



LAKE FAMILY RESOURCE CENTER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014
(With Comparative Totals for 2013)

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

LAKE FAMILY RESOURCE CENTER
ORGANIZATION
JUNE 30, 2014

Lake Family Resource Center (Organization) is a nonprofit corporation organized in 1995 under the laws of the State of California. The primary purpose of the Organization is to provide intervention, support, education, and prevention programs to improve total health status and family wellness for all residents of Lake County.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Ilene Dumont	Chair/ Finance Committee
James R. Hilton	Vice Chair/ Finance Committee
Flora Krasnovsky	Secretary
John Tomkins	Treasurer/ Finance Committee
Bill Cornelison	Member
Barbara Flynn	Member
Richard Freeborn	Member
Andrew Peterson	Member
Gail Salituri-Layton	Member
Maria Shepard	Member

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Gloria Flaherty, Executive Director
Lisa Fronsman, Director of Finance and Operations
Stephanie Lilly, Director of Programs
Ann Mayers, Executive Administrative Assistant

ADDRESS OF ADMINISTRATIVE OFFICES

5350 Main Street
Kelseyville, CA 95451

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake Family Resource Center
Kelseyville, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Family Resource Center, (Organization) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014 and the related statement of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Family Resource Center as of June 30, 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of functional expenses and the schedules of revenue, expenses and change in net assets – by program, on pages 17 through 24, are presented for purposes of additional analysis and are not a required part of the financial statements.

This information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedules of functional expenses and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 March 31, 2015 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Lake Family Resource Center's June 30, 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 27, 2014. In our opinion, , the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Lakeport, California
March 31, 2015

FINANCIAL SECTION

LAKE FAMILY RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

	June 30, 2014	Comparative June 30, 2013
ASSETS		
Current Assets:		
Cash and equivalents	\$ 36,170	\$ 31,249
Accounts and grants receivable	180,433	217,517
Prepaid expenses	38,040	15,312
Deposits	240	240
Total Current Assets	254,883	264,318
Asset held for sale	37,695	-
Property and equipment, net of accumulated depreciation	1,200,389	1,356,822
Total Assets	\$ 1,492,967	\$ 1,621,140
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 11,843	\$ 25,915
Accrued payroll liabilities	69,593	69,171
Compensated absences	41,834	55,652
Deferred revenue	101,933	10,867
Current portion of loan payable	37,500	37,500
Current portion of capital leases	2,576	7,370
Total Current Liabilities	265,279	206,475
Long-Term Debt:		
Loan payable	300,600	339,900
Payable to County of Lake	61,875	61,875
Capital leases	-	1,963
Total Long-Term Liabilities	362,475	403,738
Total Liabilities	627,754	610,213
Net Assets:		
Temporarily Restricted	1,000,000	1,000,000
Unrestricted:		
General	(134,787)	10,927
Total Net Assets	865,213	1,010,927
Total Liabilities and Net Assets	\$ 1,492,967	\$ 1,621,140

The notes to the financial statements are an integral part of this statement.

LAKE FAMILY RESOURCE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Total June 30, 2014	Comparative June 30, 2013
SUPPORT AND REVENUES				
Support:				
Grants	\$ 2,039,374	\$ -	\$ 2,039,374	\$ 2,258,918
Other support contracts	18,940	-	18,940	6,383
Donations	65,742	-	65,742	33,576
In-kind	430,079	-	430,079	666,847
Total Support	<u>2,554,135</u>	<u>-</u>	<u>2,554,135</u>	<u>2,965,724</u>
Revenues:				
Interest income	16	-	16	18
Fundraising	48,104	-	48,104	47,742
Other	2,222	-	2,222	2,277
Total Revenues	<u>50,342</u>	<u>-</u>	<u>50,342</u>	<u>50,037</u>
Total Support and Revenues	<u>2,604,477</u>	<u>-</u>	<u>2,604,477</u>	<u>3,015,761</u>
EXPENSES				
Child and Youth Development	1,350,656	-	1,350,656	1,613,224
Parenting Education and Personal Development	208,596	-	208,596	260,809
Family and Community Violence Prevention, Intervention, and Treatment	781,267	-	781,267	850,450
Health and Wellness	83,585	-	83,585	255,499
General Operating	205,966	-	205,966	278,598
Fundraising	22,792	-	22,792	23,556
Total Expenses	<u>2,652,862</u>	<u>-</u>	<u>2,652,862</u>	<u>3,282,136</u>
Decrease in net assets before extraordinary item	(48,385)	-	(48,385)	(266,375)
EXTRAORDINARY ITEM				
Loss on asset held for sale	(97,329)	-	(97,329)	-
Decrease in unrestricted net assets	(145,714)	-	(145,714)	(266,375)
Net Assets - Beginning	<u>10,927</u>	<u>1,000,000</u>	<u>1,010,927</u>	<u>1,277,302</u>
Net Assets - Ending	<u>\$ (134,787)</u>	<u>\$ 1,000,000</u>	<u>\$ 865,213</u>	<u>\$ 1,010,927</u>

The notes to the financial statements are an integral part of this statement.

LAKE FAMILY RESOURCE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	June 30, 2014	Comparative June 30, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (145,714)	\$ (266,375)
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities:		
Depreciation expense	28,858	28,454
Loss on asset held for sale	97,329	-
Accounts and grants receivable	37,084	155,591
Prepaid expenses	(22,728)	4,212
Increase (Decrease) in Liabilities:		
Accounts payable	(14,072)	(951)
Accrued payroll liabilities	422	1,921
Compensated absences	(13,818)	(1,678)
Deferred revenue	91,066	254
	58,427	(78,470)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, equipment and land improvements	(7,450)	(5,065)
Net Increase (Decrease) in Cash flows from investing activities	(7,450)	(5,065)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on loan payable	(39,300)	(14,600)
Payments on capital leases	(6,756)	(5,305)
Net increase (decrease) in cash flows from financing activities	(46,056)	41,970
Net Increase (Decrease) in Cash flows from all activities	4,921	(41,565)
Cash and Equivalents - Beginning	31,249	72,814
Cash and Equivalents - Ending	\$ 36,170	\$ 31,249
SUPPLEMENTAL DISCLOSURES		
Amount paid for interest	\$ 17,829	\$ 10,192

The notes to the financial statements are an integral part of this statement.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

Lake Family Resource Center (Organization) is a nonprofit corporation organized in 1995 under the laws of the State of California. The primary purposes of the Organization are to provide intervention, support, education, and prevention programs to improve total health status and family wellness for all residents of Lake County.

B. Functional Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities.

The Organization maintains the following six main functions:

Child and Youth Development – The program is comprised of the following specialized services: The Early Head Start Program is a national program that promotes school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social, and other services to enrolled children and families. The Adolescent Family Life Program promotes the development of collaborative and integrated systems of care that support pregnant and parenting adolescents and their children. Early Start provides family support services to developmentally disabled infants, toddlers and their families through the local Family Resource Center/Network (FRC/N) as specified in Government Code Section 95016(B). Prevention Resource and Referral Services (PRRS) provides delivery of outreach, information and referral to generic services to “at-risk” babies in our region. The Cal-Learn program assists CalWORKs teen parents in becoming self-sufficient by addressing the unique educational, vocational, training, health and other social service needs they may require. Financial incentives and penalties are used to encourage these teen parents to stay in or return to school and earn a high school diploma or its equivalent. In addition, a case manager works with the teen parent and provides intensive case management as well as supportive services.

Parenting Education and Personal Development – The program is comprised of the following specialized services: The Nurturing Parenting Programs teach age-specific parenting skills along with addressing the need to nurture oneself. The Be-Fresh Program in collaboration with the county welfare department and Lake FRC's nutrition education providers, as partners, coordinate efforts to implement community nutrition interventions and educate CalFresh participants and SNAP-Ed eligibles on making healthier choices within their limited budget. The program promotes the 2010 Dietary Guidelines for Americans, to increase fruit and vegetable consumption and increase physical activity among the CalFresh and SNAP-Ed eligible population. Target areas have a high number of CalFresh participants who are at or below 130% Federal Poverty Level (FPL).

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Family and Community Violence Prevention, Intervention, and Treatment – The program is comprised of various specialized services: The Domestic Violence Assistance Program and Welfare to Work Program provide a domestic violence shelter and counseling services. The Child Abuse Treatment Program provides comprehensive direct services to children who are victims of abuse, neglect, domestic violence, community violence, and abduction. The Rape Crisis Center and Rape Prevention and Education Programs assist sexual assault victims in dealing with the emotional trauma inflicted by the assault, and conduct activities related to the prevention of sexual violence. Differential Response (DR) is an alternate response for low or moderate severity child abuse and neglect cases. It allows our Family Advocates and county social workers to work together to engage and include families and other community support systems to ensure child safety without making a strict “finding.”

Health and Wellness – The program is comprised of the following specialized services: California Personal Responsibility Education Program (CA PREP) is intended to educate youth on preventing pregnancy and sexually transmitted infections (STIs), including the human immunodeficiency virus (HIV). The program includes both abstinence based and contraception, and covers selected adulthood preparation subjects (APS).

General Operating – General operating expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Fundraising – Fundraising activities are organized by the Lake Family Resource Center Fundraising Committee and include the Wine and Chocolate Event, participation in the Olive Festival and other small events.

C. Measure of Operations

In its statement of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities.

D. Accounting Policies

The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the asset contributed. When a donor 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.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restrictions are those that specify a use of funds or assets that are significantly more specific than the broad purpose of the Organization for which the tax-exemption has been granted. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Unrestricted Net Assets – The unrestricted net assets account is for resources over which the governing board has discretionary control to use in carrying on the general operations of the Organization.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2014, the Organization had \$1,000,000 in temporarily restricted net assets to report on its Statement of Financial Position.

Permanently Restricted Net Assets – Permanently Restricted Net Assets represent contributions in which the donor has stipulated, as a condition of the gift, that the use of the proceeds are used for purposes that are permanently restricted or principal be maintained intact and only the earnings of the fund be expended as the donor has specified. At June 30, 2014 the Organization had no permanently restricted net assets.

F. Cash and Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. At June 30, 2014 and 2013, the Organization did not have any highly liquid investments.

G. Accounts Receivable

Accounts receivable are stated at unpaid balances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The estimated allowance for doubtful accounts has not been recorded as it is determined to be immaterial.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the useful lives of the respective assets. Property and equipment purchased in connection with the restricted funds of the U.S. Department of Health and Human Services are expensed during the grant period. Assets purchased with grantor funds, which are not expensed in the period acquired, are recorded in the accompanying balance sheet as capital assets, with a corresponding entry to net assets.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Maintenance and repairs are charged to the expense as incurred. Major furniture, equipment, and betterments are capitalized and depreciated over their respective useful lives. The Organization capitalizes all asset purchases of \$5,000 or more and with a useful life of greater than one year, except where a grantor may impose a different threshold.

I. Deferred Revenue

Cash received for Federal, State, and other restricted projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

J. Allocation of Expenses

Costs incurred that are not chargeable directly to a program are allocated between the programs/grants, generally on a child served basis or allocated based on each program's number of full-time equivalent employees.

K. Donated Goods and Services

Donated materials and services (in-kind) are reflected as contributions in the accompanying statements at their fair market value. Such services would have been purchased if not provided by donation or required specialized skills and are provided by individuals possessing such specialized skills. The types of in-kind donated to the Organization include volunteer services, mileage, and supplies. The total in-kind contributions for the year ended June 30, 2014 and 2013, were \$430,079 and \$666,847 respectively.

L. Budgets and Budgetary Accounting

Formal budgeting integration is employed as a management control device in that the budget is developed on a basis consistent with generally accepted accounting principles as approved by the Board of Directors which is updated as circumstances dictate.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

O. Income Taxes

The Organization is exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code. Unrelated business income, of which the Organization had none for the year ended June 30, 2014, would be subject to federal income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2011, 2010 and 2009 are subject to examination by the IRS.

NOTE 2. CASH AND EQUIVALENTS

Cash and equivalents at June 30, 2014 and 2013 were \$36,170 and \$31,249, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair values to changes in market interest rates.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization does not have a formal policy for custodial credit risk for deposits. Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014 and 2013, the Organization's bank balances were fully insured.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2014 and 2013, accounts and grants receivable consisted of the following:

	<u>2014</u>	<u>2013</u>
California Dept. of Public Health	\$ 38,558	\$ 42,373
California Office of Emergency Services	97,521	82,786
California Dept. of Health Services	8,079	12,020
California Dept. of Developmental Services	6,154	2,450
County of Lake Dept. of Administration	3,006	4,080
County of Lake Dept. of Social Services	8,545	22,028
County of Lake Dept. of Public Health	480	31,271
St. Helena Hospital	-	3,960
United Way of the Wine Country	-	7,000
Other Receivables	18,090	9,549
Total Accounts and Grants Receivable	<u>\$ 180,433</u>	<u>\$ 217,517</u>

NOTE 4. PROPERTY AND EQUIPMENT

At June 30, 2014 and 2013, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Property and Equipment:		
Land	\$ 540,000	\$ 577,695
Leashold improvements	325,738	318,288
Buildings and improvements	715,078	827,383
Equipment	216,774	216,774
Vehicles	76,483	76,483
Total Property and Equipment	1,874,073	2,016,623
Less Accumulated Depreciation	<u>(673,684)</u>	<u>(659,801)</u>
Total Property and Equipment, Net	<u>\$ 1,200,389</u>	<u>\$ 1,356,822</u>

Total depreciation expense for the year ended June 30, 2014 and 2013, was \$28,858 and \$28,454, respectively.

LAKE FAMILY RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 5. COMPENSATED ABSENCES

Vacation and holiday benefits are accrued on a monthly basis beginning at the employee's date of hire and can be used three months after an employee's official hire date. Regular status employees are eligible for vacation and holiday accrual. Currently, the Organization, does not maintain a policy to cap the accrued balances.

Employees earn vacation time at the following rates:

1-3 years:	2 weeks vacation
3-5 years:	3 weeks vacation
5-7 years:	4 weeks vacation
7-10 years:	5 weeks vacation
10+ years:	6 weeks vacation

Total accrued vacation and holiday time at June 30, 2014 and 2013, was \$41,834 and \$55,652, respectively.

NOTE 6. LOAN PAYABLE

On May 22, 2013, the Organization's line of credit was converted to a loan payable by the lender. The interest rate on the note payable is variable with an initial rate of 3.25% and a maturity date of November 15, 2014. At June 30, 2014, the Organization had a balance due in the amount of \$338,100. Future payments on the loan payable are as follows:

<u>For the Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 37,500	\$ 10,988	\$ 48,488
2016	300,600	3,257	303,857
Total	<u>\$ 338,100</u>	<u>\$ 14,245</u>	<u>\$ 352,345</u>

NOTE 7. PAYABLE TO COUNTY OF LAKE

During the year ended June 30, 2013, costs determined unallowable to the Tobacco program, a program maintained by the Organization on behalf of the County of Lake, resulted in an amount to be repaid to the County. The amount payable is \$61,875. As of, June 30, 2014 the Organization had negotiated a repayment plan with the County of Lake. According to the note, the balance is secured by the property owned by the Organization at 1293 Craig Avenue, Lakeport, California 95453. Payments may be made on this from time to time as funds are available. The balance is due in full on or before November 1, 2024. The organization also agrees to remit at least one-third of unrestricted donations received in amounts greater than \$1,000 to the County of Lake, as a payment on principle, as they are received.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. CAPITAL LEASES

Equipment under capital leases consist of a phone and card lock system with a combined capitalized cost of \$36,852. Accumulated depreciation in the statement of financial position includes \$9,645 relating to these leased items. Depreciation expense reported in the statement of activities includes \$3,685 for the equipment under capital lease. Future minimum lease payments are as follows:

<u>For the Year Ended June 30:</u>	<u>Lease Payment</u>
2015	\$ 3,267
Total	3,267
Less Amount Representing Interest	<u>(691)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 2,576</u></u>

NOTE 9. OPERATING LEASES

The Organization conducts operations from a facility that is leased under a 3-year non-cancelable, interest free, operating lease expiring on October 30, 2014. Future payments are as follows:

<u>For the Year Ended June 30:</u>	<u>Lease Payment</u>
2015	\$ 5,620
Total	<u><u>\$ 5,620</u></u>

Additionally, the Organization conducts operations from a different facility that is leased under a year-to-year operating lease expiring on February 29, 2014. Payments are made twice a year in the amount of \$41,700. As of March 1, 2014, the lease was renewed under similar terms. However payments are due and payable on the 1st day of each month in the amount of \$6,960.

For the year ended June 30, 2014, total rent expense for the facility leases above was \$102,786.

The Organization leases office equipment under a 5-year non-cancelable, interest free, operating lease expiring on December, 31 2014. As of the date of this report, the lease had been renewed for three years under the the same terms. Future payments are as follows:

<u>For the Year Ended June 30:</u>	<u>Lease Payment</u>
2015	\$ 9,180
Total	<u><u>\$ 9,180</u></u>

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10. EXTRAORDINARY ITEM

In March of 2009, the Organization received a donation of land and building located at 14264 Austin Road, Clearlake, California. The estimated value at the time of the donation was \$150,000. The Organization has ceased all program activities at the site due to the identification of a natural gas vent, rendering the facility unsafe. As of the date of this report, the Organization is in negotiations with a local school district who is interested in the property for the development of a parking lot. Due to the potential liability and costs associated with mitigating the natural gas vent, the Organization is considering donating the property to the school district. The carrying value of the property has been determined by management to be impaired. An estimate of value was obtained from a licensed real estate agent and the impairment loss on the property is determined to be \$97,329.

NOTE 11. TEMPORARILY RESTRICTED NET ASSETS

During the year ended June 30, 2010 the Organization entered into a \$1,000,000 loan contract with Department of Housing and Community Development (HCD) for an Emergency Housing Assistance Program Capital Development (EHAPCD) deferred loan for the purchase of the Development described as Lake Family Resource Center Domestic Violence Shelter. Repayment of the Loan shall be 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 ten (10) year loan term, the loan shall be forgiven. If the development is not used for the above activities the promissory note shall bear interest at a rate of 3% simple interest per annum. The Organization intends to use the facility as an emergency center through the ten-year loan period.

NOTE 12. EMPLOYEE BENEFIT PLANS

The Organization maintains a defined contribution retirement plan available to its employees, which allows participants to make tax deferred investment contributions. The plan qualifies under the provision 403(b) of the Internal Revenue Code of 1954, as amended. The Organization may contribute a percentage of gross salaries to the plan. The total employer's cash contributions made by the Organization to the Plan for the years ended June 30, 2014 and 2013 was \$24,335 and \$45,157, respectively.

NOTE 13. RISK CONCENTRATION

During the years ended June 30, 2014 and 2013, approximately 67%, and 50%, respectively, of the total funding for the Organization came from the U.S. Department of Health and Human Services and California Emergency Management Agency.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14. BUSINESS CONDITION

The Organization has experienced deficit spending in each of the last five years. For the year ended June 30, 2014 the Organization's unrestricted net assets are \$(134,787). Those factors, as well as the Organization's Line of Credit being converted to long-term debt, as described in Note 6, create an uncertainty about the Organization's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue.

Lake Family Resource Center began taking aggressive action to address deficit spending in April of 2013. Prior to that time, due to funding cutbacks, reduction in donations, and the federal sequestration during the Great Recession, the agency was struggling to maintain critical services while holding hope that funding would return to previous levels. It became clear in Spring 2013 that was not likely, so the Board of Directors and the Organization's administration are currently taking the following steps:

Although the agency experienced another deficit year, the shortfall was primarily due to depreciation; an impairment loss of the Clearlake property; a reclassification of workers compensation rates; and an incorrectly booked pre-paid liability. Management does not believe there is an ongoing structural deficit. Additionally, the Organization met its obligation to pay down the term loan and negotiated a 5-year payoff with Umpqua Bank. While the ongoing concern remains, the agency is making progress toward improving its financial position.

The actions taken by the Organization have begun to "right the ship" and it is the intent of the Board of Directors and Agency Administration to continue this emerging trend.

NOTE 15. COMMITMENTS AND CONTINGENCIES

A. Grants

The Organization received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Organization. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Organization at June 30, 2014.

B. Litigation

As of June 30, 2014 the Organization is not currently involved in any litigation.

C. Commitments

As of June 30, 2014 the Organization had no material commitments outstanding.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Organization through March 31, 2015 and concluded that no subsequent event(s) have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTARY INFORMATION SECTION

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through / Direct Funded Identifying Number	Federal Expenditures
U.S. Department of Justice:			
Passed through California Emergency Management Agency (CalEMA):			
Crime Victim Assistance Rape Crisis	16.575	RC 12 15 1641	\$ 5,467
Crime Victim Assistance Rape Crisis	16.575	RC 13 16 1641	63,454
Crime Victim Assistance - CHAT	16.575	AT 12 09 1641	58,902
Crime Victim Assistance - CHAT	16.575	AT 13 10 1641	85,428
Crime Victim Assistance - DVAP	16.575	DV 13 13 1641	<u>184,800</u>
Total U.S. Department of Justice			<u>398,051</u>
U.S. Department of Health and Human Services:			
Early Head Start	93.600	09CH9075/07	660,962
Early Head Start	93.600	09CH9075/08	174,999
Passed through Lake County Department of Social Services:			
Temporary Assistance for Needy Families - Welfare to Work	93.558		25,000
Temporary Assistance for Needy Families - Cal-Learn	93.558		62,637
Passed through California Department of Health Services:			
Adolescent Family Life Demonstration Projects	93.995	12-10068	<u>35,000</u>
Total U.S. Department of Health and Human Services			<u>958,598</u>
U.S. Department of Agriculture:			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	17-3008-OJ	<u>14,531</u>
Total Department of Agriculture			<u>14,531</u>
Total Expenditures of Federal Awards			<u>\$ 1,371,180</u>

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Program Services				Unrestricted		Total All Programs	
	Child and Youth Development	Parenting Education and Personal Development	Family and Community Violence Prevention, Intervention, and Treatment	Health and Wellness	General Operating	Fundraising	June 30, 2014	Comparative June 30, 2013
EXPENSES								
Salaries	\$ 574,474	\$ 105,948	\$ 421,108	\$ 47,620	\$ 130,678	\$ -	\$ 1,279,828	\$ 1,394,610
Employee benefits and payroll taxes	162,805	32,049	123,877	13,596	61,474	-	393,801	527,090
Administrative costs	8,237	23,436	37,214	4,978	(73,865)	-	-	-
Audit and tax preparation	6,637	1,449	4,368	295	1,650	-	14,399	13,523
Client assistance	17,127	5,328	3,366	1,017	52	-	26,890	32,490
Communications	17,986	3,324	15,415	790	29	-	37,544	32,201
Consultants and sub-contractors	3,050	-	8,570	29	12,182	-	23,831	47,800
Depreciation	-	-	-	-	28,858	-	28,858	28,454
Equipment leases and maintenance	34,521	8,305	29,272	2,750	8,470	2,252	85,570	93,061
Insurance	12,287	2,653	7,994	540	975	-	24,449	26,989
Mileage	14,479	1,375	11,923	1,171	3,071	210	32,229	36,865
Rent	65,446	10,593	24,364	2,383	-	-	102,786	111,221
Supplies	8,792	1,782	9,584	870	2,255	299	23,582	28,054
Travel and training	25,555	2,757	12,148	3,196	3,594	-	47,250	64,985
Utilities	16,255	3,463	26,602	825	1,587	-	48,732	53,742
Other	5,758	630	2,268	3,085	24,256	17,037	53,034	62,329
In-kind	377,247	5,504	43,194	440	700	2,994	430,079	666,847
Repayment to County of Lake	-	-	-	-	-	-	-	61,875
Total expenses	<u>\$ 1,350,656</u>	<u>\$ 208,596</u>	<u>\$ 781,267</u>	<u>\$ 83,585</u>	<u>\$ 205,966</u>	<u>\$ 22,792</u>	<u>\$ 2,652,862</u>	<u>\$ 3,282,136</u>

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF REVENUE, EXPENSES, AND
CHANGE IN NET ASSETS – BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2014

	Child and Youth Development			Total All Programs 2014
	Adolescent Family Life Program	Early Head Start	Other	
SUPPORT AND REVENUES				
Support:				
Grants	\$ 42,908	\$ 849,155	\$ 66,944	\$ 959,007
Donations and Fundraising	800	-	-	800
In-Kind	100	377,047	100	377,247
Total Support	<u>43,808</u>	<u>1,226,202</u>	<u>67,044</u>	<u>1,337,054</u>
EXPENSES				
Salaries	27,833	506,165	40,476	574,474
Employee Benefits & Payroll Taxes	8,191	140,485	14,129	162,805
Administrative Costs	2,218	-	6,019	8,237
Audit & Tax Prep	196	5,901	540	6,637
Client Assistance	-	16,777	350	17,127
Communications	554	16,173	1,259	17,986
Consultants & Sub-Contractors	-	3,050	-	3,050
Equipment Leases & Maint	1,266	30,420	2,835	34,521
Insurance	472	10,802	1,013	12,287
Mileage	2,432	10,763	1,284	14,479
Rent	1,531	59,429	4,486	65,446
Supplies	116	8,182	494	8,792
Travel & Training	701	24,793	61	25,555
Utilities	526	14,736	993	16,255
Other	2,205	2,824	729	5,758
In-Kind	100	377,047	100	377,247
Total expenses	<u>48,341</u>	<u>1,227,547</u>	<u>74,768</u>	<u>1,350,656</u>
CHANGE IN NET ASSETS	<u>\$ (4,533)</u>	<u>\$ (1,345)</u>	<u>\$ (7,724)</u>	<u>\$ (13,602)</u>

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF REVENUE, EXPENSES, AND
CHANGE IN NET ASSETS – BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2014

SUPPORT AND REVENUES	Parenting Education and Personal Development			
	Child Abuse Prevention Intervention	Be Fresh	Other	Total All Programs 2014
	Support:			
Grants	\$ 71,012	\$ 119,935	\$ -	\$ 190,947
Other Support Contracts	-	-	4,438	4,438
Donations and Fundraising	-	-	2,278	2,278
In-Kind	-	-	5,504	5,504
Total Support	<u>71,012</u>	<u>119,935</u>	<u>12,220</u>	<u>203,167</u>
Revenues:				
Other	-	-	116	116
Total Revenues	<u>-</u>	<u>-</u>	<u>116</u>	<u>116</u>
Total Support and Revenues	<u>71,012</u>	<u>119,935</u>	<u>12,336</u>	<u>203,283</u>
EXPENSES				
Salaries	37,877	63,941	4,130	105,948
Employee Benefits & Payroll Taxes	11,006	19,894	1,149	32,049
Administrative Costs	7,000	13,436	3,000	23,436
Audit & Tax Prep	398	1,051	-	1,449
Client Assistance	4,187	942	199	5,328
Communications	1,084	2,217	23	3,324
Equipment Leases & Maint	2,528	5,485	292	8,305
Insurance	729	1,924	-	2,653
Mileage	118	1,007	250	1,375
Rent	3,569	6,949	75	10,593
Supplies	1,081	682	19	1,782
Travel & Training	62	165	2,530	2,757
Utilities	1,580	1,883	-	3,463
Other	197	383	50	630
In-Kind	-	-	5,504	5,504
Total expenses	<u>71,416</u>	<u>119,959</u>	<u>17,221</u>	<u>208,596</u>
CHANGE IN NET ASSETS	<u>\$ (404)</u>	<u>\$ (24)</u>	<u>\$ (4,885)</u>	<u>\$ (5,313)</u>

See accompanying notes to supplementary information.

**LAKE FAMILY RESOURCE CENTER
SCHEDULE OF REVENUE, EXPENSES, AND
CHANGE IN NET ASSETS – BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2014**

Family and Community Violence Prevention, Intervention, and Treatment

	CEMA - Child Abuse Treatment		Cal EMA	Cal EMA	Dept. Health	Welfare to	Lake Co.	Other	Total
	7/1/2012 - 9/30/12	10/1/2012 - 6/30/2013	Domestic Viol Assist Prog	Rape Crisis	Services Rape RPE	Work	Differential Response	Programs	All Programs 2014
SUPPORT AND REVENUES									
Support:									
Grants	\$ 85,428	\$ 60,195	\$ 386,576	\$ 95,870	\$ 22,261	\$ 24,900	\$ 70,000	\$ 48,495	\$ 793,725
Donations and Fundraising	-	-	7,300	1,851	-	-	-	1,500	10,651
In-Kind	-	-	43,194	-	-	-	-	-	43,194
Total Support	85,428	60,195	437,070	97,721	22,261	24,900	70,000	49,995	847,570
EXPENSES									
Salaries	13,232	55,163	220,624	54,680	11,946	12,727	38,379	14,357	421,108
Employee Benefits & Payroll Taxes	5,028	15,018	63,505	17,857	3,484	3,691	11,292	4,002	123,877
Administrative Costs	-	-	20,278	6,929	1,250	1,456	4,801	2,500	37,214
Audit & Tax Prep	117	565	2,372	631	118	159	406	-	4,368
Client Assistance	-	816	1,742	194	-	-	-	614	3,366
Communications	576	1,062	8,249	3,359	305	442	1,417	5	15,415
Consultants & Sub-Contractors	4,042	4,119	350	29	4	8	18	-	8,570
Equipment Leases & Maint	683	2,658	18,460	3,091	985	917	1,887	591	29,272
Insurance	502	747	4,341	1,155	216	290	743	-	7,994
Mileage	51	141	5,035	1,177	828	310	3,890	491	11,923
Rent	2,311	5,114	3,509	5,371	1,148	1,641	5,270	-	24,364
Supplies	93	737	3,965	1,282	325	156	337	2,689	9,584
Travel & Training	1,267	593	4,274	713	688	17	45	4,551	12,148
Utilities	453	906	20,730	2,027	583	832	1,071	-	26,602
Other	66	1,049	764	199	29	43	118	-	2,268
In-Kind	-	-	43,194	-	-	-	-	-	43,194
Total expenses	28,421	88,688	421,392	98,694	21,909	22,689	69,674	29,800	781,267
CHANGE IN NET ASSETS	\$ 57,007	\$ (28,493)	\$ 15,678	\$ (973)	\$ 352	\$ 2,211	\$ 326	\$ 20,195	\$ 66,303

See accompanying notes to supplementary information.

**LAKE FAMILY RESOURCE CENTER
SCHEDULE OF REVENUE, EXPENSES, AND
CHANGE IN NET ASSETS – BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2014**

	Health and Wellness			Total All Programs 2014
	Cal - Prep	Warming Center	Other Programs	
SUPPORT AND REVENUES				
Support:				
Grants	\$ 48,897	\$ 7,500	\$ 6,720	\$ 63,117
Other Support Contracts	-	100	1,640	1,740
Donations and Fundraising	-	16,281	2,250	18,531
In-Kind	-	440	-	440
Total Support	48,897	24,321	10,610	83,828
Revenues:				
Other	-	-	2,041	2,041
Total Revenues	-	-	2,041	2,041
Total Support and Revenues	48,897	24,321	12,651	85,869
EXPENSES				
Salaries	23,924	18,742	4,954	47,620
Employee Benefits & Payroll Taxes	7,115	4,244	2,237	13,596
Administrative Costs	2,608	-	2,370	4,978
Audit & Tax Prep	295	-	-	295
Client Assistance	833	100	84	1,017
Communications	772	5	13	790
Consultants & Sub-Contractors	29	-	-	29
Equipment Leases & Maint	1,335	1,372	43	2,750
Insurance	540	-	-	540
Mileage	895	182	94	1,171
Rent	2,383	-	-	2,383
Supplies	298	530	42	870
Travel & Training	3,183	-	13	3,196
Utilities	673	152	-	825
Other	136	-	2,949	3,085
In-Kind	-	440	-	440
Total expenses	45,019	25,767	12,799	83,585
CHANGE IN NET ASSETS	\$ 3,878	\$ (1,446)	\$ (148)	\$ 2,284

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1. PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

Office of Management and Budget (OMB) Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state requirements.

B. Schedule of Functional Expenses

This schedule provides information on the Lake Family Resource Center's (Organization) expenditures on a functional basis.

C. Schedule of Revenues, Expenses and Changes in Net Assets – by Program

The accompanying Schedule of Revenues, Expenses and Changes in Net Assets by Program are presented for additional analysis by program.

NOTE 2. BASIS OF PRESENTATION

A. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grants activity of the Organization and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Schedule of Functional Expenses

The accompanying Schedule of Functional Expenses is presented using the accrual basis of accounting.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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 AUDITOR'S REPORT

Board of Directors
Lake Family Resource Center
Kelseyville, CA

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 Lake Family Resource Center (Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying findings and responses that we consider to be significant deficiencies, as item 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Robertson & Associates, CPAs

Lakeport, California
March 31, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake Family Resource Center
Kelseyville, CA

Report on Compliance for Each Major Federal Program

We have audited Lake Family Resource Center (Organization)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2014.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 OMB Circular A-133, 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 Organization'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Organization as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Organization's basic financial statements. We issued our report thereon dated March 31, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Robertson & Associates, CPAs

Lakeport, California

March 31, 2015

FINDINGS AND QUESTIONED COSTS SECTION

LAKE FAMILY RESOURCE CENTER
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<i>unmodified</i>			
Internal control over financial reporting:				
Material weakness identified?	_____	Yes	<div style="display: flex; justify-content: space-around;"> X </div>	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes	<div style="display: flex; justify-content: space-around;"> X </div>	None
Noncompliance material to financial statements noted?	X	Yes	<div style="display: flex; justify-content: space-around;"> X </div>	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	<i>unmodified</i>			
Internal control over financial reporting:				
Material weakness identified?	_____	Yes	<div style="display: flex; justify-content: space-around;"> X </div>	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	<div style="display: flex; justify-content: space-around;"> X </div>	None
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	_____	Yes	<div style="display: flex; justify-content: space-around;"> X </div>	No
Identification of major program				
CFDA Number	16.575	Name of Federal Program or Cluster		
		Crime Victim Assistance		
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000			
Auditee qualified as low-risk auditee?	X	Yes	<div style="display: flex; justify-content: space-around;"> X </div>	No

LAKE FAMILY RESOURCE CENTER
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section II - Financial Statement Findings

2014-001 Deficit Spending

Condition

The Organization's unrestricted net assets have decreased in each of the last five fiscal years in the amounts of \$145,714, \$266,375, \$297,325, \$80,824 and \$24,025.

Effect

Continued deficit spending could affect the Organization's ability to meet its financial obligations in the future.

Cause

The Organization's budget, which does not include depreciation, was approved without a structural deficit. However, after depreciation was recognized and additional worker's compensation costs were incurred, the Organization sustained a decrease to unrestricted net assets.

Criteria

Maintaining adequate reserves is essential to establishing financial stability. Reserves provide a cushion to deal with operating deficits that may arise because of unexpected events, economic uncertainties or lean funding periods.

Recommendation

The Organization should continue to closely monitor its budget and search for ways to increase operating reserves.

Organization Response and Action Plan

Please see Management Plan discussion under Note 14. The agency intends to continue its increase in funds development to raise discretionary dollars to put toward operating reserves and reduce the debt load of the Organization.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs relative to federal awards or programs.

LAKE FAMILY RESOURCE CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding/Recommendation	Current Status	Organization Explanation, If Not Implemented
2013-001 The Organization's General Fund has incurred deficit spending in the last four fiscal years in the amounts of \$266,375, \$297,325, \$80,824 and \$24,025. The Organization should continue to closely monitor its budget and search for ways to increase operating reserves.	Repeated	See Recommendation 2014-001.
2013-002 The cognizant agency determined the Organization had costs that were unallowable. The Organization should develop policies and procedures to monitor compliance of program reporting.	Not repeated	

**SUPPLEMENTAL REPORTING REQUIREMENT OF THE
CALIFORNIA EMERGENCY MANAGEMENT AGENCY**

LAKE FAMILY RESOURCE CENTER
CALIFORNIA EMERGENCY MANAGEMENT AGENCY
STATUS OF CASH
FOR THE YEAR ENDED JUNE 30, 2014

Rape Crisis Center

Grant No:	RC 12 15 1641
Grant Period:	07/01/2013 - 08/31/13
Grant No:	RC 10 13 1641
Grant Period:	9/1/2011 - 06/30/2012
Grant Cash Received:	\$ 80,513
Grantee Matched Funds:	-
Grant Expenditures:	<u>(98,909)</u>
Cash on hand at the end of grant period	<u><u>\$ (18,396)</u></u>

Domestic Violence Assistance Program

Grant No:	DV 13 13 1641
Grant Period:	<u>7/1/2013 - 06/30/2014</u>
Grant Cash Received:	\$ 323,607
Grantee Matched Funds:	-
Grant Expenditures:	<u>(393,670)</u>
Cash on hand at the end of grant period	<u><u>\$ (70,063)</u></u>

Child Abuse Treatment

Grant No:	AT 12 09 1641
Grant Period:	<u>07/01/2013 - 09/30/2014</u>
Grant No:	AT 13 10 1641
Grant Period:	<u>10/01/2013 - 06/30/2014</u>
Grant Cash Received:	\$ 95,298
Grantee Matched Funds:	-
Grant Expenditures:	<u>(117,108)</u>
Cash on hand at the end of grant period	<u><u>\$ (21,810)</u></u>

LAKE FAMILY RESOURCE CENTER
 CALIFORNIA EMERGENCY MANAGEMENT AGENCY
 STATEMENT OF APPROVED BUDGET AND CUMULATIVE EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2014

Statements of Approved Budget and Cumulative Expenditures

Rape Crisis Center

Grant No.

RC 12 15 1641 July - Aug 2013

RC 13 16 1641 Sept 2013 - June 2014

	Budget	Audited Expenditures	Unexpended To-Date
Personal Services	\$ 73,960	\$ 72,539	\$ 1,421
Operating Expenses	27,210	26,370	840
Totals	<u>\$ 101,170</u>	<u>\$ 98,909</u>	<u>\$ 2,261</u>

Domestic Violence Assistance Program

Grant No.

DV 13 13 1641 July 2013 - June 2014

	Budget	Audited Expenditures	Unexpended To-Date
Personal Services	\$ 304,527	\$ 297,842	\$ 6,685
Operating Expenses	100,294	139,022	(38,728)
Totals	<u>\$ 404,821</u>	<u>\$ 436,864</u>	<u>\$ (32,043)</u>

Child Abuse Treatment

Grant No.

AT 12 09 1641 July - Sept 2013

AT 13 10 1641 Oct 2013 - June 2014

	Budget	Audited Expenditures	Unexpended To-Date
Personal Services	\$ 98,912	\$ 88,439	\$ 10,473
Operating Expenses	56,981	28,669	28,312
Totals	<u>\$ 155,893</u>	<u>\$ 117,108</u>	<u>\$ 38,785</u>

LAKE FAMILY RESOURCE CENTER
CALIFORNIA EMERGENCY MANAGEMENT AGENCY
STATEMENT OF COSTS CLAIMED AND ACCEPTED
JUNE 30, 2014

Rape Crisis Center	Per OES-201	Per Audit Costs	Total
Grant No. RC 12 15 1641 July - Aug 2013	Costs	7/1/13-	Costs
Grant No. RC 13 16 1641 Sept 2013 - June 2014	Claimed	6/30/2014	Accepted
Personal Services			
Personal service expenses	\$ 73,675	\$ 72,539	\$ 72,539
In-Kind & cash match	-	-	-
Total Personal Services	<u>73,675</u>	<u>72,539</u>	<u>72,539</u>
Operating Expenses			
Operating Expenses	22,195	26,370	26,370
In-Kind & cash match	-	-	-
Total Operating Expenses	<u>22,195</u>	<u>26,370</u>	<u>26,370</u>
Totals	<u>\$ 95,870</u>	<u>\$ 98,909</u>	<u>\$ 98,909</u>
Domestic Violence	Per OES-201	Per Audit Costs	Total
Grant No. DV 13 13 1641 July 2013 - June 2014	Costs	7/1/13-	Costs
Grant No. DV 13 13 1641 July 2013 - June 2014	Claimed	6/30/2014	Accepted
Personal Services			
Personal service expenses	\$ 285,352	\$ 297,842	\$ 297,842
In-Kind & cash match	18,250	-	-
Total Personal Services	<u>303,602</u>	<u>297,842</u>	<u>297,842</u>
Operating Expenses			
Operating Expenses	97,617	95,828	95,828
In-Kind & cash match	1,752	43,194	43,194
Total Operating Expenses	<u>99,369</u>	<u>139,022</u>	<u>139,022</u>
Totals	<u>\$ 402,971</u>	<u>\$ 436,864</u>	<u>\$ 436,864</u>

See accompanying notes to supplemental reporting information.

LAKE FAMILY RESOURCE CENTER
CALIFORNIA EMERGENCY MANAGEMENT AGENCY
STATEMENT OF COSTS CLAIMED AND ACCEPTED
JUNE 30, 2014

Child Abuse Treatment	Per OES-201 Costs Claimed	Per Audit Costs 7/1/10 - 6/30/11	Total Costs Accepted
Grant No. AT 12 09 1641 July - Sept 2013			
Grant No. AT 13 10 1641 Oct 2013 - June 2014			
<hr/>			
Personal Services			
Personal service expenses	\$ 107,137	\$ 88,439	\$ 88,439
In-Kind & cash match	-	-	-
Total Personal Services	<u>107,137</u>	<u>88,439</u>	<u>88,439</u>
Operating Expenses			
Operating Expenses	37,193	28,669	28,669
In-Kind & cash match	-	-	-
Total Operating Expenses	<u>37,193</u>	<u>28,669</u>	<u>28,669</u>
Totals	<u>\$ 144,330</u>	<u>\$ 117,108</u>	<u>\$ 117,108</u>

See accompanying notes to supplemental reporting information.

LAKE FAMILY RESOURCE CENTER
CALIFORNIA EMERGENCY MANAGEMENT AGENCY
NOTES TO SUPPLEMENTAL REPORTING SECTION
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The program statements have been prepared from the grant budgets office approved by the California Emergency Management Agency (CalEMA), the Reports of Expenditures and Request for Funds (Form CalEMA 2-201), and the accounting records of Lake Family Resource Center (Organization).

The Form CalEMA 2-201 was prepared by the Organization's personnel in accordance with CalEMA requirements. The basis of accounting used in prepared forms may differ from accounting principles generally accepted in the United States of America. Accordingly, the accompanying program statements are not intended to present the financial position and results of operations of the Organization in conformity with accounting principles generally accepted in the United States of America.