LAKE FAMILY RESOURCE CENTER
ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2016
(With Comparative Totals for 2015)

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

LAKE FAMILY RESOURCE CENTER
ORGANIZATION
JUNE 30, 2016

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

Name	Office
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Ilene Dumont	Member / Finance Committee
Nancy Rhodes	Member
Judy Murray	Finance Committee

ADMINISTRATION

Jennifer Dodd, Executive Director
Lisa Fronsman, Director of Finance and Operations
Michelle Meek, Human Resources Director

ADDRESS OF ADMINISTRATIVE OFFICES

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JUNE 30, 2016

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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, 2016 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, 2016, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of functional expenses and the schedules of revenue, expenses and change in net assets – by program, on pages 18 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 January 9, 2017 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, 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robertson & Associates, CPAs

Lakeport, California
January 9, 2017

FINANCIAL SECTION

LAKE FAMILY RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	June 30, 2016	Comparative June 30, 2015
ASSETS		
Current Assets:		
Cash and equivalents	$ 245,157	$ 155,903
Pledge receivable	-	67
Accounts and grants receivable	256,159	170,585
Prepaid expenses	22,257	6,736
Deposits	240	240
Total Current Assets	523,813	333,531
Asset held for sale	37,695	37,695
Property and equipment, net of accumulated depreciation	1,160,079	1,177,415
Total Assets	$ 1,721,587	$ 1,548,641
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable	$ 129,107	$ 12,584
Payable to grantors	-	71,374
Accrued payroll liabilities	60,903	57,017
Compensated absences	46,518	39,637
Deferred revenue	297,898	168,215
Current portion of loan payable	55,000	37,500
Total Current Liabilities	589,426	386,327
Long-Term Debt:		
Loan payable	178,600	254,100
Payable to County of Lake	54,875	58,375
Total Long-Term Liabilities	233,475	312,475
Total Liabilities	822,901	698,802
Net Assets:		
Temporarily Restricted	1,000,000	1,000,000
Unrestricted:		
General	(101,314)	(150,161)
Total Net Assets	898,686	849,839
Total Liabilities and Net Assets	$ 1,721,587	$ 1,548,641

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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, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Total June 30, 2016	Comparative June 30, 2015
SUPPORT AND REVENUES				
Support:				
Grants	$ 2,431,362	$ -	$ 2,431,362	$ 2,189,068
Other support contracts	21,511	-	21,511	17,555
Donations	40,871	-	40,871	31,735
In-kind	416,415	-	416,415	370,999
Total Support	2,910,159	-	2,910,159	2,609,357
Revenues:				
Interest income	-	-	-	10
Fundraising	55,192	-	55,192	45,563
Other	-	-	-	7,861
Total Revenues	55,192	-	55,192	53,434
Total Support and Revenues	2,965,351	-	2,965,351	2,662,791
EXPENSES				
Child and Youth Development	1,369,096	-	1,369,096	1,371,846
Parenting Education and Personal Development	253,898	-	253,898	223,268
Family and Community Violence Prevention, Intervention, and Treatment	1,026,347	-	1,026,347	896,952
Health and Wellness	132,421	-	132,421	55,181
General Operating	106,291	-	106,291	102,975
Fundraising	28,451	-	28,451	27,943
Total Expenses	2,916,504	-	2,916,504	2,678,165
Increase (Decrease) in unrestricted net assets	48,847	-	48,847	(15,374)
Net Assets - Beginning	(150,161)	1,000,000	849,839	865,213
Net Assets - Ending	$ (101,314)	$ 1,000,000	$ 898,686	$ 849,839

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, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	June 30, 2016	Comparative June 30, 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$ 48,847	$ (15,374)
Adjustments to Reconcile Change in Net Assets		
to Cash Provided (Used) by Operating Activities:		
Depreciation expense	23,033	22,976
(Increase) Decrease in Assets:		
Pledges receivable	67	(67)
Accounts and grants receivable	(85,574)	9,848
Prepaid expenses	(15,521)	31,304
Increase (Decrease) in Liabilities:		
Accounts payable	116,523	741
Payable to Grantors	(71,374)	71,374
Accrued payroll liabilities	3,886	(12,576)
Compensated absences	6,881	(2,197)
Deferred revenue	129,683	66,282
Net increase (decrease) in cash flows from operating activities	156,451	172,311
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, equipment and land improvements	(5,697)	-
Net Increase (Decrease) in Cash flows from investing activities	(5,697)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on loan payable	(58,000)	(46,500)
Payments on capital leases	-	(2,578)
Increase (decrease) in note payable to County of Lake	(3,500)	(3,500)
Net increase (decrease) in cash flows from financing activities	(61,500)	(52,578)
Net Increase (Decrease) in Cash flows from all activities	89,254	119,733
Cash and Equivalents - Beginning	155,903	36,170
Cash and Equivalents - Ending	$ 245,157	$ 155,903
SUPPLEMENTAL DISCLOSURES		
Amount paid for interest	$ 17,312	$ 17,829

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

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 eligible 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).

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. Accounting Policies

The financial statements and fiscal records of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether these support and revenues or expenses were received or paid as of the end of a fiscal period.

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA).

D. 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.

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 Codification (ASC) 958, Not-for-Profit Entities. Under ASC 958, 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. 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, 2016, 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, 2016 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, 2016 and 2015, 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.

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. The useful lives of the Organization’s property and equipment range between 5 and 40 years.

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. Donor Restricted Contributions

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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, 2016 and 2015, were $416,415 and $370,999 respectively.

M. 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.

N. 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.

O. 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.

P. Income Taxes

The Organization is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes.

The Organization has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to its continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

NOTE 2. CASH AND EQUIVALENTS

Cash and equivalents at June 30, 2016 and 2015 were $245,157 and $155,903, 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, 2016 and 2015, the Organization's bank balances were fully insured.

NOTE 3. ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2016 and 2015, accounts and grants receivable consisted of the following:

	2016	2015
California Dept. of Public Health	$ 12,468	$ 17,288
California Office of Emergancy Services	93,138	110,387
California Dept. of Health Services	29,605	9,617
California Dept. of Developmental Services	2,720	2,644
County of Lake Dept. of Administartation	6,316	2,948
County of Lake Dept. of Social Services	79,323	7,617
Adventist Health - Northern California Network	19,407	5,160
Other Receivables	13,182	14,924
Total Accounts and Grants Receivable	$ 256,159	$ 170,585

NOTE 4. ASSET HELD FOR SALE

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 in the amount of $37,695.

NOTE 5. PROPERTY AND EQUIPMENT

At June 30, 2016 and 2015, property and equipment consisted of the following:

	2016	2015
Property and Equipment:		
Land	$ 540,000	$ 540,000
Leashold improvements	325,738	325,738
Buildings and improvements	715,078	715,078
Equipment	124,104	118,407
Vehicles	76,483	76,483
Total Property and Equipment	1,781,403	1,775,706
Less Accumulated Depreciation	(621,324)	(598,291)
Total Property and Equipement, Net	$ 1,160,079	$ 1,177,415

Total depreciation expense for the year ended June 30, 2016 and 2015, was $23,033 and $22,976, respectively.

NOTE 6. 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, 2016 and 2015, was $46,518 and $39,637, respectively.

NOTE 7. DEFERRED REVENUE

At June 30, 2016 and 2015, deferred revenues consisted of the following:

	2016	2015
Blue Shield	$ 154,844	$ 148,087
The Mary Kay Foundation	4,582	4,582
Verizon Wireless	3,473	8,810
Fire Family Foundation	20,879	-
Lake County Wine Alliance - Fire Counseling	100,448	-
LARCA - Fire Counseling	9,493	-
Other Deferred Revenues	4,179	6,736
Total Deferred Revenues	$ 297,898	$ 168,215

NOTE 8. 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 fixed at 3.25% and a maturity date of November 15, 2014. As of June 30, 2016 the maturity date has been extended to November 15, 2017 with a fixed interest rate of 4.50%. As of June 30, 2016 the Organization had a balance due in the amount of $233,600. Expected future payments on the loan payable are as follows:

For the Year Ended June 30:	Principal	Interest	Total
2017	$ 55,000	$ 1,788	$ 56,788
2018	178,600	8,037	186,637
Total	$ 233,600	$ 9,825	$ 243,425

NOTE 9. 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. At June 30, 2016, the Organization had a balance due in the amount of $54,875.

NOTE 10. OPERATING LEASES

The Organization conducts operations from a facility that is leased under a year-to-year operating lease expiring on August 31, 2015. Payments are due and payable on the 1st day of each month in the amount of $6,960. As of August 31, 2015, the lease was renewed under similar terms.

For the year ended June 30, 2016, total rent expense for the facility lease above was $83,520.

The Organization leases office equipment under a 4-year non-cancelable, interest free, operating lease expiring on September 22, 2018. Future payments are as follows:

For the Year Ended June 30:	Lease Payment
2017	$ 15,468
2018	15,468
2019	5,156
Total	$ 36,092

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, 2016 and 2015 was $21,551 and $21,600, respectively.

NOTE 13. RISK CONCENTRATION

During the years ended June 30, 2016 and 2015, approximately 48%, and 40%, respectively, of the total funding for the Organization came from the U.S. Department of Health and Human Services and California Office of Emergency Services.

NOTE 14. BUSINESS CONDITION

The Organization has experienced deficit spending in six of the last seven years. For the year ended June 30, 2016 the Organization's unrestricted net assets are ($101,314). Those factors, as well as the Organization's Line of Credit being converted to a loan payable, as described in Note 9, 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 the funding would return to previous levels. In the fiscal year ending June 30, 2016 the agency was able to cut costs and raise unrestricted funding to realize an increase to net assets and eliminate deficit spending in the fiscal year ending June 30, 2016.

The Board of Directors and Finance Committee continue to closely monitor the agency's finances. Management does not believe there is an ongoing structural deficit and has met its obligation to pay down the loan payable as negotiated in the plan with Umpqua Bank.

While the ongoing concern remains, the actions taken by the agency are improving the deficit situation and it is the intent of the Board of Directors and Agency Administration to continue this 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, 2016.

B. Litigation

As of June 30, 2016 the Organization is not currently involved in any litigation.

C. Commitments

As of June 30, 2016 the Organization had no material commitments outstanding.

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 January 9, 2017 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, 2016

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 14 17 1641	$ 14,449
Crime Victim Assistance - Rape Crisis	16.575	RC 15 18 1641	92,792
Violence Against Women - Rape Crisis	16.017	RC 14 17 1641	3,682
Violence Against Women - Rape Crisis	16.017	RC 15 18 1641	21,563
Crime Victim Assistance - CHAT	16.575	AT 14 11 1641	42,484
Crime Victim Assistance - CHAT	16.575	AT 14 01 1641	93,750
Crime Victim Assistance - DVAP	16.575	DV 14 14 1641	275,277
Total U.S. Department of Justice			543,997
U.S. Department of Health and Human Services:			
Early Head Start	93.600	09CH9194/01	748,957
Early Head Start	93.600	09CH9194/02	176,038
Passed through Lake County Department of Social Services:			
Temporary Assistance for Needy Families - Welfare to Work	93.558	N/A	25,110
Temporary Assistance for Needy Families - Cal-Learn	93.558	N/A	47,912
Passed through California Department of Health Services:			
Adolescent Family Life Demonstration Projects	93.994	12-10068	37,009
Personal Responsibiliy Education Program	93.092	15-10310	106,042
Total U.S. Department of Health and Human Services			1,141,068
U.S. Department of Agriculture:			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	17-3008-OJ	16,947
Total Department of Agriculture			16,947
Total Expenditures of Federal Awards			$ 1,702,012

N/A - Not Available

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	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, 2016	Comparative June 30, 2015
EXPENSES								
Salaries	$ 576,292	$ 149,502	$ 491,430	$ 65,745	$ 132,671	$ 117	$ 1,415,757	$ 1,361,557
Employee benefits and payroll taxes	151,289	42,836	137,194	17,380	20,406	32	369,137	414,781
Administrative costs	10,334	23,907	78,726	19,052	(132,019)	-	-	-
Audit and tax preparation	7,561	1,027	5,121	628	988	-	15,325	14,751
Client assistance	18,987	7,739	7,513	4,306	-	-	38,545	37,766
Communications	15,455	2,371	14,694	1,113	1,916	-	35,549	33,480
Consultants and sub-contractors	8,535	443	36,299	396	9,596	10	55,279	29,396
Depreciation	-	-	-	-	23,033	-	23,033	22,976
Equipment leases and maintenance	36,667	4,703	45,877	3,005	1,029	586	91,867	60,915
Insurance	14,380	1,886	8,856	1,175	1,691	-	27,988	26,972
Mileage	16,487	2,057	10,554	893	1,507	48	31,546	32,451
Rent	52,664	7,081	15,397	4,117	7,789	-	87,048	91,159
Supplies	23,017	5,904	81,608	4,663	2,711	581	118,484	37,197
Travel and training	43,715	1,094	26,588	5,690	3,849	-	80,936	46,916
Utilites	20,016	2,726	25,416	1,570	2,773	-	52,501	45,050
Other	3,679	560	1,823	2,651	28,292	20,089	57,094	51,799
In-kind	370,018	62	39,251	37	59	6,988	416,415	370,999
Total expenses	$ 1,369,096	$ 253,898	$ 1,026,347	$ 132,421	$ 106,291	$ 28,451	$ 2,916,504	$ 2,678,165

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, 2016

	Child and Youth Development			
SUPPORT AND REVENUES	Adolescemt Family Life Program	Early Head Start	Other	Total All Programs 2016
Support:				
Grants	$ 38,716	$ 959,473	$ 67,807	$ 1,065,996
Donations and Fundraising	150	-	-	150
In-Kind	105	369,895	18	370,018
Total Support	38,971	1,329,368	67,825	1,436,164
EXPENSES				
Salaries	20,662	521,222	34,408	576,292
Employee Benefits & Payroll Taxes	5,226	136,393	9,670	151,289
Administrative Costs	3,936	-	6,398	10,334
Audit & Tax Prep	255	6,987	319	7,561
Client Assistance	-	18,987	-	18,987
Communications	470	14,359	626	15,455
Consultants & Sub-Contractors	42	8,310	183	8,535
Equipment Leases & Maint	852	34,422	1,393	36,667
Insurance	484	13,298	598	14,380
Mileage	2,025	13,336	1,126	16,487
Rent	1,629	48,687	2,348	52,664
Supplies	204	22,493	320	23,017
Travel & Training	361	43,214	140	43,715
Utilities	694	18,448	874	20,016
Other	173	3,432	74	3,679
In-Kind	105	369,895	18	370,018
Total expenses	37,118	1,273,483	58,495	1,369,096
CHANGE IN NET ASSETS	$ 1,853	$ 55,885	$ 9,330	$ 67,068

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, 2016

	Parenting Education and Personal Development			
SUPPORT AND REVENUES	Child Abuse Prevention Intervention	Be Fresh	Other	Total All Programs 2016
Support:				
Grants	$ 88,647	$ 110,865	$ 54,332	$ 253,844
Other Support Contracts	-	-	1,466	1,466
In-Kind	18	44	-	62
Total Support	88,665	110,909	55,798	255,372
EXPENSES				
Salaries	45,314	69,079	35,109	149,502
Employee Benefits & Payroll Taxes	12,867	19,361	10,608	42,836
Administrative Costs	9,627	11,954	2,326	23,907
Audit & Tax Prep	297	730	-	1,027
Client Assistance	4,010	2,692	1,037	7,739
Communications	630	1,501	240	2,371
Consultants & Sub-Contractors	49	394	-	443
Equipment Leases & Maint	1,541	2,220	942	4,703
Insurance	556	1,268	62	1,886
Mileage	382	380	1,295	2,057
Rent	2,095	4,986	-	7,081
Supplies	506	1,114	4,284	5,904
Travel & Training	295	679	120	1,094
Utilities	796	1,891	39	2,726
Other	197	338	25	560
In-Kind	18	44	-	62
Total expenses	79,180	118,631	56,087	253,898
CHANGE IN NET ASSETS	$ 9,485	$ (7,722)	$ (289)	$ 1,474

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, 2016

	Family and Community Violence Prevention, Intervention, and Treatment							
	CEMA - Child Abuse Treatment		Cal EMA	Cal EMA		Lake Co.		Total
SUPPORT AND REVENUES	7/1/2014 - 9/30/14	10/1/2014 - 6/30/2015	Domestic Viol Assist Prog	Rape Crisis	Welfare to Work	Differential Response	Other Programs	All Programs 2016
Support:								
Grants	$ 45,436	$ 97,916	$ 445,193	$ 155,399	$ 26,007	$ 72,162	$ 146,518	$ 988,631
Donations and Fundraising	-	3,000	933	-	-	-	-	3,933
In-Kind	-	13,884	25,289	46	9	23	-	39,251
Total Support	45,436	114,800	471,415	155,445	26,016	72,185	146,518	1,031,815
EXPENSES								
Salaries	20,972	65,513	227,669	76,287	16,238	39,072	45,679	491,430
Employee Benefits & Payroll Taxes	9,049	18,093	58,411	22,480	4,171	11,125	13,865	137,194
Administrative Costs	-	-	33,745	10,396	2,500	6,609	25,476	78,726
Audit & Tax Prep	-	786	2,618	775	144	384	414	5,121
Client Assistance	-	-	7,196	-	-	300	17	7,513
Communications	293	1,433	8,202	3,432	272	1,001	61	14,694
Consultants & Sub-Contractors	79	131	2,403	488	91	242	32,865	36,299
Equipment Leases & Maint	1,525	2,489	37,994	1,966	335	1,498	70	45,877
Insurance	487	1,009	4,907	1,453	271	719	10	8,856
Mileage	75	251	3,483	2,240	470	3,303	732	10,554
Rent	1,871	3,680	1,586	5,274	336	2,650	-	15,397
Supplies	8,330	700	41,665	22,017	83	1,302	7,511	81,608
Travel & Training	2,780	901	11,992	4,743	57	126	5,989	26,588
Utilities	365	1,745	20,150	2,015	113	1,028	-	25,416
Other	35	486	843	218	28	213	-	1,823
In-Kind	-	13,884	25,289	46	9	23	-	39,251
Total expenses	45,861	111,101	488,153	153,830	25,118	69,595	132,689	1,026,347
CHANGE IN NET ASSETS	$ (425)	$ 3,699	$ (16,738)	$ 1,615	$ 898	$ 2,590	$ 13,829	$ 5,468

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, 2016

	Health and Wellness			
SUPPORT AND REVENUES	Cal - Prep	Fire Relief	Other Programs	Total All Programs 2016
Support:				
Grants	$ 99,517	$ 10,507	$ 8,334	$ 118,358
Other Support Contracts	-	-	486	486
Donations and Fundraising	-	9,552	-	9,552
In-Kind	37	-	-	37
Total Support	99,554	20,059	8,820	128,433
EXPENSES				
Salaries	51,489	10,686	3,570	65,745
Employee Benefits & Payroll Taxes	13,405	2,911	1,064	17,380
Administrative Costs	16,410	2,642	-	19,052
Audit & Tax Prep	628	-	-	628
Client Assistance	2,850	1,456	-	4,306
Communications	1,099	-	14	1,113
Consultants & Sub-Contractors	396	-	-	396
Equipment Leases & Maint	2,634	342	29	3,005
Insurance	1,175	-	-	1,175
Mileage	893	-	-	893
Rent	4,117	-	-	4,117
Supplies	3,984	671	8	4,663
Travel & Training	4,952	738	-	5,690
Utilities	1,570	-	-	1,570
Other	441	2,210	-	2,651
In-Kind	37	-	-	37
Total expenses	106,080	21,656	4,685	132,421
CHANGE IN NET ASSETS	$ (6,526)	$ (1,597)	$ 4,135	$ (3,988)

See accompanying notes to supplementary information.

NOTE 1. PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) require a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance 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 (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2016. 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 (Uniform Guidance). Because the Schedule presents only as selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

B. Schedule of Functional Expenses

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 4. INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

OTHER INDEPENDENT AUDITOR'S REPORTS

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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, 2016, 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 January 9, 2017.

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 a certain deficiency in internal control, described in the accompanying findings and questioned costs that we consider to be a significant deficiency, as item 2016-001.

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
January 9, 2017

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INDEPENDENT AUDITOR'S 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 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’s (Organization) compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 pro-grams for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization's 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 the 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 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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2016, and have issued our report thereon dated January 9, 2017, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Robertson & Associates, CPAs

Lakeport, California
January 9, 2017

FINDINGS AND QUESTIONED COSTS SECTION

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*unmodified*			
Internal control over financial reporting:				
Material weakness identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes		None
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	*unmodified*			
Internal control over financial reporting:				
Material weakness identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)		Yes	X	No

Identification of major program

CFDA Number	Name of Federal Program or Cluster
93.600	Early Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

2016-001 Deficit Spending

Condition

The Organization's unrestricted net assets have decreased in six of the last eight fiscal years. The Organization reduced its operating deficit by $48,847 during the year ended June 30, 2016.

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

Response

Please see Management Plan discussion under Note 14.

Corrective Action Plan

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
JUNE 30, 2016

Finding/Recommendation		Current Status	Organization Explanation, If Not Implemented
2015-001	The Organization's unrestricted net assets have decreased in six of the last seven fiscal years, respectively, for the years ended June 30, 2015 through June 30, 2009, in the amounts of $15,374, $145,714, $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.	Partially Implemented	See Recommendation 2016-001.
2015-002	Employee benefit costs were identified as being charged to programs on a monthly basis using an estimated rate which was higher than the Organization's actual employee benefit costs. The Center should develop policies and procedures to ensure costs submitted for reimbursement reflect actual amounts.	Implemented	