS has received tax-exempt status under the Internal Revenue Code Section 501(c)(3). FSS 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.

Management of FSS considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to FSS's status as a not-for-profit entity. Management believes FSS met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. FSS's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

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, rent, and utilities, which are allocated on a square-footage basis, as well as salaries, employee benefits and payroll taxes by estimated time spent. 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.

Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for non-public business entities for fiscal years beginning after December 15, 2021 with early application permitted. FSS intends to implement this guidance in the year ended June 30, 2023.

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

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

Subsequent events:

Management has evaluated subsequent events through February 1, 2023, the date which the financial statements were available to be issued. 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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

FSS has several contracts with San Francisco, Oakland, Alameda, and Contra Costa Counties. Outstanding amounts from these contracts represent approximately 80% and 79% of receivables at June 30, 2022 and June 30, 2021, respectively. Total revenue from these contracts represents 86% and 87% of total revenue at June 30, 2022 and June 30, 2021, respectively.

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

Note 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 917,072	\$ 1,135,916
Investments	1,331,213	1,559,492
Contracts receivable	600,186	801,482
Accounts receivable	<u>162,141</u>	<u>205,135</u>
Totals	3,010,612	3,702,025
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	<u>(250,811)</u>	<u>(294,149)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,759,801</u></u>	<u><u>\$ 3,407,876</u></u>

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

Note 5. INVESTMENTS:

Investments consist of the following at June 30:

	June 30, 2022	June 30, 2021
Money market funds	\$ 27,822	\$ 33,141
Stocks	438,417	479,853
Exchange-traded and close-end funds	600,281	686,063
Corporate fixed income	13,345	19,867
Mutual funds	251,348	340,568
Total investments	\$ 1,331,213	\$ 1,559,492

Investment income (loss) consists of the following at June 30:

	June 30, 2022	June 30, 2021
Interest and dividend income	\$ 37,098	\$ 37,227
Fees	(17,489)	(14,109)
Realized gain	8,419	9,676
Unrealized gain (loss)	(256,307)	310,318
Total investment income (loss)	\$ (228,279)	\$ 343,112

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

	June 30, 2022			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading Securities:				
Money market funds	\$ 27,822	\$ -	\$ -	\$ 27,822
Stocks	438,417	-	-	438,417
Exchange-traded and closed-end funds	600,281	-	-	600,281
Corporate fixed income	13,345	-	-	13,345
Mutual funds	251,348	-	-	251,348
	\$ 1,331,213	\$ -	\$ -	\$ 1,331,213

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

Note 5. INVESTMENTS (Continued):

	June 30, 2021			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Trading Securities:				
Money market funds	\$ 33,141	\$ -	\$ -	\$ 33,141
Stocks	479,853	-	-	479,853
Exchange-traded and closed-end funds	686,063	-	-	686,063
Corporate fixed income	19,867	-	-	19,867
Mutual funds	340,568	-	-	340,568
	\$ 1,559,492	\$ -	\$ -	\$ 1,559,492

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30:

	June 30, 2022	June 30, 2021
Furniture and equipment	\$ 286,172	\$ 286,172
Vehicles	123,452	123,452
Leasehold improvements	18,101	18,101
	427,725	427,725
Totals	427,725	427,725
Less accumulated depreciation	(370,413)	(348,220)
Property and equipment, net	\$ 57,312	\$ 79,505

Depreciation expense for the years ended June 30, 2022 and June 30, 2021 was \$22,193 and \$17,863, respectively.

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

	June 30, 2022	June 30, 2021
Furniture and equipment	\$ 27,226	\$ 27,226
Vehicles	70,675	70,675
	97,901	97,901
Totals	97,901	97,901
Less accumulated depreciation	(97,901)	(97,901)
Property and equipment, net	\$ -	\$ -

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, 2022 AND 2021

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, 2022 and 2021. Had FSS’s account balance been below that level, the deficiency would have been recorded as an unemployment reserve liability on the statements of financial position.

Note 8. PAYCHECK PROTECTION PROGRAM PROMISSORY NOTE:

On May 6, 2020, FSS received loan proceeds in the amount of \$625,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. FSS used the proceeds for purposes consistent with the PPP and the loan was forgiven October 20, 2021.

Note 9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following for the year ended June 30, 2022:

	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Support various aspects of:				
Kinship program:				
Kinship Youth Program	\$ 92,154	\$ 31,000	\$ (34,944)	\$ 88,210
Kinship Support Services	68,630	36,000	(72,253)	32,377
Oakland Family Preservation	74,181	-	(39,977)	34,204
Future periods	59,184	40,826	(3,990)	96,020
	\$ 294,149	\$ 107,826	\$ (151,164)	\$ 250,811

FAMILY SUPPORT SERVICES

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND 2021

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

Net assets with donor restrictions consisted of the following for the year ended June 30, 2021:

	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Support various aspects of:				
Kinship program:				
Kinship Youth Program	\$ 96,916	\$ 15,000	\$ (19,762)	\$ 92,154
Kinship Support Services	83,005	59,000	(73,375)	68,630
Oakland Family Preservation	20,470	106,000	(52,289)	74,181
Future periods	60,081	20,125	(21,022)	59,184
	\$ 260,472	\$ 200,125	\$ (166,448)	\$ 294,149

Note 10. IN-KIND SERVICES:

In-kind services in the statements of activities consist of donated legal services valued by donors using level inputs (estimated donated hours and rate) totaling \$30,000 and \$30,000, respectively, for the years ended June 30, 2022 and June 30, 2021. Services are expensed when received as legal expenses.

Note 11. RETIREMENT PLAN:

FSS has a defined contribution plan covering all employees that are at least 21 years of age and have worked more than 1,000 hours in a year, after completion of one year of employment. The total amount contributed by FSS for the years ended June 30, 2022 and June 30, 2021 was \$39,723 and \$32,676, respectively.

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:

Year Ending June 30,		
2023	\$	375,163
2024		371,794
2025		379,230
2026		389,360
2027		398,419
2027-2029		546,752
	\$	2,460,718

Rent and other leases expense for the years ended June 30, 2022 and June 30, 2021 was \$480,612 and \$474,635, respectively.

FAMILY SUPPORT SERVICES

SUPPLEMENTARY INFORMATION

FAMILY SUPPORT SERVICES

SCHEDULE OF COUNTY OF ALAMEDA CONTRACTS

YEAR ENDED JUNE 30, 2022

	<u>CARI & Foster Respite Services</u>	<u>HIV/AIDS Childcare</u>	<u>Family Caregiver Supp- Respite</u>	<u>Kinship Support Services</u>	<u>EPSDT - Output Mental Health</u>	<u>Family Reclaim - SSA</u>	<u>CAPIT - Family Reclaim</u>	<u>Total</u>
TOTAL PROGRAM INCOME	\$ 374,675	\$ 5,025	\$ 61,968	\$ 747,984	\$ 129,574	\$ 182,837	\$ 47,344	\$ 1,549,407
EXPENDITURES:								
Personnel expense	311,828	7,629	40,518	360,544	134,469	116,665	26,458	998,111
Allocated expense	81,195	2,020	12,679	137,015	40,315	35,296	7,877	316,397
Occupancy expense	17,894	395	2,978	140,390	24,200	19,305	5,211	210,373
Operating expense	5,533	126	1,875	31,909	6,264	9,909	696	56,312
Consultants	696	134	7,420	10,160	2,910	753	203	22,276
In kind expense	-	-	4,500	25,500	-	-	-	30,000
Business insurance	1,562	35	259	14,063	2,119	3,496	456	21,990
Client-related expense	798	9	422	12,758	-	1,423	512	15,922
Depreciation	622	14	103	10,252	843	673	182	12,689
Travel and mileage	5,902	325	403	73	596	392	318	8,009
Bank and investment fees	2,319	66	273	436	138	110	30	3,372
TOTAL EXPENDITURES	428,349	10,753	71,430	743,100	211,854	188,022	41,943	1,695,451
AMOUNT REIMBURSED BY ALAMEDA COUNTY	374,675	5,025	61,968	747,984	129,574	182,837	47,344	1,549,407
PROGRAM INCOME (LOSS)	<u>\$ (53,674)</u>	<u>\$ (5,728)</u>	<u>\$ (9,462)</u>	<u>\$ 4,884</u>	<u>\$ (82,280)</u>	<u>\$ (5,185)</u>	<u>\$ 5,401</u>	<u>\$ (146,044)</u>

See accompanying independent auditors' report.