



LAKE FAMILY RESOURCE CENTER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018
(With Comparative Totals for 2017)

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

LAKE FAMILY RESOURCE CENTER
ORGANIZATION
JUNE 30, 2018

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>
Mr. Andrew Peterson	Chair / Finance Committee
Mr. Henry "Buzz" Dereniuk	Vice Chair / Finance Committee
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Ms. Karlene Ellis	Member
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Ms. Stephanie Simon	Member
Ms. Genee Woodson	Member

ADMINISTRATION

Ms. Lisa Morrow, Executive Director
Ms. Maggie Gonzalez, Director of Finance and Operations
Ms. 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, 2018

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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, 2018 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, 2018, 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 April 3, 2019 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, 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Lakeport, California

April 3, 2019

FINANCIAL SECTION

LAKE FAMILY RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	June 30, 2018	Comparative June 30, 2017
ASSETS		
Current Assets:		
Cash and equivalents	\$ 129,890	\$ 74,248
Pledge receivable	104	-
Accounts and grants receivable	236,651	296,646
Prepaid expenses	27,270	18,643
Deposits	240	240
Total Current Assets	394,155	389,777
Asset held for sale	-	37,695
Property and equipment, net of accumulated depreciation	1,149,548	1,186,113
Total Assets	\$ 1,543,703	\$ 1,613,585
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 64,142	\$ 57,718
Accrued payroll liabilities	134,083	57,139
Compensated absences	39,959	43,260
Deferred revenue	143,679	228,021
Current portion of loan payable	80,600	73,000
Total Current Liabilities	462,463	459,138
Long-Term Debt:		
Loan payable	-	87,600
Payable to County of Lake	40,875	44,375
Total Long-Term Liabilities	40,875	131,975
Total Liabilities	503,338	591,113
Net Assets:		
Temporarily Restricted	1,000,000	1,000,000
Unrestricted:		
General	40,365	22,472
Total Net Assets	1,040,365	1,022,472
Total Liabilities and Net Assets	\$ 1,543,703	\$ 1,613,585

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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Total June 30, 2018	Comparative June 30, 2017
SUPPORT AND REVENUES				
Support:				
Grants	\$ 2,624,068	\$ -	\$ 2,624,068	\$ 2,396,358
Other support contracts	9,227	-	9,227	15,358
Donations	9,153	-	9,153	40,437
In-kind	348,251	-	348,251	378,719
Total Support	2,990,699	-	2,990,699	2,830,872
Revenues:				
Interest income	242	-	242	113
Fundraising	24,382	-	24,382	41,993
Other	-	-	-	14,728
Total Revenues	24,624	-	24,624	56,834
Total Support and Revenues	3,015,323	-	3,015,323	2,887,706
EXPENSES				
Child and Youth Development	1,398,208	-	1,398,208	1,391,022
Parenting Education and Personal Development	96,661	-	96,661	236,325
Family and Community Violence Prevention, Intervention, and Treatment	1,102,768	-	1,102,768	897,165
Health and Wellness	158,020	-	158,020	185,778
General Operating	225,288	-	225,288	34,964
Fundraising	16,485	-	16,485	18,666
Total Expenses	2,997,430	-	2,997,430	2,763,920
Increase in net assets	17,893	-	17,893	123,786
Net Assets - Beginning	22,472	1,000,000	1,022,472	898,686
Net Assets - Ending	\$ 40,365	\$ 1,000,000	\$ 1,040,365	\$ 1,022,472

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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	June 30, 2018	Comparative June 30, 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,893	\$ 123,786
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities:		
Depreciation expense	74,259	29,060
(Increase) Decrease in Assets:		
Pledges receivable	(104)	-
Accounts and grants receivable	59,995	(40,487)
Prepaid expenses	(8,627)	3,614
Increase (Decrease) in Liabilities:		
Accounts payable	6,424	(71,389)
Accrued payroll liabilities	76,945	(3,764)
Compensated absences	(3,301)	(3,258)
Deferred revenue	(84,342)	(69,877)
Net increase (decrease) in cash flows from operating activities	139,142	(32,315)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, equipment and land improvements	-	(55,094)
Net Increase (Decrease) in Cash flows from investing activities	-	(55,094)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on loan payable	(80,000)	(73,000)
Payments on note payable to County of Lake	(3,500)	(10,500)
Net increase (decrease) in cash flows from financing activities	(83,500)	(83,500)
Net Increase (Decrease) in Cash flows from all activities	55,642	(170,909)
Cash and Equivalents - Beginning	74,248	245,157
Cash and Equivalents - Ending	\$ 129,890	\$ 74,248
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, 2018

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, 2018

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, 2018

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, 2018, 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, 2018 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, 2018 and 2017, 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, 2018

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, 2018

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, 2018 and 2017, were \$348,251 and \$378,719 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, 2018

NOTE 2. CASH AND EQUIVALENTS

Cash and equivalents at June 30, 2018 and 2017 were \$129,890 and \$74,247, 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, 2018 and 2017, the Organization’s bank balances were fully insured.

NOTE 3. ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2018 and 2017, accounts and grants receivable consisted of the following:

	<u>2018</u>	<u>2017</u>
California Dept. of Public Health	\$ 68,445	\$ 71,690
California Office of Emergency Services	146,345	191,857
California Dept. of Behavioral Health Services	-	2,040
California Dept. of Developmental Services	7,955	1,842
County of Lake Dept. of Administration	-	3,041
County of Lake Dept. of Social Services	-	6,262
FRCNCA Support for Families	2,447	-
Adventist Health - Northern California Network	-	13,143
State of California Victim Compensation	1,386	-
Lakeport Senior Center	4,644	-
Other Receivables	5,533	6,771
Total Accounts and Grants Receivable	<u>\$ 236,755</u>	<u>\$ 296,646</u>

LAKE FAMILY RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 4. PROPERTY AND EQUIPMENT

At June 30, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Property and Equipment:		
Land	\$ 540,000	\$ 540,000
Leashold improvements	325,738	325,738
Buildings and improvements	715,078	715,078
Equipment	142,301	142,303
Vehicles	<u>113,378</u>	<u>113,378</u>
Total Property and Equipment	1,836,495	1,836,497
Less Accumulated Depreciation	<u>(686,947)</u>	<u>(650,384)</u>
Total Property and Equipment, Net	<u><u>\$ 1,149,548</u></u>	<u><u>\$ 1,186,113</u></u>

Total depreciation expense for the year ended June 30, 2018 and 2017, was \$74,259 and \$29,060, 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, 2018 and 2017, was \$39,959 and \$43,260, respectively.

LAKE FAMILY RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 6. DEFERRED REVENUE

At June 30, 2018 and 2017, deferred revenues consisted of the following:

	<u>2018</u>	<u>2017</u>
Blue Shield DV Health Care Partnership	\$ 44,138	\$ 92,194
Bule Shield Core Support	6,250	-
Big Valley Shelter Improvement	4,620	-
The Mary Kay Foundation	4,064	4,582
Verizon Wireless	894	2,037
Fire Family Foundation	5,979	6,050
Early Head Start	42,308	-
Lake County Rising	30,876	100,000
LARCA - Fire Counseling	-	14,200
Dyeing to End DV	2,321	-
Holiday Gifts	2,229	-
Other Deferred Revenues	-	8,958
Total Deferred Revenues	<u>\$ 143,679</u>	<u>\$ 228,021</u>

NOTE 7. LOAN PAYABLE

On May 22, 2013, the Organization's line of credit was converted to a term-loan by the lender. As of June 30, 2018 the maturity date has been extended to November 15, 2019 with a fixed interest rate of 4.50%. As of June 30, 2018 the Organization had a balance due in the amount of \$80,600. 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>
2019	\$ 80,600	\$ 3,627	\$ 84,227
Total	<u>\$ 80,600</u>	<u>\$ 3,627</u>	<u>\$ 84,227</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, 2018, the Organization had a balance due in the amount of \$40,875.

LAKE FAMILY RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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, 2017. Payments are due and payable on the 1st day of each month in the amount of \$6,960. As of August 31, 2017, the lease was renewed under similar terms.

For the year ended June 30, 2018, 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>
2019	<u>\$ 5,156</u>
Total	<u><u>\$ 5,156</u></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, 2018 and 2017 was \$22,112 and \$21,551, respectively.

NOTE 12. RISK CONCENTRATION

During the years ended June 30, 2018 and 2017, approximately 70% 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, 2018

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, 2018.

B. Litigation

As of June 30, 2018 the Organization is not currently involved in any litigation.

C. Commitments

As of June 30, 2018 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 April 3, 2019 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.

On August 30, 2018, the Organization has entered into a three-year lease for a facility that is leased under a year-to-year operating lease. Payments are due and payable on the 1st day of each month in the amount of \$1,100. Rent adjustment during original term shall be adjusted as follows:

September 1, 2019	\$1,133 per month.
September 1, 2020	\$1,167 per month.

SUPPLEMENTARY INFORMATION SECTION

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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):			
Victims of Crime Act - Rape Crisis (07/01/2017 - 08/31/2017)	16.575	RC 16 19 1641	\$ 50,145
Victims of Crime Act - Rape Crisis (09/01/2017 - 06/30/2018)	16.575	RC 17 20 1641	102,795
Victims of Crime Act - CHAT (07/01/2017 - 09/30/2017)	16.575	AT 15 02 1641	22,147
Victims of Crime Act - CHAT (10/01/2017 - 06/30/2018)	16.575	AT 15 03 1641	87,024
Victims of Crime Act - DVAP (07/01/2017 - 09/30/2017)	16.575	DV 16 16 1641	167,691
Victims of Crime Act - DVAP (10/01/2017 - 06/30/2018)	16.575	DV 17 17 1641	192,580
Victims of Crime Act - KD (10/01/2017 - 06/30/2018)	16.575	KD 17 01 1641	89,637
Victims of Crime Act - KA (10/01/2017 - 06/30/2018)	16.575	KA 17 01 1641	37,225
Total U.S. Department of Justice			<u>749,244</u>
U.S. Department of Health and Human Services:			
Early Head Start	93.600	09CH9194/03	877,905
Early Head Start	93.600	09CH9194/04	128,098
Passed through Lake County Department of Social Services:			
Temporary Assistance for Needy Families - Welfare to Work	93.558	N/A	11,843
Temporary Assistance for Needy Families - Cal-Learn	93.558	N/A	33,323
Passed through California Department of Health Services:			
Adolescent Family Life Demonstration Projects	93.994	12-10068	84,172
Personal Responsibility Education Program	93.092	15-10310	74,082
Total U.S. Department of Health and Human Services			<u>1,209,423</u>
U.S. Department of Agriculture:			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	17-3008-OJ	22,125
Total Department of Agriculture			<u>22,125</u>
Total Expenditures of Federal Awards			<u>\$ 1,980,792</u>

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	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, 2018	Comparative June 30, 2017
EXPENSES								
Salaries	\$ 640,505	\$ 56,610	\$ 424,935	\$ 88,964	\$ 317,361	\$ -	\$ 1,528,375	\$ 1,512,924
Employee benefits and payroll taxes	160,332	15,660	107,447	22,512	59,795	(9)	365,737	355,997
Administrative costs	78,122	9,962	155,010	15,438	(267,654)	9,150	28	207
Audit and tax preparation	6,209	323	5,783	1,074	1,345	-	14,734	14,368
Client assistance	21,570	152	64,582	2,447	77	480	89,308	28,795
Communications	15,837	1,545	16,265	2,463	2,958	4	39,072	40,638
Consultants and sub-contractors	105	-	(25,726)	-	2,050	-	(23,571)	15,030
Depreciation	-	-	-	-	74,259	-	74,259	29,060
Equipment leases and maintenance	39,395	2,044	64,582	2,911	4,565	1,019	114,516	39,298
Insurance	12,676	1,101	11,112	2,187	2,373	-	29,449	20,124
Mileage	21,035	2,534	11,182	1,094	926	35	36,806	12,488
Rent	52,417	4,257	10,203	9,079	9,930	-	85,886	85,033
Supplies	25,195	308	46,755	1,969	2,040	614	76,881	21,721
Travel and training	41,386	361	43,530	3,477	1,052	-	89,806	88,237
Utilities	20,736	1,612	26,863	3,597	4,044	-	56,852	54,082
Other	10,277	192	44,566	808	10,042	5,156	71,041	67,201
In-kind	252,411	-	95,679	-	125	36	348,251	378,717
Total expenses	<u>\$ 1,398,208</u>	<u>\$ 96,661</u>	<u>\$ 1,102,768</u>	<u>\$ 158,020</u>	<u>\$ 225,288</u>	<u>\$ 16,485</u>	<u>\$ 2,997,430</u>	<u>\$ 2,763,920</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, 2018**

	Child and Youth Development					Total All Programs 2018
	Adolescent Family Life Program	Early Head Start		Early Head Start	Other	
		7/1/2017 - 4/30/2017	5/1/2017 - 6/30/2018			
SUPPORT AND REVENUES						
Support:						
Grants	\$ 97,522	\$ 906,228	\$ 184,615	\$ 1,090,843	\$ 48,463	\$ 1,236,828
Donations and Fundraising	500	110	-	110	-	610
In-Kind	-	224,848	27,563	252,411	-	252,411
Total Support	98,022	1,131,186	212,178	1,343,364	48,463	1,489,849
Revenues:						
Other	(2)	(37)	-	(37)	1	(38)
Total Revenues	(2)	(37)	-	-	1	(38)
Total Support and Revenues	98,020	1,131,149	212,178	1,343,327	48,464	1,489,811
EXPENSES						
Salaries	43,221	478,655	97,700	576,355	20,929	640,505
Employee Benefits & Payroll Taxes	10,723	133,489	10,934	144,423	5,186	160,332
Administrative Costs	8,389	59,792	-	59,792	9,941	78,122
Audit & Tax Prep	508	4,749	792	5,541	160	6,209
Client Assistance	5,337	13,823	2,386	16,209	24	21,570
Communications	1,030	13,550	810	14,360	447	15,837
Consultants & Sub-Contractors	-	105	-	105	-	105
Equipment Leases & Maint	2,293	32,719	2,728	35,447	1,655	39,395
Insurance	1,034	12,201	(922)	11,279	363	12,676
Mileage	2,239	15,178	1,426	16,604	2,192	21,035
Rent	3,814	43,020	3,923	46,943	1,660	52,417
Supplies	5,464	18,680	740	19,420	311	25,195
Travel & Training	7,631	27,894	3,442	31,336	2,419	41,386
Utilities	1,610	16,674	1,902	18,576	550	20,736
Other	438	4,787	2,812	9,609	230	10,277
In-Kind	-	224,848	27,563	252,411	-	252,411
Total expenses	93,731	1,100,164	156,236	1,256,400	46,067	1,398,208
CHANGE IN NET ASSETS	\$ 4,289	\$ 30,985	\$ 55,942	\$ 86,927	\$ 2,397	\$ 91,603

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, 2018

	Parenting Education and Personal Development			Total All Programs 2018
	Child Abuse Prevention Intervention	Be Fresh	Other	
SUPPORT AND REVENUES				
Support:				
Grants	\$ 66,296	\$ 28,852	\$ -	\$ 95,148
Total Support	66,296	28,852	-	95,148
Revenues:				
Other	(2)	(3)	-	(5)
Total Revenues	(2)	(3)	-	(5)
Total Support and Revenues	66,294	28,849	-	95,143
EXPENSES				
Salaries	39,709	16,901	-	56,610
Employee Benefits & Payroll Taxes	11,102	4,558	-	15,660
Administrative Costs	7,584	2,378	-	9,962
Audit & Tax Prep	323	-	-	323
Client Assistance	-	152	-	152
Communications	972	573	-	1,545
Equipment Leases & Maint	1,683	361	-	2,044
Insurance	658	443	-	1,101
Mileage	1,864	654	16	2,534
Rent	2,840	1,417	-	4,257
Supplies	224	84	-	308
Travel & Training	(197)	558	-	361
Utilities	1,103	509	-	1,612
Other	168	24	-	192
Total expenses	68,033	28,612	16	96,661
CHANGE IN NET ASSETS	\$ (1,739)	\$ 237	\$ (16)	\$ (1,518)

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, 2018**

	Family and Community Violence Prevention, Intervention, and Treatment								Total All Programs 2018
	Cal OES - Child Abuse Treatment		Cal OES	Cal OES	Cal OES	Welfare to	Lake Co.	Other	
	07/01/2017 - 9/30/2017	10/01/2017- 6/30/2018	Domestic Viol Assist Prog	Rape Crisis	KA	Work	Differential Response	Programs	
SUPPORT AND REVENUES									
Support:									
Grants	\$ 87,024	\$ 22,147	\$ 569,912	\$ 179,240	37,225	\$ 14,953	\$ 61,157	\$ 156,616	\$ 1,128,274
Donations and Fundraising		-	200	-	-	-	-	-	200
In-Kind	18,876	5,196	35,977	26,378	9,206	-	-	46	95,679
Total Support	105,900	27,343	606,089	205,618	46,431	14,953	61,157	156,662	1,224,153
Revenues:									
Interest Income	-	-	-	-	-	-	-	-	-
Other	236	-	598	-	-	-	(2)	-	832
Total Revenues	236	-	598	-	-	-	(2)	-	832
Total Support and Revenues	106,136	27,343	606,687	205,618	46,431	14,953	61,155	156,662	1,224,985
EXPENSES									
Salaries	10,433	37,154	213,039	90,021	15,885	6,480	31,828	20,095	424,935
Employee Benefits & Payroll Taxes	3,853	8,173	53,548	22,657	3,903	1,620	8,571	5,122	107,447
Administrative Costs	4,207	16,102	70,394	18,962	12,952	2,500	6,996	22,897	155,010
Audit & Tax Prep	-	717	2,925	1,185	318	114	357	167	5,783
Client Assistance	-	77	40,866	4,978	-	-	500	18,161	64,582
Communications	748	1,442	7,800	4,399	307	200	947	422	16,265
Consultants & Sub-Contractors	-	83	83	-	-	-	-	(25,892)	(25,726)
Equipment Leases & Maint	1,494	2,601	43,889	11,173	2,144	276	1,633	1,372	64,582
Insurance	587	873	5,710	2,244	415	232	727	324	11,112
Mileage	199	400	3,305	3,774	575	241	2,197	491	11,182
Rent	1,869	4,055	740	532	25	14	2,950	18	10,203
Supplies	118	1,802	30,529	6,648	726	64	218	6,650	46,755
Travel & Training	9	337	12,693	10,608	1,153	3	12	18,715	43,530
Utilities	670	1,706	21,872	1,112	146	76	1,183	98	26,863
Other	(210)	642	24,885	1,150	161	58	185	17,695	44,566
In-Kind	18,876	5,196	35,977	26,378	9,206	-	-	46	95,679
Total expenses	42,853	81,360	568,255	205,821	47,916	11,878	58,304	86,381	1,102,768
CHANGE IN NET ASSETS	\$ 63,283	\$ (54,017)	\$ 38,432	\$ (203)	\$ (1,485)	\$ 3,075	\$ 2,851	\$ 70,281	\$ 122,217

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, 2018

	Health and Wellness			Total All Programs 2018
	Cal - Prep	Fire Relief	Other Programs	
SUPPORT AND REVENUES				
Support:				
Grants	\$ 76,493	\$ 83,324	\$ 3,606	\$ 163,423
Total Support	76,493	83,324	3,606	163,423
Revenues:				
Other	(4)	71	-	67
Total Revenues	(4)	71	-	67
Total Support and Revenues	76,489	83,395	3,606	163,490
EXPENSES				
Salaries	37,602	49,765	1,597	88,964
Employee Benefits & Payroll Taxes	9,449	12,680	383	22,512
Administrative Costs	7,842	7,596	-	15,438
Audit & Tax Prep	508	566	-	1,074
Client Assistance	2,447	-	-	2,447
Communications	1,237	1,202	24	2,463
Equipment Leases & Maint	1,720	1,191	-	2,911
Insurance	1,034	1,153	-	2,187
Mileage	1,049	45	-	1,094
Rent	4,401	4,678	-	9,079
Supplies	1,545	423	1	1,969
Travel & Training	3,209	18	250	3,477
Utilities	1,721	1,876	-	3,597
Other	467	341	-	808
Total expenses	74,231	81,534	2,255	158,020
CHANGE IN NET ASSETS	\$ 2,258	\$ 1,861	\$ 1,351	\$ 5,470

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, 2018

	Administration		Total All Programs 2018
	General Operating	Fundraising	
SUPPORT AND REVENUES			
Support:			
Grant and Contracts	\$ -	\$ 518	\$ 518
Service Revenue	118	9,227	9,345
Cash Donations	7,262	1,010	8,272
In-Kind	125	36	161
Total Support	<u>7,505</u>	<u>10,273</u>	<u>17,778</u>
Revenues:			
Other	749	22,855	23,604
Total Revenues	<u>749</u>	<u>22,855</u>	<u>23,604</u>
Total Support and Revenues	<u>8,254</u>	<u>33,128</u>	<u>41,382</u>
EXPENSES			
Salaries	317,361	-	317,361
Employee Benefits & Payroll Taxes	59,795	(9)	59,786
Administrative Costs	(267,654)	9,150	(258,504)
Audit & Tax Prep	1,345	-	1,345
Client Assistance	77	480	557
Communications	2,958	4	2,962
Equipment Leases & Maint	4,565	1,019	5,584
Insurance	2,373	-	2,373
Mileage	926	35	961
Rent	9,930	-	9,930
Supplies	2,040	614	2,654
Travel & Training	1,052	-	1,052
Utilities	4,044	-	4,044
Other	10,042	5,156	15,198
In-Kind	125	36	161
Total expenses	<u>225,288</u>	<u>16,485</u>	<u>241,773</u>
CHANGE IN NET ASSETS	<u>\$ (217,034)</u>	<u>\$ 16,643</u>	<u>\$ (200,391)</u>

See accompanying notes to supplementary information.

LAKE FAMILY RESOURCE CENTER
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

OTHER INDEPENDENT AUDITOR'S REPORTS

ROBERTSON & ASSOCIATES, CPAs

A PROFESSIONAL CORPORATION

1101 NORTH MAIN STREET
LAKEPORT, CA 95453
PHONE: (707) 263-9012 ♦ FAX: (707) 263-6001
WWW.ROBERTSONCPA.COM

WWW.ROBERTSONCPA.COM

601 NORTH STATE STREET
UKIAH, CA 95482
PHONE: (707) 468-5711 ♦ FAX: (707) 468-0132
TOLL FREE (800) 619-4762

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, 2018, 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 April 3, 2019.

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

April 3, 2019

ROBERTSON & ASSOCIATES, CPAs

A PROFESSIONAL CORPORATION

1101 NORTH MAIN STREET
LAKEPORT, CA 95453
PHONE: (707) 263-9012 ♦ FAX: (707) 263-6001
WWW.ROBERTSONCPA.COM

WWW.ROBERTSONCPA.COM

601 NORTH STATE STREET
UKIAH, CA 95482
PHONE: (707) 468-5711 ♦ FAX: (707) 468-0132
TOLL FREE (800) 619-4762

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, 2018. 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, 2018.

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, 2018, and have issued our report thereon dated April 3, 2019, 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

April 3, 2019

FINDINGS AND QUESTIONED COSTS SECTION

LAKE FAMILY RESOURCE CENTER
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Organization Explanation, If Not Implemented</u>
There were no prior year findings.		