

CHILD & FAMILY CENTER

(A CALIFORNIA NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

June 30, 2019
(with Comparative Totals For 2018)

CONTENTS

Independent Auditors' Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements	7-25
Supplementary Information:	
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 <i>Government Auditing Standards</i>	26-27
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	28-29
Schedule of Expenditures of Federal Awards.....	30
Notes to the Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs.....	32

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Child & Family Center (A California Non-Profit Corporation)

Report on the Financial Statements

We have audited the accompanying financial statements of Child & Family Center (A California Nonprofit Corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 auditors' 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 auditors consider 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 Child & Family Center as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, during the year ended June 30, 2019, Child & Family Center adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters


Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 a report dated January 13, 2020, on our consideration of the Center's internal control over financial reporting and 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 the 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 the Center's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of Child & Family Center, as of and for the year ended June 30, 2018, were audited by other auditors whose report dated January 17, 2019 expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Long Beach, California
January 13, 2020

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

ASSETS

	June 30,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 737,594	\$ 1,329,578
Contracts receivable, net of allowance	909,254	856,606
Beneficial interest in funds held by others	184,088	175,227
Property and equipment, net	4,611,762	4,683,561
Deposits and other assets	136,241	168,171
TOTAL ASSETS	\$ 6,578,939	\$ 7,213,143

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 139,187	\$ 148,156
Accrued payroll and related liabilities	752,760	780,778
Contract settlement payable	283,829	398,539
Capital lease payable	36,347	44,238
Notes payable	277,315	775,047
Total liabilities	1,489,438	2,146,758

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions:

Board designated operating reserve	500,000	300,000
Undesignated	4,294,333	4,231,385
	4,794,333	4,531,385
With donor restrictions	295,168	535,000
Total net assets	5,089,501	5,066,385

TOTAL LIABILITIES AND NET ASSETS	\$ 6,578,939	\$ 7,213,143
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The accompanying notes are an integral part of these financial statements.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
REVENUE AND SUPPORT				
Governmental service contracts	\$ 12,066,810	\$ -	\$ 12,066,810	\$ 10,961,103
Contract settlements	13,916	-	13,916	(976,683)
Contributions and grants	101,021	228,000	329,021	997,354
Fees for services	7,763	-	7,763	4,798
Fundraising events revenue	209,528	-	209,528	219,892
In-kind contributions	313,689	-	313,689	250,761
Interest and dividend income	7,625	-	7,625	6,602
Other income	23,707	-	23,707	18,850
Rental income	132,693	-	132,693	132,693
Realized and unrealized gain on beneficial interest in funds held by others	6,358	-	6,358	10,252
Net assets released from restriction	467,832	(467,832)	-	-
Total revenue and support	13,350,942	(239,832)	13,111,110	11,625,622
EXPENSES				
Program services	11,000,041	-	11,000,041	9,758,820
Support services	1,617,264	-	1,617,264	1,725,017
Fundraising expenses	470,689	-	470,689	447,988
Total expenses	13,087,994	-	13,087,994	11,931,825
CHANGE IN NET ASSETS	262,948	(239,832)	23,116	(306,203)
NET ASSETS, BEGINNING OF YEAR	4,531,385	535,000	5,066,385	4,678,352
MERGED NET ASSETS	-	-	-	694,236
NET ASSETS, AT BEGINNING OF YEAR AFTER MERGER (Note 1)	4,531,385	535,000	5,066,385	5,372,588
NET ASSETS, END OF YEAR	\$ 4,794,333	\$ 295,168	\$ 5,089,501	\$ 5,066,385

The accompanying notes are an integral part of these financial statements.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>	
				<u>2019</u>	<u>2018</u>
SALARIES AND RELATED EXPENSES					
Salaries and wages	\$ 6,983,969	\$ 1,157,186	\$ 89,798	\$ 8,230,953	\$ 7,297,651
Payroll taxes	560,807	93,087	7,190	661,084	599,490
Employee benefits	907,385	122,185	7,018	1,036,588	950,942
	<u>8,452,161</u>	<u>1,372,458</u>	<u>104,006</u>	<u>9,928,625</u>	<u>8,848,083</u>
OTHER EXPENSES					
Administrative fees	42,878	9,311	5,727	57,916	36,028
Advertising	9,301	1,109	1,357	11,767	12,888
Auto expense	18,555	3,533	203	22,291	14,382
Bad debts	90,000	-	-	90,000	761
Computer expenses	108,717	12,293	606	121,616	115,402
Contracted services	727,281	4,560	69,743	801,584	894,461
Dues and subscriptions	114,706	12,288	7,424	134,418	134,319
Education and training	59,842	5,216	1,330	66,388	106,546
Equipment rental and maintenance	2,518	309	31,988	34,815	37,482
Facilities maintenance expense	125,979	18,975	525	145,479	129,703
Foster and client care	78,762	-	6,929	85,691	73,753
In-kind expenses, donated supplies	106,251	-	-	106,251	65,143
In-kind expenses, donations for events	-	-	207,438	207,438	185,618
Insurance	86,975	12,168	546	99,689	99,111
Interest expense	28,995	8,104	205	37,304	62,872
Legal and audit professional fees	34,046	7,565	171	41,782	67,955
Miscellaneous	4,273	7,183	4,267	15,723	17,297
Office expenses	52,981	18,331	241	71,553	80,226
Outside services	67,753	8,528	413	76,694	90,460
Repairs and maintenance	132,314	27,966	1,980	162,260	169,050
Supplies	41,455	-	21,318	62,773	27,549
Taxes and licenses	22,330	5,518	716	28,564	26,143
Telephone	82,400	7,216	981	90,597	76,827
Travel	190,952	922	502	192,376	168,567
Utilities	63,206	13,798	383	77,387	74,135
	<u>10,744,631</u>	<u>1,557,351</u>	<u>468,999</u>	<u>12,770,981</u>	<u>11,614,761</u>
Depreciation and amortization expense	<u>255,410</u>	<u>59,913</u>	<u>1,690</u>	<u>317,013</u>	<u>317,064</u>
TOTAL EXPENSES	<u>\$ 11,000,041</u>	<u>\$ 1,617,264</u>	<u>\$ 470,689</u>	<u>\$ 13,087,994</u>	<u>\$ 11,931,825</u>

The accompanying notes are an integral part of these financial statements.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 23,116	\$ (306,203)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	317,013	317,064
Merger net assets	-	694,236
Fixed assets per merger	-	(472,853)
Purchases of fixed assets with notes payable	-	(57,363)
Purchases of fixed assets with capital lease payable	-	(51,303)
Provision for bad debt	90,000	761
Gain on beneficial interest held by others, net	(6,358)	(10,252)
Change in operating assets and liabilities:		
Contracts receivable, net of allowance	(142,648)	297,269
Deposits and other assets	31,930	(2,345)
Accounts payable and accrued expenses	(8,969)	35,720
Accrued payroll and related liabilities	(28,018)	89,721
Contract settlement payable	(114,710)	398,539
Net Cash Provided By Operating Activities	161,356	932,991
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(245,214)	(11,900)
Reinvested funds on beneficial interest held by others	(2,503)	(2,249)
Net Cash Used In Investing Activities	(247,717)	(14,149)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of borrowings from capital lease payable	-	51,303
Principal payments related to capital lease payable	(7,891)	(7,065)
Proceeds of borrowings from notes payable	-	57,362
Principal payments related to notes payable	(497,732)	(464,612)
Net Cash Used In Financing Activities	(505,623)	(363,012)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(591,984)	555,830
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,329,578	773,748
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 737,594	\$ 1,329,578
SUPPLEMENTAL INFORMATION:		
Interest expense	\$ 37,304	\$ 62,872

The accompanying notes are an integral part of these financial statements.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – General

Child & Family Center (the Center) is a nonprofit, nonsectarian, private educational and counseling center, which offers a combination of educational, behavioral, and psychotherapeutic services to children and their parents. The Center primarily operates within the Santa Clarita Valley and Antelope Valley, which is also where the majority of its clients reside.

Merger

During 2018, Child & Family Center merged with Domestic Violence Center of Santa Clarita Valley. Domestic Violence Center of Santa Clarita Valley was a nonprofit corporation designed to provide comprehensive and specialized services for domestic violence victims, which includes support groups, individual therapy, peer counseling, parenting classes, court advocacy, case management, emergency shelter and a 24-hour hotline. The merger agreement was entered between Child & Family Center and Domestic Violence Center of Santa Clarita Valley on September 6, 2017. The merger agreement was filed with the Secretary of State, State of California, on November 22, 2017. The effective date of the merger was January 1, 2018.

Funding

The Center is funded primarily through various ongoing contracts with the State of California and the County of Los Angeles. Each of the Center's primary programs (Mental Health, Substance Abuse, Family Support, Alcohol and Drugs, Family Preservation, Wraparound, Domestic Violence) is funded by a separate contract. These contracts are administered by various government agencies, including the Los Angeles County Department of Children and Family Services, the Los Angeles County Department of Mental Health, Substance Abuse Prevention and Control, the California Governor's Office of Emergency Services, the Los Angeles County District Attorney Office, and the Los Angeles County Department of Public Social Services.

NOTE 2 – Summary of Significant Accounting Policies

The Center's financial statements are in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Center are described below to enhance the usefulness and understandability of the financial statements.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Standard

During the year ended June 30, 2019, the Center adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities* and applied changes retrospectively. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Center updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

Basis of Presentation

The financial statements of the Center have been prepared under the accrual basis of accounting. The Center reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions, which include net assets designated by the Board of Directors. (See Note 14.)

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Center or the passage of time. As restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Center’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Center’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2018 comparative totals have been reclassified to conform with the 2019 reporting format.

Comparative Totals

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, interest-bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. At year-end, and throughout the year, the Center’s cash balances, deposited in one bank, exceeded federally insured limits. Management believes the Center is not exposed to any significant credit risk on cash and cash equivalents.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contracts Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. Receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Any amount that is denied for reimbursement is written-off when management receives notification from the grantor agency. Management provides for probable uncollectible amounts through a provision for an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Beneficial Interest in Funds Held by Others – California Community Foundation

The Center has the unconditional right to receive all of the cash flows from its beneficial interest from the California Community Foundation. The Center records its beneficial interest at the fair value using the present value of the estimated future cash. The balance at June 30, 2019 consists of mutual fund investments and money instruments stated at market value.

Property and Equipment

Property and equipment are stated at cost. The minimum dollar amount for capitalizing and depreciating an asset is \$5,000. Depreciation and amortization have been provided for using accelerated and straight-line methods over the estimated useful lives of the assets as follows:

Automobiles	5 years
Building	30 years
Computer equipment	5 years
Furniture and equipment	5 years
Leasehold improvements	Lesser of the life of the asset or 5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

In-kind Contributions

In-kind contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributed property and equipment are recorded at their estimated fair market value at the date of the gift. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

There are skilled individuals in clinical and legal fields who volunteered their time to provide counseling and other services in the Domestic Violence Center's Outreach office and shelter. The Center has recorded these volunteer hours as donated services to meet the In-Kind matching requirement for one of the government contracts (County Victim Services XC Program).

During the years ended June 30, 2019 and 2018, many individuals volunteered their time and performed a variety of tasks that assist the Center's fundraising events, but these services do not meet the criteria for recognition as donated services. Therefore, contributed auxiliary services are not reflected in the financial statements.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Government Service Contracts

Government service contracts are recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit required by the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Center's management believes that costs ultimately disallowed would not materially affect the financial position of the Center.

Revenue Recognition

Revenues from government agencies, program service fees, and other third-party payors for services provided under such contracts are recognized when earned by the Center. All gifts, bequests, and other public support are included in net assets without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Unearned Revenue.

Income Taxes

The Center is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and California income taxes under Section 23701(d) of the California Revenue and Taxation Code. The IRS classified the Center as one that is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section(s) 509(a)(1) and 170(b)(1)(A)(vi).

The Center has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2019, the Center had no material unrecognized tax benefits, tax penalties, or interest.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Center is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years.

Functional Expense Allocation

The cost of providing the Center’s programs and other activities are summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on time and effort.

Advertising Expenses

The Center expenses advertising costs as incurred. For the years ended June 30, 2019 and 2018, advertising expenses amounted to approximately \$12,000 and \$13,000, respectively.

Fair Value Measurements

The Center reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Center has access at the measurement date.

Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles of the United States when it becomes effective and permits the use of either a full retrospective or a retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. During October 2019, the FASB approved a deferral of the effective date of Topic 842 until annual reporting periods beginning after December 15, 2020. The Center is currently evaluating the impact of the adoption of the new standard on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Center is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

In November 2019, the Center paid down one of its notes payable to \$0. (See Note 9.)

The Center has evaluated subsequent events from the statements of financial position date through January 13, 2020, the date the financial statements were available to be issued for the year ended June 30, 2019, and determined there were no other items to disclose.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 3 – Liquidity and Availability of Resources

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

Financial assets at June 30, 2019:	
Cash and cash equivalents	\$ 737,594
Contracts receivable, net	<u>909,254</u>
	1,646,848
Less amounts not available to be used within one year due to:	
Long-term receivables	(499,043)
Board-imposed restrictions	(500,000)
Donor-imposed purpose or time restrictions	<u>(295,168)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 352,637</u>

The Center maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center's governing board has designated a portion of its resources without donor restrictions for specific purposes. Those amounts are identified as board-imposed restrictions and are invested for long-term purposes but remain available and may be spent at the discretion of the governing board and could be appropriated if needed. At June 30, 2019, the Center had an additional liquidity resource of \$1,200,000 through the available borrowing capacity on its bank line of credit.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 4 – Contracts Receivable

Contracts receivable consists of the following:

	June 30,	
	2019	2018
Receivables due from DMH	\$ 499,043	\$ 488,257
Other contracts receivable	535,784	418,457
Less allowance for contracts receivable	(125,573)	(50,000)
 Total	 \$ 909,254	 \$ 856,606

The receivables due from the Los Angeles County Department of Mental Health (DMH) relate to open contract years 2016 – 2019, and are not generally expected to be collected within one year. Other contracts receivable are all due within one year. These receivables are estimated based on significant judgments by management. Management has used historical data to estimate future collections on open contract years. Actual results may vary significantly from these estimates.

In the year ended June 30, 2018, the Center and DMH reached a final settlement on contract years 2008-2015, which resulted in a settlement due to DMH from the Center of \$342,128, which was recognized as contract settlement expense. Additionally, the Center recognized a write-off of \$1,169,523 in receivables due from DMH, of which \$505,997 was reserved for, resulting in additional contract settlement expense of \$663,526.

The settlement due to DMH by the Center can be repaid in cash and/or in-kind services. The time allowed for repayment of less than \$1 million is not to exceed three consecutive years.

At June 30, 2019, the remaining balance of the settlement due to DMH was \$283,829.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 5 – Beneficial Interest in Funds Held by Others

The Center entered into an agreement with California Community Foundation (the Foundation), whereby the Foundation held a board-designated endowment fund (the Fund) for the Center to be used for various purposes. The Center is named as the beneficiary of the Fund and receives income earned on the Fund. The Foundation has the discretion to distribute the Fund and any future earnings for broad charitable uses and purposes of the Center. At June 30, 2019, the Center’s beneficial interest in the Fund is measured at fair value and classified as a level 2 financial asset. The Fund’s fair market value at June 30, 2019 and 2018 was \$184,088 and \$175,227, respectively.

The activity of the Fund is as follows:

	June 30,	
	2019	2018
Beginning balance	\$ 175,227	\$ 162,726
Dividends and interest reinvested	3,728	3,513
Realized gain	5,188	10,271
Unrealized gain/(loss)	1,170	(19)
Less investment fees	(1,225)	(1,264)
Total	\$ 184,088	\$ 175,227

NOTE 6 – Property and Equipment, net

Property and equipment consisted of the following:

	June 30,	
	2019	2018
Automobile	\$ 76,266	\$ 76,266
Building	6,936,296	6,849,519
Computers and equipment	1,445,623	1,291,381
Furniture and fixtures	404,254	404,254
Land	797,347	797,347
	9,659,786	9,418,767
Less accumulated depreciation and amortization	(5,048,024)	(4,735,206)
Net, property and equipment	\$ 4,611,762	\$ 4,683,561

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 6 – Property and Equipment, net (Continued)

Depreciation expense for the years ended June 30, 2019 and 2018 was \$312,818 and \$312,870, respectively, which is included as part of depreciation and amortization expense.

NOTE 7 – Line of Credit Payable

The Center has a \$1,200,000 line of credit agreement expiring May 2020 bearing a variable rate above the bank’s Reference Rate (6.0% at June 30, 2019). The line of credit is collateralized by accounts receivable of the Center and other property as defined. As of June 30, 2019 and 2018, there was no outstanding balance owed on the credit line. As of June 30, 2019 and 2018, the Center was in compliance with its line of credit debt covenants.

NOTE 8 – Capital Lease Payable

In July 2017, The Center entered into a 63-month equipment capital lease with Image IV System, Inc. The minimum monthly lease payment is \$1,210, of which \$1,000 is for equipment and \$210 is for maintenance fees. The balance owed at June 30, 2019 and 2018 was \$36,347 and \$44,238, respectively.

Future minimum payments on the capital lease payable are as follows:

Year Ending June 30,	
2020	\$ 14,520
2021	14,520
2022	14,520
2023	<u>3,630</u>
	47,190
Less:	
Amount representing interest	(2,653)
Maintenance payments	<u>(8,190)</u>
Present value of capital lease payments	<u>\$ 36,347</u>

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 9 – Notes Payable

Notes payable are summarized as follows:

	June 30,	
	2019	2018
Note dated November 2009, with an interest rate of 5.6%, monthly payments including principal and interest due in the amount of \$42,325, with remaining principal balance due November 2019; note secured by the Center’s land and building; paid off subsequent to year-end at maturity date of the loan.	\$ 249,851	\$ 729,095
Zero-interest note dated November 2017 with Southern California Edison for LED Light equipment, with monthly payments of \$1,831, with remaining principal balance due October 2020.	<u>27,464</u>	<u>45,952</u>
Total	<u>\$ 277,315</u>	<u>\$ 775,047</u>

Future minimum payments on the notes payable at June 30, are as follows:

Year Ending June 30,	
2020	\$ 270,129
2021	<u>7,186</u>
	<u>\$ 277,315</u>

At June 30, 2019, the Center was in compliance with the notes payable covenants.

NOTE 10 – Commitments and Contingencies

In the ordinary course of business the Center may be subject to certain lawsuits and other potential legal actions. The Center’s management represents that as of June 30, 2019, the Center is not involved in any legal action or litigation.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 10 – Commitments and Contingencies (Continued)

Lease Commitments

The Center leases an office in Palmdale for its Family Preservation Programs in the Antelope area. The 36-month term lease commenced in October 2017, with an option for two more years. Additionally, the Center has entered into an equipment lease that ends in May 2020. For the years ended June 30, 2019 and 2018, rental expense for these operating leases was approximately \$37,000 and \$38,000, respectively.

The minimum lease obligations under the leases for the year ending June 30, 2020 is \$37,791.

Lease Income

The Center entered into a lease agreement for part of its facility with another nonprofit organization, which includes monthly lease payments to the Center of approximately \$11,400. The lease expires June 30, 2020.

NOTE 11 – Employee 401(k) Retirement Plan and Deferred Compensation Arrangement

The Center has adopted a 401(k) plan for all employees meeting the minimum requirements of 21 years of age. Participants may elect to defer up to the maximum amount allowed under law of their compensation per pay period. Before July 2018, the Center matched 100% of the employee's contributions up to 3% of the employee's compensation. Effective July 2018, the Center matches 50% of the employee contributions, not to exceed 6% of the employees' compensation. For the years ended June 30, 2019 and 2018, pension expense was \$107,843 and \$129,963, respectively.

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 12 – Post-Retirement Benefit

During the year ending June 30, 2006, the Board of Directors approved and the Center purchased two annuities for two of their key employees at \$225,000 each. The Center is the owner of the policy which provides annuity payments post retirement for the life time of the retiree. It is the intention of the past and present Board of Directors to continue the allocations of the retirement plans to the two key employees until death. The annuity is deemed to be an insurance contract that transfers 100% of the risk to the insurance company. As such, the total annuity payment of \$450,000 was expensed during the 2005-2006 fiscal year. The original investments may decrease over the lifetime of the annuity when payments exceed the lifetime income amount.

NOTE 13 – Fundraising Events

The Center conducts various special events and fundraising activities during the year. The revenue and expenses from fund development activities, excluding in-kind donations, for the years ended June 30, 2019 and 2018 were as follows:

	For the Year Ended June 30, 2019		
	Revenue	Expenses	Net Revenue
Kid Expo	\$ 26,256	\$ (8,411)	\$ 17,845
Other Events	30,732	(16,029)	14,703
Taste of the Town	152,540	(63,602)	88,938
Total	\$ 209,528	\$ (88,042)	\$ 121,486
	For the Year Ended June 30, 2018		
	Revenue	Expenses	Net Revenue
Kid Expo	\$ 29,505	\$ (10,607)	\$ 18,898
Other Events	7,393	(609)	6,784
Taste of the Town	182,994	(66,885)	116,109
Total	\$ 219,892	\$ (78,101)	\$ 141,791

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 14 – Net Assets

Net Assets without Donor Restrictions

The Board of Directors of the Center has established an operating reserve fund to provide for future financial needs and special projects of the Center. Such funds, including all allocable income, are reflected as board-designated net assets without donor restrictions in the accompanying financial statements. During the year ended June 30, 2019, the Center’s Board increased the reserve by \$200,000. At June 30, 2019, the board-designated net assets totaled \$500,000.

Net Assets with Donor Restrictions

The activity of net assets with donor restrictions for the year ended June 30, 2019 is as follows:

	<u>Balance at 6/30/18</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance at 6/30/19</u>
Net assets restricted for time or purpose:				
Annenberg Foundation – AV expansion project	\$ -	\$ 75,000	\$ -	\$ 75,000
City of Santa Clarita	5,000	-	(5,000)	-
Domestic Violence Program – legal	-	3,000	-	3,000
Foster Foundation Grant	450,000	-	(272,853)	177,147
The Henry Mayo Newhall Foundation	25,000	-	(25,000)	-
Knistrom Grant	10,000	-	(10,000)	-
Ahmanson Foundation – security upgrade	-	100,000	(100,000)	-
Parsons Foundation – security upgrade	-	50,000	(45,254)	4,746
Steve Y. Kim Foundation Grant	25,000	-	(9,725)	15,275
	<u>515,000</u>	<u>228,000</u>	<u>(467,832)</u>	<u>275,168</u>
Endowment funds, restricted in perpetuity	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
	<u>\$ 535,000</u>	<u>\$ 228,000</u>	<u>\$ (467,832)</u>	<u>\$ 295,168</u>

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 14 – Net Assets (Continued)

Endowment Funds

Net assets restricted in perpetuity consist of endowment funds established to ensure long-term funding of child abuse treatment services. The principal of the endowment is to remain restricted in perpetuity, and earnings are available to be used for treatment services. The board of directors monitors the endowment's investment, and attempts to maintain the purchasing power of the endowment assets.

The Center follows the provisions of ASC 958 Section 205-45, Reporting Endowment Funds. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as net assets with donor restrictions (a) the original value of gifts donated to all donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policy of the Center

**CHILD & FAMILY CENTER
(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 14 – Net Assets (Continued)

Interpretation of Relevant Law (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Center and the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets without donor restrictions, when applicable. There were no such deficiencies as of June 30, 2019.

SUPPLEMENTARY INFORMATION

**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***

To the Board of Directors of
Child & Family Center
(A California Non-Profit Corporation)
Santa Clarita, California

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 Child & Family Center (A California Nonprofit Corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child & Family Center's 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 Child & Family Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Child & Family Center's 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. 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 Child & Family Center's financial statements are free from 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 or other matters 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 organization'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 Child & Family Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winder, Inc.

Long Beach, California
January 13, 2020

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

To the Board of Directors of
Child & Family Center
(A California Non-Profit Corporation)
Santa Clarita, California

Report on Compliance for Each Major Federal Program

We have audited Child & Family Center's (A California Nonprofit Corporation) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Child & Family Center's major federal programs for the year ended June 30, 2019. Child & Family Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Child & Family Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Child & Family Center's 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 Child & Family Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Child & Family Center 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 Child & Family Center 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 Child & Family Center's 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 the 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 Child & Family Center's 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Long Beach, California
January 13, 2020

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Pass-Through Grantors Number	Award Amount	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through the L.A. County Department of Children and Family Services</i>				
Family Preservation Program	93.556	17-9-32	\$ 659,388	\$ 552,806
Family Preservation Program	93.556	17-9-20	494,128	303,372
Family Preservation Program	93.556	17-9-14	494,128	384,703
Subtotal CFDA #93.556			<u>1,647,644</u>	<u>1,240,881</u>
<i>Passed Through the County of Los Angeles Department of Health</i>				
Alcohol, and Drug Program	93.569	PH-002983	65,543	57,746
Alcohol, and Drug Program	93.569	H-707260	350,000	227,797
Subtotal CFDA #93.569			<u>415,543</u>	<u>285,543</u>
<i>Passed Through the County of Los Angeles Department of Health</i>				
Domestic Violence Assistance Program	93.558	PH-003591	128,600	133,756
Subtotal CFDA #93.569			<u>128,600</u>	<u>133,756</u>
<i>Passed Through the California Governor's Office of Emergency Services</i>				
Domestic Violence Assistance Program	93.671	DV 17 09 8630	145,000	-
Domestic Violence Assistance Program	93.671	DV 18 10 8630	193,750	173,884
Subtotal CFDA #93.671			<u>338,750</u>	<u>173,884</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,530,537</u>	<u>1,834,064</u>
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through the County of Los Angeles District Attorney</i>				
Victim Assistance Formula Grant Program	16.575	DV 4-2017	120,817	129,387
<i>Passed Through the California Governor's Office of Emergency Services</i>				
Domestic Violence Assistance Program	16.575	DV 17 09 8630	135,256	-
Domestic Violence Assistance Program	16.575	DV 18 10 8630	210,700	171,204
Subtotal CFDA #16.575			<u>466,773</u>	<u>300,591</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>466,773</u>	<u>300,591</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 2,997,310</u>	<u>\$ 2,134,655</u>

CHILD & FAMILY CENTER
(A California Nonprofit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Child & Family Center, and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting, which is described in the notes to the financial statements of Child & Family Center as of and for the year ended June 30, 2019. Negative amounts shown on the Schedule of Expenditures of Federal Awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. In the Schedule of Expenditures of Federal Awards, where expenditures exceed the federal award amount, the difference is funded with state, local or other non-federal funds. Pass-through entity identifying numbers are presented where available.

Child & Family Center did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2019.

There were no awards passed through to subrecipients.

**CHILD & FAMILY CENTER
(A California Nonprofit Corporation)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

The auditors’ report expresses an unmodified opinion on whether the financial statements of Child & Family Center were prepared in accordance with general accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Type of auditors’ report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? – No
5. Identification of major programs:
Family Preservation Program, CFDA #93.556
6. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. Auditee qualified as low-risk auditee? – No

SECTION II – FINDINGS FINANCIAL STATEMENTS AUDIT

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted.