

**CHILD AND FAMILY CENTER
SINGLE AUDIT REPORTS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
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AND THE UNIFORM GUIDANCE**

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AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Child and Family Center (A California Non-Profit Corporation) which comprise the statement of financial position as of June 30, 2018, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child and Family Center as of June 30, 2018, 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.

Report on Summarized Comparative Information

We previously audited the Child and Family Center's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Child and Family Center.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost 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 relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2019, on our consideration of Child and Family Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child and Family Center's internal control over financial reporting and compliance.

Vosin, Hays + Co.

Calabasas, California
January 17, 2019

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,329,578	\$ 773,748
Contracts receivable, net of allowance	806,714	1,101,958
Other receivables	49,892	52,678
Deposits and prepaid expenses	168,171	170,020
Beneficial interest in funds held by others	<u>175,227</u>	<u>162,726</u>
Total current assets	2,529,582	2,261,130
Non-Current Assets:		
Property and equipment, net	<u>4,683,561</u>	<u>4,403,012</u>
Total non-current assets	<u>4,683,561</u>	<u>4,403,012</u>
 Total assets	 <u>\$ 7,213,143</u>	 <u>\$ 6,664,142</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 148,156	\$ 112,436
Accrued payroll and related liabilities	780,778	691,057
Contract settlement payable	113,432	-
Capital lease payable	7,892	-
Loan payable	479,244	453,203
Note payable	<u>18,488</u>	<u>-</u>
Total current liabilities	1,547,990	1,256,696
Non-Current Liabilities:		
Contract settlement payable	285,107	-
Capital lease payable	36,346	-
Loan payable	249,851	729,094
Note payable	<u>27,464</u>	<u>-</u>
Total non-current liabilities	<u>598,768</u>	<u>729,094</u>
 Total liabilities	 2,146,758	 1,985,790
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Designated	300,000	50,000
Undesignated	4,231,385	4,600,431
Temporarily restricted	515,000	7,921
Permanently restricted	<u>20,000</u>	<u>20,000</u>
	<u>5,066,385</u>	<u>4,678,352</u>
 Total liabilities and net assets	 <u>\$ 7,213,143</u>	 <u>\$ 6,664,142</u>

See accompanying auditors' reports and notes to financial statements.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
REVENUE AND SUPPORT					
Governmental service contracts	\$ 10,961,103	\$ -	\$ -	\$ 10,961,103	\$ 9,651,384
Contributions and grants	153,625	843,729	-	997,354	256,496
Contract settlements	(976,683)	-	-	(976,683)	55,553
Fees for services	4,798	-	-	4,798	3,554
Fundraising events gross revenue	219,892	-	-	219,892	285,107
Gain (loss) on fixed assets	-	-	-	-	(133)
In-kind contributions	250,761	-	-	250,761	271,537
Interest and dividend income	6,602	-	-	6,602	5,324
Other income	18,850	-	-	18,850	26,959
Rental Income	132,693	-	-	132,693	78,115
Realized gain (loss) on beneficial interest in funds held by others	10,271	-	-	10,271	5,588
Unrealized gain (loss) on beneficial interest in funds held by others	(19)	-	-	(19)	11,088
Restrictions released	364,150	(364,150)	-	-	-
	<u>11,146,043</u>	<u>479,579</u>	<u>-</u>	<u>11,625,622</u>	<u>10,650,572</u>
EXPENSES					
Program services	9,758,820	-	-	9,758,820	9,138,665
Support services	1,725,017	-	-	1,725,017	1,596,242
Fundraising	447,988	-	-	447,988	505,823
	<u>11,931,825</u>	<u>-</u>	<u>-</u>	<u>11,931,825</u>	<u>11,240,730</u>
CHANGE IN NET ASSETS	(785,782)	479,579	-	(306,203)	(590,158)
NET ASSETS - beginning of year	4,650,431	7,921	20,000	4,678,352	5,268,510
MERGED NET ASSETS	666,736	27,500	-	694,236	-
NET ASSETS - at January 1, 2018 after merger (Note 1)	<u>5,317,167</u>	<u>35,421</u>	<u>20,000</u>	<u>5,372,588</u>	<u>-</u>
NET ASSETS - end of year	<u>\$ 4,531,385</u>	<u>\$ 515,000</u>	<u>\$ 20,000</u>	<u>\$ 5,066,385</u>	<u>\$ 4,678,352</u>

See accompanying auditors' reports and notes to financial statements.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Program <u>Services</u>	Support <u>Services</u>	Fundraising <u>Expenses</u>	2018 Total <u>Expenses</u>	2017 Total <u>Expenses</u>
Salaries and related expenses					
Salaries and wages	\$ 6,078,691	\$ 1,125,973	\$ 92,987	\$ 7,297,651	\$ 6,424,173
Payroll taxes	498,294	93,576	7,620	599,490	559,605
Employee benefits	<u>804,483</u>	<u>135,595</u>	<u>10,864</u>	<u>950,942</u>	<u>954,539</u>
	7,381,468	1,355,144	111,471	8,848,083	7,938,317
Other expenses					
Administrative fees	30,258	5,411	359	36,028	37,513
Advertising	8,058	1,562	3,268	12,888	12,997
Auto expense	11,438	2,802	142	14,382	12,373
Bad debts	761	-	-	761	460,957
Computer expenses	98,411	16,238	753	115,402	95,500
Conferences and meetings	518	3,751	540	4,809	3,605
Contracted services	807,959	31,280	55,222	894,461	854,373
Dues and subscriptions	119,259	8,547	6,513	134,319	138,097
Education and training	76,387	28,683	1,476	106,546	116,888
Equipment rental and maintenance	2,351	439	34,692	37,482	38,410
Facilities maintenance expense	102,367	26,211	1,125	129,703	93,136
Foster and client care	70,699	-	3,054	73,753	42,852
In-kind expenses, donated supplies	65,143	-	-	65,143	54,693
In-kind expenses, donations for events	-	-	185,618	185,618	216,844
Insurance	81,742	16,264	1,105	99,111	94,725
Interest expense	45,203	16,913	756	62,872	82,929
Legal and audit professional fees	40,753	26,861	341	67,955	55,195
Office expenses	43,278	10,485	26,463	80,226	76,725
Outside services	89,587	-	873	90,460	64,150
Postage and delivery	2,337	2,306	528	5,171	5,902
Public relations	-	4,096	2,421	6,517	8,970
Rental venue expense	-	-	800	800	660
Repairs and maintenance	122,372	43,528	3,150	169,050	168,928
Supplies	27,547	2	-	27,549	14,782
Taxes and licenses	17,738	7,260	1,145	26,143	24,454
Telephone	65,827	9,815	1,185	76,827	66,476
Travel	166,856	1,442	269	168,567	87,989
Utilities	<u>52,720</u>	<u>20,531</u>	<u>884</u>	<u>74,135</u>	<u>69,932</u>
	9,531,037	1,639,571	444,153	11,614,761	10,938,372
Depreciation and amortization expense	<u>227,783</u>	<u>85,446</u>	<u>3,835</u>	<u>317,064</u>	<u>302,358</u>
Total Expenses	<u>\$ 9,758,820</u>	<u>\$ 1,725,017</u>	<u>\$ 447,988</u>	<u>\$ 11,931,825</u>	<u>\$ 11,240,730</u>

See accompanying auditors' reports and notes to financial statements.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (306,203)	\$ (590,158)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation expense	312,870	298,164
Merger net assets	694,236	-
Fixed assets per merger	(472,853)	-
Purchases of fixed assets on note payable	(57,363)	-
Purchases of fixed assets on capital lease payable	(51,303)	-
Amortization expense, included in deposits and prepaid expenses	4,194	4,194
Provision for bad debt	761	460,957
(Gain) Loss on beneficial interest held by others, net	(10,252)	(16,676)
(Gain) Loss on fixed assets	-	133
(Increase) decrease in:		
Contracts receivable, net of allowance	294,483	18,851
Promises to give receivable	-	1,365
Other receivables	2,786	(11,764)
Deposits and prepaid expenses	(2,345)	86,447
Increase (decrease) in:		
Accounts payable and accrued expenses	35,720	(39,462)
Accrued payroll and related liabilities	89,721	137,864
Unearned revenue	-	(6,650)
Contract settlement payable	398,539	-
	<u>1,239,194</u>	<u>933,423</u>
Total adjustments		
Net Cash Provided (Used) by Operating Activities	932,991	343,265
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(11,900)	(7,207)
Reinvested funds on beneficial interest held by others	<u>(2,249)</u>	<u>(1,594)</u>
Net Cash Provided (Used) by Investing Activities	(14,149)	(8,801)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for purchases of fixed assets	-	(259,677)
Proceeds of borrowings from line of credit	-	1,675,000
Principal payments related to line of credit payable	-	(1,675,000)
Proceeds of borrowings from capital lease payable	51,303	-
Principal payments related to capital lease payable	(7,065)	-
Principal payments related to loan payable	(453,202)	(428,577)
Proceeds of borrowings from note payable	57,362	-
Principal payments related to note payable	<u>(11,410)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(363,012)</u>	<u>(688,254)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	555,830	(353,790)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>773,748</u>	<u>1,127,538</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,329,578</u>	<u>\$ 773,748</u>
SUPPLEMENTAL INFORMATION:		
Interest expense	<u>\$ 62,872</u>	<u>\$ 82,929</u>
SUPPLEMENTAL NON-CASH INFORMATION:		
In-kind contributions	<u>\$ 250,761</u>	<u>\$ 271,537</u>

See accompanying auditors' reports and notes to financial statements.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, which is also, where the majority of its clients reside. In September 2017, the center has awarded Family Preservation contracts in the Antelope Valley. The Center has leased an office facility in Palmdale for its operation in the Antelope Valley.

Merger

During the year, Child & Family Center has merged with Domestic Violence Center of Santa Clarita Valley. Domestic Violence Center of Santa Clarita Valley is 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, Wrap Around, Domestic Violence) is funded by a separate contract. These contracts are administered by various government agencies. They are 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.

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.

Financial Statement Presentation

The financial statements are presented based on Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. ASC Topic 958, Sections 210 and 225 requires classification of the Center’s net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Unrestricted net assets.* Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the Center, the environment in which they operate, the purposes specified in their corporate documents and their application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Temporarily restricted net assets.* Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Center's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Center, unless the donor provides more specific directions about the period of its use.
- *Permanently restricted net assets.* Permanently restricted net assets are resources whose use by the Center are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Contracts and Other Receivables

Receivables consist of contracts, employees benefits, clinical services, and a life insurance policy and 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. 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.

Deposits and Prepaid Expenses

Deposits and prepaid expenses such as insurance, rents and other costs are expensed ratably over their respective terms of agreement.

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, 2018 consists of mutual fund investments and money instruments stated at market value.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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	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.

Government-funded assets are recorded as an asset and an offsetting liability. The related assets are depreciated over their estimated useful lives and the related liability is accordingly reduced.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets 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 either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. 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.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. 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).

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Property and Equipment and Services

Contributed property and equipment are recorded at their estimated fair market value at the date of the gift.

During the year ended June 30, 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.

Government Revenue

Government revenue is 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, if any, 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 unrestricted net assets 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 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, 2018, the Center had no material unrecognized tax benefits, tax penalties or interest.

The Center's Forms 990, Return of Organization Exempt from Income Tax, for each of the three years ended June 30, 2017, 2016, and 2015, are subject to examination by the IRS, generally for 3 years after they were filed.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Recognition and 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.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Center.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Center generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Advertising Expenses

The Center expenses advertising costs as incurred. For the year ended June 30, 2018, advertising expenses amounted to \$12,888.

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 2017 comparative totals have been reclassified to conform with the 2018 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, 2017, from which the summarized information was derived.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. 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.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The mutual funds are valued at Level 2 inputs and are part of the beneficial interest in funds held by others, which represent the net asset value of shares held by the Center at year end.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

3. CONTRACTS AND OTHER RECEIVABLES

Receivables at June 30, 2018 consisted of the following:

Contracts receivables	\$ 856,714
Less : Allowance for contracts receivables	(50,000)
Other receivables	<u>49,892</u>
Total	<u>\$ 856,606</u>

Accounts receivable are all due within one year and primarily consist of amounts due from the Los Angeles County Department of Mental Health (the "DMH").

The Center has been receiving communication from DMH on FY 2008-2015 contract settlement since last fiscal year ended June 30, 2017. The interim settlement report indicated that the Center's open invoices between FY 2010-2015 would be adjusted to zero, and the Center would incur a settlement liability to DMH.

The Center had attended a preliminary hearing to appeal the DMH interim settlement in March 2018. In June 2018, the Center was notified that the preliminary appeal was denied. The Center has also received information of methods and period allowed of repayment. Repayment can be made in cash and/or in-kind services. The time allowed for repayment is not to exceed six consecutive years.

From the latest update, DMH has presented to the Center an interim settlement amount of \$342,128 that the Center owes DMH. In response to this situation, the Center's management, with the Board's approval, has taken the following steps to settle this issue:

- 1) Writing off the DMH outstanding invoices from FY 2010 - 2015 totaling \$1,169,523. Of the invoices the write off amount of \$505,997 was recognized to the allowance account for its contracts receivables accounts. The remaining balance of the write off was recognized to the Center's contract settlement account.
- 2) The Center set up a contract settlement payable account totaling \$342,128. One-sixth of the amount was recorded as current payable, and five-sixth of the amount was recorded as long-term liability. This entire repayment is recognized to the contract settlement account.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

4. 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, 2018, the Center had a beneficial interest in the Fund and is stated at fair value as a Level 2 classification. The Fund’s fair market value at June 30, 2018 was \$175,227. The composition is as follows using Level 2 inputs:

Beginning balance	\$ 162,726
Dividends and interest reinvested	3,513
Realized gain/(loss)	10,271
Unrealized gain/(loss) included in changes in net assets	(19)
Less - Investment Fees	<u>(1,264)</u>
Total	<u>\$ 175,227</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2018 consisted of the following:

Automobile	\$ 76,266
Building	6,849,519
Computers and equipment	1,291,381
Furniture and fixtures	404,254
Land	<u>797,347</u>
	9,418,767
Less accumulated depreciation and amortization	<u>(4,735,206)</u>
Net, property and equipment	<u>\$ 4,683,561</u>

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

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

6. ACCRUED VACATION

Accrued vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to the Center as follows:

<u>Years Employed</u>	<u>Annualized Accrual</u>
1 – 3 years	10 days
3 – 8 years	15 days
8 – 15 years	20 days
15 + years	25 days

Total accrued vacation at June 30, 2018, was \$287,259. Accrued donated vacation at June 30, 2018 was \$13,847.

7. LINE OF CREDIT PAYABLE

The Center has a \$1,200,000 line of credit agreement expiring May 7, 2019 bearing a variable rate above the bank's Reference Rate (5.5% at June 30, 2018). The line of credit is collateralized by accounts receivable of the Center and other property as defined. As of June 30, 2018, there was no outstanding balance owed on the credit line. As of June 30, 2018, the Center was in compliance with its line of credit debt covenants. For the year ended June 30, 2018, there is no interest cost incurred for the year.

8. CAPITAL LEASE PAYABLE

In July 2017, The Center has entered a 63 months 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. Based on an interest rate of 5.5%, for the present value of the \$63,000 (\$1,000 X 63) for the year ended June 30, 2018, interest cost amounted to \$4,937. The balance owed at June 30, 2018 was \$44,238.

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

<u>Year Ending,</u>	<u>Amount</u>
2019	\$ 7,892
2020	8,815
2021	9,847
2022	10,999
2023	<u>6,685</u>
Total	<u>\$ 44,238</u>

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

9. LOAN PAYABLE

The Center has a loan payable with All Points Funding maturing November 2019. The loan is secured by the Center's land and building. The loan is payable in monthly installments of \$42,325, with interest payable monthly at 5.60% per annum. The balance owed at June 30, 2018 was \$729,095. For the year ended June 30, 2018, interest cost amounted to \$54,694. The Center capitalized the interest cost on the building expansion loan which is included in depreciation and amortization expense for the year ended June 30, 2018 amortization expense was \$4,194.

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

<u>Year Ending,</u>	<u>Amount</u>
2019	\$ 479,244
2020	<u>249,851</u>
Total	<u>\$ 729,095</u>

In connection with this loan payable, the Center has agreed, among other things, to meet the debt service coverage ratio. As of June 30, 2018, the Center was in compliance with its debt covenants.

10. NOTE PAYABLE

The Center has entered a zero interest loan with Southern California Edison for LED Light equipment. The loan amount is \$65,931, payable in full in 36 months, with monthly installment of \$1,831. The Center has started the repayment of the loan in November 2017. The last payment will be in October 2020. The balance owed at June 30, 2018 was \$45,952. The incremental borrowing rate was calculated using the Line of Credit interest rate. Total interest expense for the year ended was \$3,241.

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

<u>Year Ending,</u>	<u>Amount</u>
2019	\$ 18,488
2020	20,278
2021	<u>7,186</u>
Total	<u>\$ 45,952</u>

11. CONTINGENCY

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, 2018, the Center is not involved in any legal action or litigation.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

12. OPERATING LEASE COMMITMENTS

The Center has leased two satellite facilities under non-cancelable operating leases.

The Center leases an office in Palmdale for its Family Preservation Programs in Antelope area. The 36 month term lease commenced on October 2017, with an option for two more years. For the year ended June 30, 2018, rental expense was \$25,191.

Minimum lease obligations under the lease at the June 30, are as follows:

<u>Year Ending,</u>	<u>Amount</u>
2019	\$ 34,344
2020	35,374
2021	<u>8,908</u>
Total	<u>\$ 78,626</u>

The Center also leases an office in Newhall for its Domestic Violence Center program. The lease was amended on January 2017 with an extended lease term to December 2018. This lease was initially entered by the Domestic Violence Center of Santa Clarita Valley. The Center continued with the lease after the merger on January 1, 2018. For the year ended June 30, 2018, six months rental expense was \$9,915.

Minimum lease obligations under the lease at the June 30, are as follows:

<u>Year Ending,</u>	<u>Amount</u>
2019	\$ 9,915
Total	<u>\$ 9,915</u>

The Center has entered into various equipment lease agreements with various companies. The leases expire at various terms. For the year ended June 30, 2018, equipment rental expense was \$2,822.

Minimum equipment lease payments under the lease at June 30, are as follows:

<u>Year Ending,</u>	<u>Amount</u>
2019	\$ 2,636
2021	<u>2,416</u>
Total	<u>\$ 5,052</u>

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

13. 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 from 1% to 15% of their compensation per pay period. The Center will match 100% of the employee contributions, not to exceed 3% of the employees' compensation. For the year ended June 30, 2018, pension expense was \$129,963.

14. 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 Child and Family 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.

15. RELATED PARTIES

During the year the Center paid for janitorial, plumbing, catering and document destruction services various related parties, which management has indicated are in compliance with the Center's procurement policies. The total purchases amounted to approximately \$82,718.

16. FUND DEVELOPMENT

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

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Kid Expo	\$ 29,505	\$ (10,607)	\$ 18,898
Other Events	7,393	(609)	6,784
Taste of the Town	<u>182,994</u>	<u>(66,885)</u>	<u>116,109</u>
Fundraising Events, Net	<u>\$ 219,892</u>	<u>\$ (78,101)</u>	<u>\$ 141,791</u>

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

17. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018, consist of amounts restricted by donor-imposed stipulations; the activity for the year ended is as follows:

Grant	Balance at 6/30/17	Income	Expenditures	Balance at 6/30/18
California Community Foundation	\$ -	\$ 26,650	\$ (26,650)	\$ -
City of Santa Clarita – CDBG	5,000	-	(5,000)	-
City of Santa Clarita – Art Supplies	-	5,000	(5,000)	-
City of Santa Clarita – Legal	-	5,000	(-)	5,000
Foster Foundation Grant FY 17-18	-	300,000	(300,000)	-
Foster Foundation Grant FY 18-19	-	450,000	(-)	450,000
Knistrom Grant	-	10,000	(-)	10,000
Los Angeles County – M. Antonovich	2,921	(2,921)	(-)	-
The Henry Mayo Newhall Foundation	-	25,000	(-)	25,000
Steve Y. Kim Foundation Grant	-	25,000	(-)	25,000
Total	<u>\$ 7,921</u>	<u>\$ 843,729</u>	<u>\$ (336,650)</u>	<u>\$ 515,000</u>

Temporarily restricted net assets at carried over from the Domestic Violence Center due to the merger on January 1, 2018 as well as the activity for the six months after the merger were as follows:

Grant	Balance at 1/1/18	Income	Expenditures	Balance at 6/30/18
Knistrom Grant	10,000	\$ -	\$ (10,000)	\$ -
The Henry Mayo Newhall Foundation	15,000	-	(15,000)	-
Woodward Grant	2,500	-	(2,500)	-
Total	<u>\$ 27,500</u>	<u>\$ -</u>	<u>\$ (27,500)</u>	<u>\$ -</u>

Permanently restricted net assets at June 30, 2018 consisted of one endowment fund totaling \$20,000. Earnings from the fund may be used by the Center for child abuse treatment services. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

17. RESTRICTED NET ASSETS - Continued

Endowment Fund

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 non-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 have 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 permanently restricted net assets (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 organization 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 AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

17. RESTRICTED NET ASSETS - Continued

The net asset composition of the endowment as of June 30, 2018, is as follows:

Type-of Endowment Fund	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted funds:		
Permanent endowment	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Total	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ 20,000	\$ 20,000
Investment return:		
Investment income	-	-
Net gains (realized and unrealized)	<u>-</u>	<u>-</u>
Total investment return	-	-
Endowment net assets, June 30, 2018	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA is \$20,000 at June 30, 2018.

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 unrestricted net assets, when applicable. There were no such deficiencies as of June 30, 2018.

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

18. CONCENTRATION RISK

The Center maintains its cash balances in two financial institutions located in Santa Clarita, California. The balances are insured by the Federal Deposit Insurance Corporation up to federal limits as defined. At times, cash balances are in excess of the insured limit.

The majority of the Center's contributions and grants are received from corporations, foundations, and individuals located in the greater Santa Clarita metropolitan area and from agencies of the state of California. As such, the Center's ability to generate resources via contributions and grants are dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Center's services.

The Center's investments in Funds Held by Others - California Community Foundation are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Center's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

19. SUBSEQUENT EVENTS

The Center has evaluated events subsequent to June 30, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 17, 2019, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**INFORMATION REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND THE UNIFORM GUIDANCE**



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**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 and 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 and Family Center (A California Non-Profit Corporation), which comprise the statement of financial position as of June 30, 2018, 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 17, 2019.

Internal Control Over Financial Reporting

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

Vorwin, Hryn + Co.

Calabasas, California
January 17, 2019



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE



AN ACCOUNTANCY CORPORATION

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**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 and Family Center
(A California Non-Profit Corporation)
Santa Clarita, California

Report on Compliance for Each Major Federal Program

We have audited Child and Family Center's (A California Non-Profit 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 and Family Center's major federal programs for the year ended June 30, 2018. Child and 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 and 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 and 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 and Family Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Child and 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, 2018.

Report on Internal Control Over Compliance

Management of Child and 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 and 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 and 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.

Vorlein, Hays + Co.

Calabasas, California
January 17, 2019

**CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
(FEIN 95-4074970)**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Award Amount	Expenditures	Passed to Sub-recipients
U.S. Department of Health and Human Services					
Passed Through the L.A. County Department of Children and Family Services					
Family Preservation Program	93.556	05-027-1	\$ 52,158	\$ 54,872	\$ -
Family Preservation Program	93.556	17-9-32	499,536	293,191	-
Family Preservation Program	93.556	17-9-20	411,773	264,073	-
Family Preservation Program	93.556	17-9-14	411,773	206,174	-
Promoting Safe and Stable Families	93.556		1,375,240	818,310	-
Passed Through the County of Los Angeles Department of Health					
Alcohol, and Drug Program	93.569	PH-002983	\$ 59,903	\$ 61,876	\$ -
Alcohol, and Drug Program	93.569	H-707260	200,000	55,818	-
Substance Abuse Prevention and Treatment Block Grant	93.569		259,903	117,694	-
Passed Through the California Emergency Management Agency					
Comprehensive Shelter-Based Domestic Violence Services					
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	DV 17 09 8630	145,000	73,807	-
Total U.S. Department of Health and Human Services Expenditures			\$ 1,780,143	\$ 1,009,811	\$ -
U.S. Department of Justice					
Passed Through the County of Los Angeles District Attorney					
	16.575	DV 4-2017	\$ 141,183	\$ 58,351	\$ -
Passed Through the California Emergency Management Agency					
Comprehensive Shelter-Based Domestic Violence Services					
Victim Assistance Formula Grant Program	16.575	DV 17 09 8630	135,256	73,699	-
Total U.S. Department of Justice Expenditures			\$ 276,439	\$ 132,050	\$ -
Total Federal Expenditures			\$ 2,056,582	\$ 1,141,861	\$ -

CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
(FEIN 95-3941342)

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Child and Family Center under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of Child and Family Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of Child and Family Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. DE MINIMIS INDIRECT COST RATE

Child and Family Center did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2018.

4. LOAN AND LOAN GUARANTEE

Child and Family Center did not have any balances of loan and loan guarantee programs outstanding at June 30, 2018 for loans described in 2 CFR section 200.50(b).

**CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal Control over financial reporting

• Material weakness(es) identified?

_____ Yes X No

• Significant deficiency(ies) identified?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?

_____ Yes X No

• Significant deficiency(ies) identified?

_____ Yes X None Reported

Type of auditors' report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

93.556

Name of Federal Program or Cluster
Promoting Safe and Stable Families

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

**CHILD AND FAMILY CENTER
(A California Non-Profit Corporation)
CURRENT AND PRIOR YEARS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

CURRENT YEAR FINDINGS AND QUESTIONED COSTS:

2018 Findings:

There were no 2018 findings noted.

2018 Questioned Costs:

There were no 2018 questioned costs noted.