



LAKE FAMILY RESOURCE CENTER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017
(With Comparative Totals for 2016)

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

LAKE FAMILY RESOURCE CENTER
ORGANIZATION
JUNE 30, 2017

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>
Andrew Peterson	Chair / Finance Committee
Buzz Dereniuk	Vice Chair / Finance Committee
Flora Krasnovsky	Secretary
John Tomkins	Treasurer / Finance Committee
Richard Freeborn	Member
Karlene Ellis	Member
Genee Woodson	Member
Donna Becnel	Member

ADMINISTRATION

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

ADDRESS OF ADMINISTRATIVE OFFICES

5350 Main Street
Kelseyville, CA 95451

LAKE FAMILY RESOURCE CENTER
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JUNE 30, 2017

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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, 2017 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, 2017, 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 16 through 22, 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 30, 2018 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, 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

 Robertson & Associates, CPAs

Lakeport, California
March 30, 2018

FINANCIAL SECTION

LAKE FAMILY RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	June 30, 2017	Comparative June 30, 2016
ASSETS		
Current Assets:		
Cash and equivalents	\$ 74,248	\$ 245,157
Accounts and grants receivable	296,646	256,159
Prepaid expenses	18,643	22,257
Deposits	240	240
Total Current Assets	389,777	523,813
Asset held for sale	37,695	37,695
Property and equipment, net of accumulated depreciation	1,186,113	1,160,079
Total Assets	\$ 1,613,585	\$ 1,721,587
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 57,718	\$ 129,107
Accrued payroll liabilities	57,139	60,903
Compensated absences	43,260	46,518
Deferred revenue	228,021	297,898
Current portion of loan payable	73,000	55,000
Total Current Liabilities	459,138	589,426
Long-Term Debt:		
Loan payable	87,600	178,600
Payable to County of Lake	44,375	54,875
Total Long-Term Liabilities	131,975	233,475
Total Liabilities	591,113	822,901
Net Assets:		
Temporarily Restricted	1,000,000	1,000,000
Unrestricted:		
General	22,472	(101,314)
Total Net Assets	1,022,472	898,686
Total Liabilities and Net Assets	\$ 1,613,585	\$ 1,721,587

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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Total June 30, 2017	Comparative June 30, 2016
SUPPORT AND REVENUES				
Support:				
Grants	\$ 2,396,358	\$ -	\$ 2,396,358	\$ 2,431,362
Other support contracts	15,358	-	15,358	21,511
Donations	40,437	-	40,437	40,871
In-kind	378,719	-	378,719	416,415
Total Support	<u>2,830,872</u>	<u>-</u>	<u>2,830,872</u>	<u>2,910,159</u>
Revenues:				
Interest income	113	-	113	-
Fundraising	41,993	-	41,993	55,192
Other	14,728	-	14,728	-
Total Revenues	<u>56,834</u>	<u>-</u>	<u>56,834</u>	<u>55,192</u>
Total Support and Revenues	<u>2,887,706</u>	<u>-</u>	<u>2,887,706</u>	<u>2,965,351</u>
EXPENSES				
Child and Youth Development	1,391,022	-	1,391,022	1,371,176
Parenting Education and Personal Development	236,325	-	236,325	253,898
Family and Community Violence Prevention, Intervention, and Treatment	897,165	-	897,165	1,026,347
Health and Wellness	185,778	-	185,778	132,421
General Operating	34,964	-	34,964	104,211
Fundraising	18,666	-	18,666	28,451
Total Expenses	<u>2,763,920</u>	<u>-</u>	<u>2,763,920</u>	<u>2,916,504</u>
Increase in net assets	123,786	-	123,786	48,847
Net Assets - Beginning	<u>(101,314)</u>	<u>1,000,000</u>	<u>898,686</u>	<u>849,839</u>
Net Assets - Ending	<u>\$ 22,472</u>	<u>\$ 1,000,000</u>	<u>\$ 1,022,472</u>	<u>\$ 898,686</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	June 30, 2017	Comparative June 30, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 123,786	\$ 48,847
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities:		
Depreciation expense	29,060	23,033
(Increase) Decrease in Assets:		
Pledges receivable	-	67
Accounts and grants receivable	(40,487)	(85,574)
Prepaid expenses	3,614	(15,521)
Increase (Decrease) in Liabilities:		
Accounts payable	(71,389)	116,523
Payable to Grantors	-	(71,374)
Accrued payroll liabilities	(3,764)	3,886
Compensated absences	(3,258)	6,881
Deferred revenue	(69,877)	129,683
Net increase (decrease) in cash flows from operating activities	(32,315)	156,451
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, equipment and land improvements	(55,094)	(5,697)
Net Increase (Decrease) in Cash flows from investing activities	(55,094)	(5,697)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on loan payable	(73,000)	(58,000)
Payments on note payable to County of Lake	(10,500)	(3,500)
Net increase (decrease) in cash flows from financing activities	(83,500)	(61,500)
Net Increase (Decrease) in Cash flows from all activities	(170,909)	89,254
Cash and Equivalents - Beginning	245,157	155,903
Cash and Equivalents - Ending	\$ 74,248	\$ 245,157
SUPPLEMENTAL DISCLOSURES		
Amount paid for interest	\$ 13,816	\$ 17,312

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

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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).

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, 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, 2017 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, 2017 and 2016, 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, 2017

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.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 and 2016, were \$378,719 and \$416,415 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.

LAKE FAMILY RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 2. CASH AND EQUIVALENTS

Cash and equivalents at June 30, 2017 and 2016 were \$74,247 and \$245,157, 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). As of June 30, 2017 and 2016, the Organization’s bank balances were fully insured.

NOTE 3. ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2017 and 2016, accounts and grants receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
California Dept. of Public Health	\$ 71,690	\$ 12,468
California Office of Emergency Services	191,857	93,138
California Dept. of Behavioral Health Services	2,040	29,605
California Dept. of Developmental Services	1,842	2,720
County of Lake Dept. of Administration	3,041	6,316
County of Lake Dept. of Social Services	6,262	79,323
Adventist Health - Northern California Network	13,143	19,407
Other Receivables	<u>6,771</u>	<u>13,182</u>
Total Accounts and Grants Receivable	<u>\$ 296,646</u>	<u>\$ 256,159</u>

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. PROPERTY AND EQUIPMENT

At June 30, 2017 and 2016, property and equipment consisted of the following:

	2017	2016
Property and Equipment:		
Land	\$ 540,000	\$ 540,000
Leashold improvements	325,738	325,738
Buildings and improvements	715,078	715,078
Equipment	142,303	124,104
Vehicles	113,378	76,483
Total Property and Equipment	1,836,497	1,781,403
Less Accumulated Depreciation	(650,384)	(621,324)
Total Property and Equipment, Net	\$ 1,186,113	\$ 1,160,079

Total depreciation expense for the year ended June 30, 2017 and 2016, was \$29,060 and \$23,033, respectively.

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, 2017 and 2016, was \$43,260 and \$46,518, respectively.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. DEFERRED REVENUE

At June 30, 2017 and 2016, deferred revenues consisted of the following:

	<u>2017</u>	<u>2016</u>
Blue Shield	\$ 92,194	\$ 154,844
The Mary Kay Foundation	4,582	4,582
Verizon Wireless	2,037	3,473
Fire Family Foundation	6,050	20,879
Lake County Rising	100,000	100,448
LARCA - Fire Counseling	14,200	9,493
Other Deferred Revenues	<u>8,958</u>	<u>4,179</u>
Total Deferred Revenues	<u>\$ 228,021</u>	<u>\$ 297,898</u>

NOTE 7. LOAN PAYABLE

On May 22, 2013, the Organization's line of credit was converted to a term-loan 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, 2017 the maturity date has been extended to November 15, 2017 with a fixed interest rate of 4.50%. As of June 30, 2017 the Organization had a balance due in the amount of \$160,600. Expected 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>
2018	\$ 73,000	\$ 2,373	\$ 75,373
2019	87,600	3,942	91,542
Total	<u>\$ 160,600</u>	<u>\$ 6,315</u>	<u>\$ 166,915</u>

NOTE 8. 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 original amount payable was \$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, 2017, the Organization had a balance due in the amount of \$44,375.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. 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, 2017, 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:

<u>For the Year Ended June 30:</u>	<u>Lease Payment</u>
2018	\$ 15,468
2019	<u>5,156</u>
Total	<u>\$ 20,624</u>

NOTE 10. 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 11. 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, 2017 and 2016 was \$22,259 and \$21,551, respectively.

NOTE 12. RISK CONCENTRATION

During the years ended June 30, 2017 and 2016, approximately 48% of the total funding for the Organization came from the U.S. Department of Health and Human Services and California Office of Emergency Services.

LAKE FAMILY RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 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, 2017.

B. Litigation

As of June 30, 2017 the Organization is not currently involved in any litigation.

C. Commitments

As of June 30, 2017 the Organization had no material commitments outstanding.

NOTE 14. 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 30, 2018 and concluded that the following subsequent event(s) have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

The Organization has donated 14264 Austin Road, Clearlake, California to a local school district and the escrow closed on March 22, 2018.

SUPPLEMENTARY INFORMATION SECTION

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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 Office of Emergency Services (Cal OES):			
Crime Victim Assistance - Rape Crisis	16.575	RC 15 18 1641	\$ 36,330
Crime Victim Assistance - Rape Crisis	16.575	RC 16 19 1641	107,633
Violence Against Women - Rape Crisis	16.017	RC 15 18 1641	5,353
Crime Victim Assistance - CHAT	16.575	AT 15 01 1641	27,084
Crime Victim Assistance - CHAT	16.575	AT 15 02 1641	82,693
Crime Victim Assistance - DVAP	16.575	DV 16 16 1641	<u>227,616</u>
Total U.S. Department of Justice			<u>486,709</u>
U.S. Department of Health and Human Services:			
Early Head Start	93.600	09CH9194/02	855,558
Early Head Start	93.600	09CH9194/03	118,745
Passed through Lake County Department of Social Services:			
Temporary Assistance for Needy Families - Welfare to Work	93.558	N/A	16,173
Temporary Assistance for Needy Families - Cal-Learn	93.558	N/A	44,584
Passed through California Department of Health Services:			
Adolescent Family Life Demonstration Projects	93.994	12-10068	39,762
Personal Responsibility Education Program	93.092	15-10310	<u>100,093</u>
Total U.S. Department of Health and Human Services			<u>1,174,915</u>
U.S. Department of Agriculture:			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	17-3008-OJ	<u>17,957</u>
Total Department of Agriculture			<u>17,957</u>
Total Expenditures of Federal Awards			<u>\$ 1,679,581</u>

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	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, 2017	Comparative June 30, 2016
EXPENSES								
Salaries	\$ 646,477	\$ 148,764	\$ 481,153	\$ 105,484	\$ 131,046	\$ -	\$ 1,512,924	\$ 1,415,757
Employee benefits and payroll taxes	155,284	39,432	115,590	28,562	17,129	-	355,997	369,137
Administrative costs	63,897	18,556	74,230	17,480	(173,956)	-	207	-
Audit and tax preparation	6,731	954	4,936	610	1,137	-	14,368	15,325
Client assistance	18,641	2,102	4,467	3,470	115	-	28,795	38,545
Communications	16,854	2,576	17,183	2,053	1,972	-	40,638	35,549
Consultants and sub-contractors	8,714	-	2,926	1,050	2,340	-	15,030	55,006
Depreciation	-	-	-	-	29,060	-	29,060	23,033
Equipment leases and maintenance	16,370	5,538	11,814	4,746	12	818	39,298	91,867
Insurance	9,317	1,297	6,433	1,322	1,755	-	20,124	27,988
Mileage	5,428	3,863	10,265	2,995	1,652	323	24,526	32,284
Rent	57,075	7,104	12,857	6,929	1,068	-	85,033	87,048
Supplies	5,505	1,160	10,816	3,463	195	582	21,721	118,484
Travel and training	43,789	880	25,733	4,250	1,547	-	76,199	80,198
Utilities	21,584	3,052	23,601	3,223	2,622	-	54,082	52,501
Other	2,059	1,044	38,484	139	15,770	9,705	67,201	57,367
In-kind	313,297	3	56,677	2	1,500	7,238	378,717	416,415
Total expenses	<u>\$ 1,391,022</u>	<u>\$ 236,325</u>	<u>\$ 897,165</u>	<u>\$ 185,778</u>	<u>\$ 34,964</u>	<u>\$ 18,666</u>	<u>\$ 2,763,920</u>	<u>\$ 2,916,504</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, 2017

	Child and Youth Development			Total All Programs 2017
	Adolescent Family Life Program	Early Head Start	Other	
SUPPORT AND REVENUES				
Support:				
Grants	\$ 39,762	\$ 992,260	\$ 48,581	\$ 1,080,603
In-Kind	14,910	298,386	1	313,297
Total Support	<u>54,672</u>	<u>1,290,646</u>	<u>48,582</u>	<u>1,393,900</u>
EXPENSES				
Salaries	22,398	589,761	34,318	646,477
Employee Benefits & Payroll Taxes	6,537	139,739	9,008	155,284
Administrative Costs	2,849	60,791	257	63,897
Audit & Tax Prep	304	6,120	307	6,731
Client Assistance	9	18,622	10	18,641
Communications	715	15,407	732	16,854
Consultants & Sub-Contractors	-	8,039	675	8,714
Equipment Leases & Maint	1,414	28,970	(14,014)	16,370
Insurance	384	8,499	434	9,317
Mileage	2,463	1,675	1,290	5,428
Rent	2,070	52,644	2,361	57,075
Supplies	206	10,119	(4,820)	5,505
Travel & Training	252	43,025	512	43,789
Utilities	923	19,618	1,043	21,584
Other	168	1,852	39	2,059
In-Kind	14,910	298,386	1	313,297
Total expenses	<u>55,602</u>	<u>1,303,267</u>	<u>32,153</u>	<u>1,391,022</u>
CHANGE IN NET ASSETS	<u>\$ (930)</u>	<u>\$ (12,621)</u>	<u>\$ 16,429</u>	<u>\$ 2,878</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, 2017

	Parenting Education and Personal Development			Total All Programs 2017
	Child Abuse Prevention Intervention	Be Fresh	Other	
SUPPORT AND REVENUES				
Support:				
Grants	\$ 71,072	\$ 109,838	\$ 45,724	\$ 226,634
In-Kind	1	2	-	3
Total Support	<u>71,073</u>	<u>109,840</u>	<u>45,724</u>	<u>226,637</u>
EXPENSES				
Salaries	49,291	66,866	32,607	148,764
Employee Benefits & Payroll Taxes	13,069	17,985	8,378	39,432
Administrative Costs	6,901	12,805	(1,150)	18,556
Audit & Tax Prep	406	548	-	954
Client Assistance	12	2,090	-	2,102
Communications	965	1,411	200	2,576
Equipment Leases & Maint	1,127	2,852	1,559	5,538
Insurance	494	803	-	1,297
Mileage	1,791	697	1,375	3,863
Rent	2,634	4,470	-	7,104
Supplies	193	907	60	1,160
Travel & Training	1	817	62	880
Utilities	1,207	1,801	44	3,052
Other	722	322	-	1,044
In-Kind	1	2	-	3
Total expenses	<u>78,814</u>	<u>114,376</u>	<u>43,135</u>	<u>236,325</u>
CHANGE IN NET ASSETS	<u>\$ (7,741)</u>	<u>\$ (4,536)</u>	<u>\$ 2,589</u>	<u>\$ (9,688)</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, 2017

	Family and Community Violence Prevention, Intervention, and Treatment							Total All Programs 2017
	Cal OES - Child Abuse Treatment		Cal OES	Cal OES	Welfare to Work	Lake Co.	Other Programs	
	07/01/2016 - 9/30/2016	10/01/2016- 6/30/2017	Domestic Viol Assist Prog	Rape Crisis		Differential Response		
SUPPORT AND REVENUES								
Support:								
Grants	\$ 17,275	\$ 92,502	\$ 445,200	\$ 189,237	\$ 15,813	\$ 63,997	\$ 96,709	\$ 920,733
Donations and Fundraising	121	-	1,172	-	-	-	-	1,293
In-Kind	14,821	18,886	19,072	3,841	-	41	16	56,677
Total Support	<u>32,217</u>	<u>111,388</u>	<u>465,444</u>	<u>193,078</u>	<u>15,813</u>	<u>64,038</u>	<u>96,725</u>	<u>978,703</u>
EXPENSES								
Salaries	24,883	47,708	226,975	99,324	9,611	34,073	38,579	481,153
Employee Benefits & Payroll Taxes	7,127	9,978	53,404	23,370	2,985	8,609	10,117	115,590
Administrative Costs	9,052	-	3,281	24,764	2,495	11,900	22,738	74,230
Audit & Tax Prep	19	693	2,591	1,084	115	354	80	4,936
Client Assistance	-	20	1,619	2,607	3	110	108	4,467
Communications	636	1,381	10,400	3,729	176	702	159	17,183
Consultants & Sub-Contractors	-	294	1,915	474	51	158	34	2,926
Equipment Leases & Maint	785	2,019	17,105	5,231	256	1,144	(14,726)	11,814
Insurance	336	642	3,423	1,313	163	481	75	6,433
Mileage	452	61	3,449	2,767	124	2,982	430	10,265
Rent	1,338	4,032	1,212	2,839	-	2,636	800	12,857
Supplies	288	696	4,808	4,687	144	347	(154)	10,816
Travel & Training	1,942	1,364	6,111	8,974	-	117	7,225	25,733
Utilities	576	1,715	18,828	1,222	80	1,150	30	23,601
Other	41	238	37,271	367	15	546	6	38,484
In-Kind	14,821	18,886	19,072	3,841	-	41	16	56,677
Total expenses	<u>62,296</u>	<u>89,727</u>	<u>411,464</u>	<u>186,593</u>	<u>16,218</u>	<u>65,350</u>	<u>65,517</u>	<u>897,165</u>
CHANGE IN NET ASSETS	<u>\$ (30,079)</u>	<u>\$ 21,661</u>	<u>\$ 54,239</u>	<u>\$ 6,485</u>	<u>\$ (405)</u>	<u>\$ (1,312)</u>	<u>\$ 31,208</u>	<u>\$ 81,797</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, 2017

	Health and Wellness			Total All Programs 2017
	Cal - Prep	Fire Relief	Other Programs	
SUPPORT AND REVENUES				
Support:				
Grants	\$ 100,094	\$ 65,293	\$ 225	\$ 165,612
Other Support Contracts	-	-	3,079	3,079
Donations and Fundraising	-	448	-	448
In-Kind	2	-	-	2
Total Support	100,096	65,741	3,304	169,141
EXPENSES				
Salaries	54,778	38,590	12,116	105,484
Employee Benefits & Payroll Taxes	15,590	9,911	3,061	28,562
Administrative Costs	10,383	5,749	1,348	17,480
Audit & Tax Prep	610	-	-	610
Client Assistance	1,445	2,025	-	3,470
Communications	1,244	787	22	2,053
Consultants & Sub-Contractors	271	779	-	1,050
Equipment Leases & Maint	3,259	1,481	6	4,746
Insurance	815	507	-	1,322
Mileage	1,126	1,691	178	2,995
Rent	4,448	2,481	-	6,929
Supplies	2,919	220	324	3,463
Travel & Training	2,998	1,252	-	4,250
Utilities	1,872	1,351	-	3,223
Other	75	39	25	139
In-Kind	2	-	-	2
Total expenses	101,835	66,863	17,080	185,778
CHANGE IN NET ASSETS	\$ (1,739)	\$ (1,122)	\$ (13,776)	\$ (16,637)

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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

ROBERTSON & ASSOCIATES, CPAs

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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, 2017, 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 30, 2018.

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.

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*.

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 30, 2018

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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, 2017. 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, 2017.

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, 2017, and have issued our report thereon dated March 30, 2018, 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

March 30, 2018

FINDINGS AND QUESTIONED COSTS SECTION

LAKE FAMILY RESOURCE CENTER
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017

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	_____ <u>X</u> _____	No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> _____	None
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> _____	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	_____ <u>X</u> _____	No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> _____	None
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	_____ Yes	_____ <u>X</u> _____	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	_____ <u>X</u> _____	No

LAKE FAMILY RESOURCE CENTER
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

There were no findings or questioned costs relative to the financial statements.

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, 2017

Finding/Recommendation	Current Status	Organization Explanation, If Not Implemented
<p>2016-001 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.</p> <p>The Organization should continue to closely monitor its budget and search for ways to increase operating reserves.</p>	Implemented	