

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

M. GREEN AND COMPANY LLP
Certified Public Accountants

FAMILY SERVICES OF TULARE COUNTY
A Non-Profit Corporation

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INDEPENDENT AUDITORS' REPORT

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Board of Directors
Family Services of Tulare County

Report on Financial Statements

We have audited the accompanying financial statements of Family Services of Tulare County (Family Services), 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 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.

*Dinuba
Hanford
Lindsay
Tulare
Visalia*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Services 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.

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* 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. The accompanying supplementary information such as the Supplemental Schedule of Support and Expenses by Funding Source – Federal Financial Assistance and the Supplemental Schedule of Support and Expenses by Funding Source – State and Local Grants are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Statement of Costs Claimed and Accepted on pages 20 through 22 has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of Family Service'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 the effectiveness of Family Service's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Service's internal control over financial reporting and compliance.

Visalia, California
December 13, 2018

M. Green and Company CP

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 659,170
Grants receivable	668,820
Accounts receivable	40,680
Prepaid expenses	926
	<hr/>

Total current assets \$ 1,369,596

NON-CURRENT ASSETS:

Restricted cash and cash equivalents	22,815
Deposits	11,866
Property and equipment, at cost:	
Land	313,945
Buildings and improvements	1,554,855
Machinery and equipment	41,116
Furniture and fixtures	9,288
Vehicles	97,814
Less: accumulated depreciation	<u>(553,921)</u>

Total non-current assets 1,497,778

Total assets \$ 2,867,374

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Notes payable, current portion	\$ 2,954
Accounts payable	148,036
Accrued liabilities	<u>122,557</u>

Total current liabilities \$ 273,547

NON-CURRENT LIABILITIES:

Notes payable, net of current portion	<u>1,039,769</u>
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Total non-current liabilities 1,039,769

Total liabilities 1,313,316

NET ASSETS:

Unrestricted net assets, undesignated	1,366,081
Temporarily restricted net assets	<u>187,977</u>

Total net assets 1,554,058

Total liabilities and net assets \$ 2,867,374

The accompanying notes are an integral part of these statements.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Government grants	\$ 4,818,561	\$ 160,566	\$ 4,979,127
Contributions	168,043	137,873	305,916
Fundraising	134,756	65,000	199,756
Total support	<u>5,121,360</u>	<u>363,439</u>	<u>5,484,799</u>
REVENUE:			
Counseling fees	360,653	-	360,653
Other revenue	60,033	-	60,033
Total revenue	<u>420,686</u>	<u>-</u>	<u>420,686</u>
NON-MONETARY DONATIONS	<u>474,751</u>	<u>-</u>	<u>474,751</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>366,597</u>	<u>(366,597)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>6,383,394</u>	<u>(3,158)</u>	<u>6,380,236</u>
EXPENSES:			
Program services	5,175,011	-	5,175,011
Support services	633,227	-	633,227
Fundraising	198,400	-	198,400
Total expenses	<u>6,006,638</u>	<u>-</u>	<u>6,006,638</u>
CHANGE IN NET ASSETS	<u>376,756</u>	<u>(3,158)</u>	<u>373,598</u>
Net assets, beginning of year	<u>989,325</u>	<u>191,135</u>	<u>1,180,460</u>
Net assets, end of year	<u>\$ 1,366,081</u>	<u>\$ 187,977</u>	<u>\$ 1,554,058</u>

The accompanying notes are an integral part of these statements.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 2,679,824	\$ 384,668	\$ 46,733	\$ 3,111,225
Payroll taxes	188,948	28,648	4,070	221,666
Insurance	362,740	41,959	7,818	412,517
Retirement	22,905	4,311	411	27,627
Administrative	570,493	19,313	15,731	605,537
Travel and conferences	134,949	4,651	9,854	149,454
Rent	220,513	39,712	1,064	261,289
Utilities and telephone	165,471	16,333	3,682	185,486
Supplies	119,650	43,646	85,266	248,562
Equipment rental	20,174	3,714	273	24,161
Food	71	-	-	71
Printing and postage	4,659	1,442	67	6,168
Dues and memberships	2,779	4,663	-	7,442
General insurance	25,224	13,068	483	38,775
Advertising	928	928	552	2,408
Repairs and maintenance	90,419	17,389	15,344	123,152
Educational materials	49,563	48	3,988	53,599
Client assistance	381,097	-	-	381,097
Licenses and permits	42,361	-	-	42,361
Employee morale	100	-	-	100
Accounting and auditing	20,026	4,186	918	25,130
Bank charges	-	179	161	340
Staff training	286	1,848	-	19,432
Other	19,432	-	-	2,134
Total before depreciation	5,122,612	630,706	196,415	5,949,733
Depreciation expense	52,399	2,521	1,985	56,905
Total expenses	<u>\$ 5,175,011</u>	<u>\$ 633,227</u>	<u>\$ 198,400</u>	<u>\$ 6,006,638</u>

The accompanying notes are an integral part of these statements.

**FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 373,598
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	56,905
Non-monetary donations	(474,751)
Non-monetary expenses	131,797
Changes in operating assets and liabilities:	
Decrease in grants receivable	436,958
Increase in accounts receivable	(62)
Decrease in prepaid expenses	5,946
Increase in deposits	(1,650)
Increase in accounts payable and accrued liabilities	28,160
	28,160
Net cash provided by operating activities	556,901

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(98,829)
	(98,829)
Net cash used by investing activities	(98,829)
Net increase in cash and cash equivalents	458,072
Cash and cash equivalents, beginning of year	223,913
Cash and cash equivalents, end of year	\$ 681,985
Cash and cash equivalents	\$ 659,170
Restricted cash and cash equivalents	22,815
Total	\$ 681,985

**SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION:**

Reduction of loan balances	\$ 342,952
Less annual amounts forgiven on loans	(342,952)
	-
Net payments made on loans	\$ -
Cost of property and equipment acquisitions	\$ 118,829
Donated property and equipment	(20,000)
	(20,000)
Net capital expenditures	\$ 98,829

The accompanying notes are an integral part of these statements.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – Nature of Activities

Family Services of Tulare County (Family Services) is a non-profit, charitable organization formed in 1983 to operate two emergency shelters and a full range of counseling services for victims of domestic violence.

The Organization's current operations consist of the following programs:

- Emergency shelter, including meals, for battered women and children. On-site case management and counseling is provided to adult residents. Child advocates assess the needs of child residents and provide education in a therapeutic setting.
- Community-wide domestic violence crisis intervention, treatments and prevention components include three 24 hour hotlines, legal assistance with restraining orders, individual and group counseling for children and teens impacted by domestic violence and victim support groups.
- Crisis intervention, prevention and treatment for sexual assault (molest, rape) victims. Includes 24 hour hospital support, court accompaniment and counseling.
- Domestic violence and sexual assault community awareness and prevention programs with emphasis on teens and young adult audiences.
- Batterers' treatment program for perpetrators of domestic violence.
- Anger management classes for abusing parents and individuals with impulse control issues.
- Training on domestic violence and sexual assault dynamics, issues and resources to impacted professionals such as health care providers, law enforcement, educators and child welfare workers.
- Parenting skills classes.
- Individual, couples and family therapy with special emphasis on high conflict divorce and abuse and neglect.
- Specialized individual and group counseling for the developmentally disabled including conflict management and socialization and intimacy training.
- Supervised visitation and exchange for children at potential risk from a non-custodial parent.
- Financial assistance with emergency needs and individual and group counseling to individuals with HIV/AIDS and their families.
- Fundraising efforts in support of the above families.
- Legal assistance to survivors of domestic violence, sexual assault and stalking.
- Administrative and fiscal management in support of the above programs.

Family Services conducts its affairs under the management of an elected Board of Directors, a salaried executive director, various paid staff and unpaid volunteers. Family Services is supported primarily through government grants.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification for “Financial Statements of Not-for-Profit Organizations”. Under these standards, Family Services is required to report information regarding its financial position and activities into three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by Family Services is subject to donor-imposed restrictions that can be fulfilled by actions of Family Services pursuant to those restrictions or that expire by the passage of time. Contributions whose restrictions are met in the same year are reported as unrestricted contributions.

Permanently Restricted - Net assets subject to donor-imposed restrictions that may be maintained permanently by Family Services. No permanently restricted assets were held as of June 30, 2018, and accordingly, these financial statements do not reflect any activity related to this class of net assets for the year ended June 30, 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the Statement of Cash Flows, Family Services considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash and cash equivalents.

Restricted Assets

Certain donor-restricted cash and cash equivalents that are designated for long-term purposes are reflected as restricted assets. Family Services has received donor-restricted contributions for specific program activities.

Accounts Receivable

Counseling fees are charged to patients on a sliding scale based on the patient's income and number of dependents. Most fees are paid at the time of service, however, prior arrangements for payments, third party reimbursements and other exceptions do occur. It is the policy of Family Services that a patient should not be seen if they are two payments behind. Any account which has not been paid within 90 days is written off as uncollectible. A list is kept of all accounts which have been written off. If a patient returns for counseling, all prior unpaid balances must be brought up to date before an appointment will be made.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment that are purchased are shown at cost. Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the asset for a specific purpose. Generally all property and equipment with an acquisition cost of \$5,000 or more is capitalized, unless otherwise required by grantor agencies.

Depreciation is computed using the straight-line method over the estimated useful lives of the various assets.

Compensated Absences

Employees of Family Services are entitled to paid vacation and paid sick days, depending on job classification, length of service and other factors. The amount of compensation for future absences cannot be reasonably estimated, and accordingly, no liability has been recorded in the accompanying financial statements. Family Services' policy is to recognize the costs of compensated absences when actually paid to employees.

Revenue Recognition

Support received is recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any restrictions.

All restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Furthermore, it is the policy of Family Services to show restricted support whose restrictions are met in the same reporting period as unrestricted support.

Functional Allocation of Expenses

The costs of providing Family Services' programs and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program services, support services and fundraising services benefited.

Advertising

Family Services expenses advertising costs as the advertising expense is incurred.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – Summary of Significant Accounting Policies (continued)

New Accounting Principles

The following is a summary of upcoming FASB Statements that may have an impact on Family Services' future reporting:

In August 2016, the FASB issued Accounting Standards update (ASU) 2016-14, *(Not-for-Profit) Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU was presented to simplify the net asset classification requirements and improve the information presented in financial statements and notes about an NFP's liquidity, financial performance and cash flows. The new guidance is effective for periods beginning after December 15, 2017.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new guidance establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The new guidance is effective for fiscal years beginning after December 15, 2019.

In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 84, Leases*. The amendments in this Update affect narrow aspects of the guidance issued in the amendments in Update 2016-02. The new guidance is effective for fiscal years beginning after December 15, 2019.

In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. The amendments in this Update provide entities with an additional (and optional) transition method to adopt the new leases standard. The amendments in this Update also provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component when certain conditions are met. The new guidance is effective for fiscal years beginning after December 15, 2019.

NOTE 3 – Income Taxes

Family Services is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes.

NOTE 4 – Concentration of Credit Risk

Family Services maintains cash and cash equivalents with two banks located in California. Federally insured limits are \$250,000 for each.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – Grants Receivable

Grants receivable consists of funds expended for qualifying expenditures for which reimbursement has been committed by various funding agencies. Grants receivable as of June 30, 2018, consisted of the following:

Housing and Urban Development	\$ 17,743
California Office of Emergency Services	351,042
Federal Emergency Management Agency	5,145
Tulare County Health & Human Services Agency	92,827
First 5 of Tulare County	80,440
Tulare County Sheriff's Department	19,276
City of Tulare	15,436
City of Visalia	9,728
California Department of Public Health	25,777
Superior Court of Tulare County	19,138
Fresno Economic Opportunities Commission	141
Cutler-Orosi Unified School District	4,791
Violence Against Women Office	23,248
Miscellaneous	4,088
	<hr/>
Total	<u><u>\$ 668,820</u></u>

NOTE 6 – Notes Payable

The following is a summary of Family Services' notes payable at June 30, 2018:

EHAPCD loan, dated in 2010, from the State of California for the development of the Tulare Transitional Housing Facility. The loan term is ten years and shall bear interest at three percent. Repayment of the loan is deferred as long as the development is used as an emergency shelter, a transitional housing facility or a safe haven. At the completion of the initial loan term, the loan shall be forgiven. The note is collateralized by real property in Tulare, California.

590,000

EHAPCD loan, dated in 2013, from the State of California for the development of the FSTC Transitional Housing. The loan term is ten years and shall bear interest at three percent. Repayment of the loan is deferred as long as the development is used as an emergency shelter, a transitional housing facility or a safe haven. At the completion of the initial loan term, the loan shall be forgiven. The note is collateralized by real property in Visalia, California.

310,950

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – Notes Payable (continued)

Note payable to the City of Visalia, formerly known as the Redevelopment Agency of the City of Visalia, dated December 2012, for the purchase of land. The loan term is 53 years with no interest. Repayment of the loan is deferred as long as the development is used to provide for the continued availability of the property to low-income persons or families. Annually, \$482 of the loan shall be forgiven until the loan is forgiven in full. The note is collateralized by real property in Visalia, California. 23,140

Note payable to the City of Visalia, formerly known as the Redevelopment Agency of the City of Visalia, dated December 2012, for the purchase of land. The loan term is 53 years with no interest. Repayment of the loan is deferred as long as the development is used to provide for the continued availability of the property to low-income persons or families. Annually, \$2,289 of the loan shall be forgiven until the loan is forgiven in full. The note is collateralized by real property in Visalia, California. 109,850

Note payable to the City of Visalia, formerly known as the Redevelopment Agency of the City of Visalia, dated December 2012, for the purchase of land. The loan term is 53 years with no interest. Repayment of the loan is deferred as long as the development is used to provide for the continued availability of the property to low-income persons or families. Annually, \$183 of the loan shall be forgiven until the loan is forgiven in full. The note is collateralized by real property in Visalia, California. 8,783

Total notes payable	1,042,723
Less current portion	(2,954)

Long-term portion	\$ 1,039,769
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Annual required principal payments on these notes are as follows:

2019	\$ 2,954
2020	592,954
2021	2,954
2022	2,954
2023	313,904
Thereafter	127,003

Total	\$ 1,042,723
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FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of those funds received from various supporting agencies for which such funds were restricted or designated by the supporting agency for specific purposes. Temporarily restricted net assets were \$187,977, as of June 30, 2018.

NOTE 8 – Non-Monetary Donations

Non-monetary donations are valued at fair value at the time of donation. Donated services are of a professional nature and are provided by volunteers that serve in various programs of Family Services. The non-monetary donations for the year ended June 30, 2018, were \$474,751, of which \$131,797, \$20,000 and \$322,954 were for donated services, donated property and equipment and for annual amounts forgiven on loans, respectively.

NOTE 9 – Lease Commitments

Operating Leases

The lease for property located on West Murray in Visalia, California requires monthly rent payments of \$1,670. This lease expires March 31, 2020. Monthly rent payments increase to \$1,750 on April 1, 2019. Included in the lease agreement is an option to extend the lease at the expiration date for an additional three year term.

The lease for property located on West Myrtle Court in Visalia, California required monthly rent payments of \$2,660 through June 30, 2018, subject to an increase/decrease annually January 1 of each year, when Section 8 Fair Market Rents are adjusted. Included in the lease was an option to extend the expiration date for an additional three year term. At the expiration date, management decided to make this a month to month lease with the same payment terms.

The lease for property located on North Johnson in Visalia, California requires monthly rent payments of \$1,520. This lease expires July 31, 2018. Monthly rent expense is subject to a \$30 increase each July 15th. The lease was renewed effective August 1, 2018 for a period of three years. The renewal requires monthly rent payments of \$1,645, subject to a \$30 increase each August 1st.

The lease for property located on West Oak in Visalia, California requires monthly rent payments of \$1,085 for a three year term starting January 1, 2016. The monthly rent payments are subject to a \$25 increase January 1st. The lease was renewed effective upon expiration through December 31, 2021. The renewal requires monthly rent payments of \$1,275, subject to a \$25 increase commencing January 1, 2020, and each year thereafter throughout the term of the lease.

The lease for property located on Third Street in Porterville, California required monthly rent payments of \$795 for a two year term commencing April 14, 2015, upon expiration management was paying rent on a month to month basis until this lease was renewed effective September 1, 2017 for a period of two years. The renewal requires monthly rent payments of \$843.

The lease for property located on Stevenson Street in Visalia, California required monthly rent payments of \$875 for a two year term commencing July 1, 2015. Monthly rent expense is subject to a \$25 increase commencing July 1, 2016, and each year thereafter throughout the term of the lease. The lease was renewed effective July 1, 2018 for a period of three years. The renewal requires monthly payments of \$980, subject to a \$25 increase each July 1st.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – Lease Commitments (continued)

Operating Leases (continued)

The lease for property located on West Main Street in Visalia, California requires monthly payments of \$2,700 for a three year term commencing June 1, 2016. Monthly rent expense is subject to a \$100 increase on June 1, 2017, and additional \$200 increase on June 1, 2018. Management is unsure if they plan to renew upon expiration.

The lease for property located on North Church Street in Visalia, California requires monthly payments of \$1,200 for a three year term commencing January 1, 2017.

The lease for property located on West Oak Street in Visalia, California requires monthly rent payments of \$1,650 for a five year term commencing May 1, 2018. The monthly payments increase to \$1,700 per month on May 1st, 2022, for the remainder of the term.

The lease for property located on North Church Street in Visalia, California requires monthly rent payments of \$3,213 for a five year term commencing September 15, 2017. The monthly payments increase by three percent every September 15th.

The lease for copiers with U.S. Bank Equipment Finance requires monthly payments of \$1,272 for a 48 month term commencing July 1, 2018. The lease agreement contains no purchase option.

The lease for a copier with U.S. Bank Equipment Finance requires annual payments of \$136 for a 48 month term commencing February 1, 2018. The lease agreement contains no purchase option.

Rent expense during the year ended June 30, 2018, was \$217,230.

As of June 30, 2018, the future minimum operating lease payments under these non-cancelable leases, are as follows:

2019		\$ 199,109
2020		148,827
2021		126,348
2022		88,114
2023		<u>53,165</u>
Total		<u><u>\$ 615,563</u></u>

Family Services will receive no sublease revenue nor pay any contingent rental associated with these leases.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – California Office of Emergency Services

During the year, Family Services had three grants from the California Office of Emergency Services (Cal OES). Each grant contained a cash portion and may have required additional local matching by Family Services. The revenue and expenses presented in the Supplemental Schedules of Support and Expenses by Funding Source under the Cal OES columns reflect only those items of income and expense attributable to the cash portion of the grants. Amounts attributable to the local matching requirements, are detailed below:

	Domestic Violence	Rape Crisis	Child Abuse Treatment Program	Traditional Housing	Victim Services	Legal Assistance
<u>Personal Services:</u>						
Unrestricted fund:						
Other sources	\$ -	\$ -	\$ -	\$ -	\$ 39,556	\$ 2,899
In-kind volunteers	-	67,846	20,511	9,883	-	639
State of California:						
Shelter relief staff	9,448	-	-	-	-	-
Direct services staff	3,140	-	-	-	-	-
<u>Operating Services:</u>						
Unrestricted fund:						
Other sources	\$ 7,664	-	-	70,102	98,017	-
In-kind volunteers	-	3,170	-	-	-	-
Totals	<u>\$ 20,252</u>	<u>\$ 71,016</u>	<u>\$ 20,511</u>	<u>\$ 79,985</u>	<u>\$ 137,573</u>	<u>\$ 3,538</u>

NOTE 11 – Retirement Plan

Employees of Family Services are covered under a 403(b) Retirement Plan. All employees are eligible to participate in this tax-sheltered annuity and are allowed to make elective deferrals as of the first day of employment. For employees working a minimum of 30 hours per week, following the first two months of employment, Family Services contributes a dollar for every employee's dollar contribution with a maximum of \$50 per month. All employees are allowed access to the plan after reaching the age of 59 ½. The total contribution for the year ended June 30, 2018, was \$27,627.

NOTE 12 – Fair Value

Accounting principles generally accepted in the United States of America require disclosure of an estimate of fair value of certain financial instruments. Family Services' significant financial instruments are cash and cash equivalents, grants receivable and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

NOTE 13 – Subsequent Events

Management has evaluated subsequent events through December 13, 2018, the date on which the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements. However, subsequent events have occurred, the nature of which have been disclosed in Note 9.

OTHER SUPPLEMENTARY INFORMATION

**FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
SUPPLEMENTAL SCHEDULE OF SUPPORT AND EXPENSES
BY FUNDING SOURCE – FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	California Office of Emergency Services	Department of Justice	Violence Against Women Office	Federal Emergency Management Agency	California Department of Public Health	Department of Housing and Urban Development	Tulare County Health and Human Services Agency	Tulare County Sheriff's Department	Superior Court of Tulare County	Fresno Economic Opportunities Commission	City of Tulare	City of Porterville	City of Visalia	Total
Support:														
Government grants	\$ 1,667,720	\$ 136,089	\$ 166,881	\$ 30,145	\$ 148,657	\$ 168,157	\$ 227,610	\$ 19,562	\$ 91,392	\$ 31,593	\$ 154,820	\$ 12,675	\$ 25,575	\$ 2,880,876
Other revenue	-	-	-	-	-	-	-	-	-	-	18,802	-	-	18,802
Total support	1,667,720	136,089	166,881	30,145	148,657	168,157	227,610	19,562	91,392	31,593	173,622	12,675	25,575	2,899,678
Expenses:														
Salaries and wages	826,759	74,796	84,473	11,124	65,865	41,643	84,578	13,088	68,408	17,377	18,641	6,987	14,463	1,328,202
Payroll taxes	62,136	5,585	6,080	834	4,138	3,136	5,658	1,003	5,076	1,430	1,324	595	1,095	98,090
Insurance	132,081	10,599	4,886	2,076	6,703	5,930	11,895	534	5,160	3,582	1,553	496	533	186,028
Retirement	6,933	1,047	695	171	370	597	974	76	502	395	109	55	58	11,982
Administrative	231,850	6,548	33,074	2,893	69	1,616	1,940	861	1,879	860	21	17	33	281,661
Travel and conferences	34,738	3,684	3,268	-	11,930	1,129	6,507	544	6,294	828	924	1,637	417	71,900
Rent	49,097	8,162	8,383	257	4,368	61,148	3,846	1,127	6,729	1,893	645	1,036	1,218	147,909
Utilities and telephone	63,418	5,022	4,467	1,575	2,626	8,390	3,441	463	3,817	1,383	748	512	1,004	96,866
Supplies	51,249	3,167	4,673	1,918	919	2,173	889	204	1,328	300	79	86	224	67,209
Equipment rental	4,874	972	575	28	273	273	602	105	505	164	67	69	123	8,630
Food	-	-	-	71	-	-	-	-	-	-	-	-	-	71
Printing postage	936	121	544	56	84	76	120	15	81	21	16	15	24	2,109
Dues and memberships	830	-	111	100	-	-	-	-	-	-	-	-	-	1,041
General insurance	7,366	677	1,318	92	440	385	521	62	584	201	67	43	143	11,899
Advertising	143	-	785	-	-	-	-	-	-	-	-	-	-	928
Repairs and maintenance	24,942	2,241	1,264	4,242	1,291	730	1,757	156	596	477	130	132	230	38,188
Educational materials	12,662	-	41	-	-	-	48	-	1,979	-	-	-	-	14,730
Client assistance	115,507	13,470	12,242	1,787	49,212	40,931	95,872	1,231	-	2,683	149,294	3,263	5,850	491,342
Accounting and auditing	4,747	-	-	-	370	-	1,500	95	380	-	133	68	158	7,451
Total expenses	1,630,268	136,091	166,879	27,224	148,658	168,157	220,148	19,564	103,318	31,594	173,751	15,011	25,573	2,866,236
Excess revenue (expense)	\$ 37,452	\$ (2)	\$ 2	\$ 2,921	\$ (1)	\$ -	\$ 7,462	\$ (2)	\$ (11,926)	\$ (1)	\$ (129)	\$ (2,336)	\$ 2	\$ 33,442

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
SUPPLEMENTAL SCHEDULE OF SUPPORT AND EXPENSES
BY FUNDING SOURCE – STATE AND LOCAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2018

	California Office of Emergency Services	Tulare County Health and Human Services Agency	Tulare County Sheriff's Department	Tulare County Clerk/ Recorder	City of Visalia	First 5 of Tulare County	Cutler-Orosi Unified School District	Total
Support:								
Government grants	\$ 163,441	\$ 1,135,980	\$ 275,909	\$ 48,310	\$ 103,881	\$ 324,225	\$ 36,380	\$ 2,088,126
Counseling fees	-	181,579	-	-	-	-	-	181,579
Other revenue	-	-	-	-	3,984	-	-	3,984
Total support	163,441	1,317,559	275,909	48,310	107,865	324,225	36,380	2,273,689
Expenses:								
Salaries and wages	88,981	517,764	165,392	7,638	45,628	217,224	19,517	1,062,144
Payroll taxes	6,210	47,670	12,370	571	3,372	16,291	1,397	87,881
Insurance	12,042	90,900	23,950	1,154	7,493	26,756	2,654	164,949
Retirement	735	5,715	1,394	80	332	2,185	185	10,626
Administrative	4,232	260,287	5,998	6,393	1,197	4,565	368	283,040
Travel and conferences	3,019	26,207	13,757	325	925	6,827	1,191	52,251
Rent	-	35,192	2,193	8,828	3,692	8,033	68	58,006
Utilities and telephone	1,028	26,173	8,073	13,314	2,736	5,210	338	56,872
Supplies	1,937	23,236	3,481	2,522	781	1,655	330	33,942
Equipment rental	2,726	5,985	156	68	394	761	6	10,096
Printing postage	455	1,060	431	15	70	346	37	2,414
Dues and memberships	-	450	-	-	-	-	-	450
General insurance	2,574	6,170	1,267	115	440	1,686	138	12,390
Repairs and maintenance	1,487	15,201	765	5,068	705	708	12	23,946
Educational materials	-	17,995	5,008	-	-	10,312	433	33,748
Client assistance	35,930	103,760	24,804	5,551	37,777	19,681	3,164	230,667
Accounting and auditing	2,000	4,980	1,140	280	-	1,905	900	11,205
Staff training	-	250	-	-	-	-	-	250
Total expenses	163,356	1,188,995	270,179	51,922	105,542	324,145	30,738	2,134,877
Excess revenue (expense)	\$ 85	\$ 128,564	\$ 5,730	\$ (3,612)	\$ 2,323	\$ 80	\$ 5,642	\$ 138,812

**FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
<u>U.S. Department of Housing and Urban Development (HUD):</u>				
Passed Through the State of California Department of Public Health: Housing Opportunities for Persons with AIDS	14.241	2329	\$ -	\$ 69,503
Passed Through the Office of Community Planning and Development: Continuum of Care Program	14.267	**	-	168,156
Passed Through the City of Porterville: Shelter Plus Care	14.238	**	-	15,010
Passed Through the City of Visalia: Shelter Plus Care	14.238	**	-	25,575
Passed Through the City of Tulare: Shelter Plus Care	14.238	**	-	154,820
Total CFDA 14.238			-	195,405
Total U.S. Department of Housing and Urban Development (HUD)			-	433,064
<u>U.S. Department of Justice:</u>				
Services for Trafficking Victims	16.320	N/A	-	136,090
Passed Through Office of Violence Against Women: Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	**	-	125,072
Legal Assistance for Victims	16.524	**	-	41,809
Total Passed Through Office of Violence Against Women			-	166,881
Passed Through the Office of Tulare County Sheriff: Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.588	18451	-	19,562
Passed Through California Office of Emergency Services: Domestic Violence Response Team	16.588	**	-	18,735
Total CFDA 16.588			-	38,297
Crime Victims Assistance	16.575	18200	208,336	1,541,208
Total Passed Through Office of Violence Against Women			208,336	1,559,943
Passed Through the Fresno Economic Opportunities Commission: Crime Victims Assistance	16.575	**	-	27,127
Total CFDA 16.575			208,336	1,568,335
Total U.S. Department of Justice			208,336	1,909,603
<u>U.S. Department of Health and Human Services:</u>				
Passed Through the State of California Department of Public Health: Injury Prevention and Control Research and State and Community Based Programs	93.136	09-11593	-	79,154
Passed Through the County of Tulare HHSA: Medical Assistance Program	93.778	**	-	50,724
HIV Care Formula Grants	93.917	4607	-	107,801
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4730	-	61,625
Total Passed Through County of Tulare HHSA			-	220,150
Passed Through the County of Tulare Superior Court: Grants to States for Access and Visitation Programs	93.597	**	-	103,317
Passed Through the California Office of Emergency Services: Family Violence Prevention and Services/Grants for Battered Women's Shelters-Grants to States and Indian Tribes	93.671	18234	-	107,777
Passed Through the Fresno Economic Opportunities Commission: Services to Victims of a Severe Form of Trafficking	93.598	**	-	4,466
Total U.S. Department of Health and Human Services			-	514,864
<u>U.S. Department of Homeland Security:</u>				
Passed Through the Federal Emergency Management Agency: Emergency Food and Shelter National Board Program	97.024	**	-	34,925
Total U.S. Department of Homeland Security			-	34,925
Total Expenditures of Federal Awards			\$ 208,336	\$ 2,892,456

** Indicates that the PCA number was not available.
The accompanying notes are an integral part of this statement.

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Services 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 (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 2 – De Minimis Cost Rate

The Organization did not elect to use the 10% de minimis cost rate.

**FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
STATEMENT OF COSTS CLAIMED AND ACCEPTED
FOR THE YEAR ENDED JUNE 30, 2018**

	Costs	Costs Accepted		
	Claimed 2018	Actual	Matching	Total
Child Abuse Treatment (CHAT)				
Grant Number XT 15 01 1248, Grant Period (4/1/16 - 12/1/19)				
Current Period Revenue \$216,750				
Personal Services	\$ 183,807	\$ 163,296	\$ 20,511	\$ 183,807
Operating Services	53,454	53,454	-	53,454
Equipment	-	-	-	-
Totals	<u>\$ 237,261</u>	<u>\$ 216,750</u>	<u>\$ 20,511</u>	<u>\$ 237,261</u>
Domestic Violence (DV)				
Grant Number DV16301248, Grant Period (7/1/16 - 9/30/17)				
Current Period Revenue \$448,213				
Personal Services	\$ 94,631	\$ 94,631	\$ -	\$ 94,631
Operating Services	51,416	-	-	-
Equipment	-	51,416	-	51,416
Totals	<u>\$ 146,047</u>	<u>\$ 146,047</u>	<u>\$ -</u>	<u>\$ 146,047</u>
Domestic Violence (DV)				
Grant Number DV17311248, Grant Period (10/1/17 - 9/30/18)				
Current Period Revenue \$358,183				
Personal Services	\$ 303,733	\$ 291,145	\$ 12,588	\$ 303,733
Operating Services	74,702	67,038	7,664	74,702
Equipment	-	-	-	-
Totals	<u>\$ 378,435</u>	<u>\$ 358,183</u>	<u>\$ 20,252</u>	<u>\$ 378,435</u>
Rape Crisis (RC)				
Grant Number RC16251248, Grant Period (9/1/16 - 10/31/17)				
Current Period Revenue \$142,250				
Personal Services	\$ 100,295	\$ 99,693	\$ 602	\$ 100,295
Operating Services	45,727	42,557	3,170	45,727
Equipment	-	-	-	-
Totals	<u>\$ 146,022</u>	<u>\$ 142,250</u>	<u>\$ 3,772</u>	<u>\$ 146,022</u>

(Continued)

FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
STATEMENT OF COSTS CLAIMED AND ACCEPTED
FOR THE YEAR ENDED JUNE 30, 2018

	Costs Claimed	Costs Accepted		
	2018	Actual	Matching	Total
Rape Crisis (RC)				
Grant Number RC17261248, Grant Period (11/1/17 - 9/30/18)				
Current Period Revenue \$262,419				
Personal Services	\$ 238,808	\$ 171,564	\$ 67,244	\$ 238,808
Operating Services	62,704	62,704	-	62,704
Equipment	-	-	-	-
Totals	<u>\$ 301,512</u>	<u>\$ 234,268</u>	<u>\$ 67,244</u>	<u>\$ 301,512</u>
Victim Services				
Grant Number XC16011248, Grant Period (7/1/16 - 12/31/19)				
Current Period Revenue \$203,262				
Personal Services	\$ 150,701	\$ 111,145	\$ 39,556	\$ 150,701
Operating Services	190,134	92,117	98,017	190,134
Equipment	-	-	-	-
Totals	<u>\$ 340,835</u>	<u>\$ 203,262</u>	<u>\$ 137,573</u>	<u>\$ 340,835</u>
Transitional Housing				
Grant Number XH16011248, Grant Period (7/1/16 - 12/31/19)				
Current Period Revenue \$226,690				
Personal Services	\$ 151,326	\$ 141,443	\$ 9,883	\$ 151,326
Operating Services	155,349	85,247	70,102	155,349
Equipment	-	-	-	-
Totals	<u>\$ 306,675</u>	<u>\$ 226,690</u>	<u>\$ 79,985</u>	<u>\$ 306,675</u>
Domestic Violence Response Team Program				
Grant Number VA17011248, Grant Period (1/1/18 - 12/31/19)				
Current Period Revenue \$18,735				
Personal Services	\$ 12,554	\$ 12,554	\$ -	\$ 12,554
Operating Services	6,181	6,181	-	6,181
Equipment	-	-	-	-
Totals	<u>\$ 18,735</u>	<u>\$ 18,735</u>	<u>\$ -</u>	<u>\$ 18,735</u>

**FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
STATEMENT OF COSTS CLAIMED AND ACCEPTED
FOR THE YEAR ENDED JUNE 30, 2018**

(Continued)

	Costs Claimed	Costs Accepted		Total
	2018	Actual	Matching	
Legal Assistance				
Grant Number KL17011248, Grant Period (11/1/17 - 12/31/19)				
Current Period Revenue \$102,111				
Personal Services	\$ 74,933	\$ 71,395	\$ 3,538	\$ 74,933
Operating Services	30,716	30,716	-	30,716
Equipment	-	-	-	-
Totals	<u>\$ 105,649</u>	<u>\$ 102,111</u>	<u>\$ 3,538</u>	<u>\$ 105,649</u>

OTHER INDEPENDENT AUDITORS' REPORTS



REBECCA AGREDANO, C.P.A.
MARLA D. BORGES, C.P.A.
NICOLE A. CENTOFANTI, C.P.A.
WM. KENT JENSEN, C.P.A.
KATHLEEN M. LAMPE, C.P.A.
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JAMES G. DWYER, C.P.A.
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D. CHRIS NEESE, E.A.
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KRISTI WEAVER, C.P.A.
ROSALIND WONG, C.P.A.

*Dinuba
Hanford
Lindsay
Tulare
Visalia*

**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**

INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Services of Tulare County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Services of Tulare County (Family Services), 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 December 13, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Family Services' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Family Services' 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*.

We noted certain matters that we reported to management of Family Services in a separate letter dated December 13, 2018.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

M. Green and Company LLP

Visalia, California
December 13, 2018



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Services of Tulare County

Report on Compliance for Each Major Federal Program

We have audited Family Services of Tulare County's (Family Services) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Family Services' major federal program for the year ended June 30, 2018. Family Services' major federal program is 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 Family Services' major federal program 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about Family Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Family Services' compliance.

Basis for Qualified Opinion on CFDA 16.575 Crime Victim Assistance

As described in the accompanying schedule of findings and questioned costs, Family Services did not comply with requirements regarding CFDA 16.575 Crime Victim Assistance as described in finding number 2018-001 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for Family Services to comply with the requirements applicable to that program.

*Dinuba
Hanford
Lindsay
Tulare
Visalia*

Qualified Opinion on CFDA 16.575 Crime Victim Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Family Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Other Matters

Family Services' response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Family Services' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Family Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Services' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Family Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.



Visalia, California
December 13, 2018

FINDINGS AND QUESTIONED COSTS

**FAMILY SERVICES OF TULARE COUNTY
(A 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: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance? X Yes No

Identification of major program:

<u>CFDA Number</u> 16.575	<u>Name of Federal Program or Cluster</u> Crime Victims Assistance
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

**FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

NONE

Section III – Federal Findings

FINDING 2018-001

50000

SIGNIFICANT DEFICIENCY IN FEDERAL COMPLIANCE – SUBRECIPIENT MONITORING

Federal Program Information
Crime Victims Assistance
U.S. Department of Justice
Passed Through Office of Violence Against Women
Federal Catalog Number 16.575

Criteria

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) requires the subaward documents include the terms and conditions of the subaward to ascertain if, at the time of the subaward (or subsequent modification, the pass-through entity (PTE) made the subrecipient aware of the award information required by 2 CFR Section 200.331(a) sufficient for the PTE to comply with Federal statutes, regulations and the terms and conditions of the award.

Condition

The documentation given to the subrecipient was lacking information required by 2 CFR Section 200.331(a). The documentation did not include the subrecipients' unique identifier, the Federal Award Date, the CFDA number and name of the Federal Award, indirect costs rates for the federal award or appropriate terms and conditions concerning the closeout of the subaward.

Questioned Costs

The known questioned costs were \$208,336.

Proper Perspective

One of three subrecipients' award documentation was reviewed. This is systemic to all subrecipients of the Organization.

Cause

The Organization was unaware of all the elements required to be included in the documentation with the subrecipient.

Recommendation

We recommend the Organization amend all current subaward agreements with PTE to make the subrecipients aware of the award information required by 2 CFR Section 200.331(a). We also recommend that going forward all subaward agreements with PTE include all of the award information required by 2 CFR Section 200.331(a).

Views of Responsible Officials

 X Agree Disagree

The agency agrees that the initial Operational Agreements drafted for this project lacked some key information required by 2 CFR Section 200.331(a).

**FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING 2018-001

50000

SIGNIFICANT DEFICIENCY IN FEDERAL COMPLIANCE – SUBRECIPIENT MONITORING

Federal Program Information
Crime Victims Assistance
U.S. Department of Justice
Passed Through Office of Violence Against Women
Federal Catalog Number 16.575

Corrective Action Plan

Agency leadership, including Caitly Meader, Chief Executive Officer, and Stephanie Burrage, Chief Financial Officer, attended an Advanced Federal Grants Management Training in Washington, DC in November, 2017 in an effort to expand our knowledge on the management of subrecipients of federal awards. Following this training, we implemented new Subaward Agreements that are fully compliant with 2 CFR Section 200.331(a) for all new subrecipients. However, we failed to revise previously executed Operational Agreements in the new format. We have now revised and are in process of finalizing corrected and compliant subaward agreements. In addition, Family Services of Tulare County's Board of Directors approved an updated Fiscal Policy Manual on September 25, 2018 that includes a significantly expanded section on Subrecipient Award Procedures, including specific criterion for assessing subrecipient risk as well as prescribed monitoring plans for oversight of all subawards. We believe we have invested substantial effort, training and resources into improving our understanding, implementation and oversight of federal subrecipients/subawards.

Name of the Contact person Responsible for Corrective Action

Caitly Meader, Chief Executive Officer

Anticipated Completion Date

December 2018

**FAMILY SERVICES OF TULARE COUNTY
(A Non-Profit Corporation)
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Explanation if not Implemented</u>
There were no prior year findings.		