

# **Family and Children's Service and Affiliate**

Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

**Family and Children's Service and Affiliate**  
Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Family and Children's Service and Affiliate**  
**Roster of Board of Directors and Executive Staff**  
**As of June 30, 2022**

**Board of Directors**

Marlene Eskind Moses	President
Cullen Douglass	Vice President
Don Holmes	Secretary/Treasurer
Jim Kelley	Immediate Past President
Irwin Fisher	Governance Chair
Marees Choppin	Board Member
Tracey Silverman	Board Member
Earle Simmons	Board Member
Leslee Alexander	Board Member
Laurie Atkins	Board Member
Charley Bairnsfather	Board Member
Jean Brandon	Board Member
George H. Cate III	Board Member
Jane Corcoran	Board Member
Amy Colton	Board Member
Honoree Corder	Board Member
Sarah Ann Ezzell	Board Member
Andrew Galbierz	Board Member
Edwin Green	Board Member
Paul Jones	Board Member
Yeenee Leri	Board Member
William Liles	Board Member
Rob McNeilly	Board Member
Tena Mayberry	Board Member
Anna Norton	Board Member
Perri duGard Owens	Board Member
Scott Pohlman	Board Member
Tony Rose, Jr.	Board Member
Alex Ryerson	Board Member
Erin Samuelson	Board Member
Alyse Sprintz	Board Member
Nancy Stabell	Board Member
John Steele	Board Member
Chad Tuck	Board Member
Jennifer Vandercook	Board Member
Joyce A. Vise	Board Member
Battle Williford	Board Member
Kaylee Wilson	Board Member
Rob Wilson	Board Member

**Executive Staff**

Michael McSurdy	President and CEO
Allan Leslie	Chief Financial Officer



## Independent Auditor's Report

Board of Directors  
Family and Children's Service and Affiliate

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the consolidated financial statements of Family and Children's Service and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Other Matter**

The financial statements of the Organization, as of and for the year ended June 30, 2021, were audited by other auditors, whose report, dated December 17, 2021, expressed an unmodified opinion on those statements.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended June 30, 2022, as a whole. The consolidating schedules of financial position and schedules of activities, and the schedule of expenditures of federal awards and state financial assistance, as required by Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information as of and for the year ended June 30, 2022, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of and for the year ended June 30, 2022 is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information as of and for the year ended June 30, 2021, was audited by other auditors, whose report, dated December 17, 2021, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
January 24, 2023

**Family and Children's Service and Affiliate**  
Consolidated Statements of Financial Position  
June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 981,278	\$ 1,345,126
Restricted cash	142,161	197,465
Receivables from federal and state grants	655,079	500,456
Unconditional promises to give, current	5,000	6,975
Other receivables	241,391	242,608
Prepaid expenses	7,235	-
Total current assets	2,032,144	2,292,630
Land, building, and equipment, net	9,278,468	9,517,463
Unconditional promises to give, net, noncurrent	28,233	20,024
New market tax credit note receivable	6,990,000	6,990,000
Investments	3,965,973	4,764,335
Total assets	<b>\$ 22,294,818</b>	<b>\$ 23,584,452</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Line of credit	\$ 150,000	\$ -
Accounts payable	178,742	189,359
Accrued payroll and benefits	733,816	449,967
Deferred grant revenue	-	921,669
Total current liabilities	1,062,558	1,560,995
New market tax credit debt, less unamortized debt issuance costs	9,885,890	9,840,246
Total liabilities	10,948,448	11,401,241
Net assets		
Without donor restrictions		
Designated	2,213,125	2,213,125
Undesignated	8,881,292	9,662,690
With donor restrictions	251,953	307,396
Total net assets	11,346,370	12,183,211
Total liabilities and net assets	<b>\$ 22,294,818</b>	<b>\$ 23,584,452</b>

## Family and Children's Service and Affiliate

### Consolidated Statement of Activities

For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
<b>Revenues and Other Support</b>			
Federal and state grants and fees	\$ 5,164,676	\$ -	\$ 5,164,676
Program service fees	786,567	-	786,567
Other grants	203,445	682,117	885,562
PPP grant revenue	921,669	-	921,669
Contributions of financial assets	226,022	-	226,022
Special events, net	92,429	-	92,429
United Way	75,000	-	75,000
Miscellaneous income	501	-	501
Net assets released from restrictions	<u>737,560</u>	<u>(737,560)</u>	<u>-</u>
Total revenues and other support	8,207,869	(55,443)	8,152,426
<b>Expenses</b>			
Program services	6,728,585	-	6,728,585
Management and general	1,217,655	-	1,217,655
Fundraising	<u>515,156</u>	<u>-</u>	<u>515,156</u>
Total expenses	8,461,396	-	8,461,396
<b>Investment Activity</b>			
Interest and dividends	226,523	-	226,523
Realized and unrealized gain (loss)	<u>(754,394)</u>	<u>-</u>	<u>(754,394)</u>
Total investment activity	(527,871)	-	(527,871)
Change in net assets	(781,398)	(55,443)	(836,841)
Net assets, beginning of year	<u>11,875,815</u>	<u>307,396</u>	<u>12,183,211</u>
Net assets, end of year	<b>\$ 11,094,417</b>	<b>\$ 251,953</b>	<b>\$ 11,346,370</b>



## Family and Children's Service and Affiliate

### Consolidated Statement of Activities

For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
<b>Revenues and Other Support</b>			
Federal and state grants and fees	\$ 3,391,755	\$ -	\$ 3,391,755
Program service fees	836,423	-	836,423
Other grants	127,444	683,250	810,694
PPP grant revenue	678,931	-	678,931
Contributions of financial assets	296,584	27,975	324,559
Special events, net	143,405	-	143,405
United Way	76,648	15,000	91,648
Miscellaneous income	36,061	-	36,061
Net assets released from restrictions	<u>1,790,934</u>	<u>(1,790,934)</u>	<u>-</u>
Total revenues and other support	7,378,185	(1,064,709)	6,313,476
<b>Expenses</b>			
Program services	4,605,957	-	4,605,957
Management and general	1,272,682	-	1,272,682
Fundraising	<u>680,816</u>	<u>-</u>	<u>680,816</u>
Total expenses	6,559,455	-	6,559,455
<b>Investment Activity</b>			
Interest and dividends	166,398	-	166,398
Realized and unrealized gain (loss)	<u>900,113</u>	<u>-</u>	<u>900,113</u>
Total investment activity	1,066,511	-	1,066,511
Change in net assets	1,885,241	(1,064,709)	820,532
Net assets, beginning of year	<u>9,990,574</u>	<u>1,372,105</u>	<u>11,362,679</u>
Net assets, end of year	<b>\$ 11,875,815</b>	<b>\$ 307,396</b>	<b>\$ 12,183,211</b>

**Family and Children's Service and Affiliate**  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2022

	Program services	Support Services		Total
		Management and general	Fundraising	
Salaries	\$ 4,080,857	\$ 708,079	\$ 327,714	\$ 5,116,650
Employee benefits	345,262	37,413	18,152	400,827
Advertising and marketing	322,181	791	7,104	330,076
Conferences and meetings	19,417	2,529	377	22,323
Depreciation	183,581	45,264	22,633	251,478
Equipment and building expense	53,381	41,567	10,439	105,387
Financial aid	244,809	-	-	244,809
Insurance	51,215	10,406	2,998	64,619
Interest expense	-	115,550	-	115,550
Occupancy	115,908	11,981	8,812	136,701
Organizational dues	1,551	9,132	2,456	13,139
Payroll taxes	328,202	62,419	26,069	416,690
Postage	3,616	104	2,988	6,708
Printing and publication	9,368	-	10,001	19,369
Professional fees	677,231	62,961	60,085	800,277
Supplies	41,626	89,635	12,318	143,579
Telephone	57,652	19,824	2,917	80,393
Travel	56,944	-	93	57,037
Miscellaneous	135,784	-	-	135,784
	<b>\$ 6,728,585</b>	<b>\$ 1,217,655</b>	<b>\$ 515,156</b>	<b>\$ 8,461,396</b>

**Family and Children's Service and Affiliate**  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2021

		<b>Support Services</b>		
	<b>Program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 3,010,592	\$ 815,063	\$ 308,033	\$ 4,133,688
Employee benefits	278,381	23,910	14,346	316,637
Advertising and marketing	10,561	2,231	2,082	14,874
Conferences and meetings	2,214	6,336	300	8,850
Depreciation	193,258	47,651	23,826	264,735
Equipment and building expense	36,569	63,267	16,122	115,958
Financial aid	282,291	-	-	282,291
In-kind	-	-	130	130
Insurance	49,304	5,203	3,359	57,866
Interest expense	-	144,388	-	144,388
Occupancy	78,740	13,126	8,299	100,165
Organizational dues	1,410	7,696	4,882	13,988
Payroll taxes	254,077	35,951	25,125	315,153
Postage	2,754	149	729	3,632
Printing and publication	3,851	1,075	11,931	16,857
Professional fees	233,855	60,334	234,272	528,461
Supplies	17,733	22,607	4,195	44,535
Telephone	39,660	7,910	7,855	55,425
Travel	13,890	518	44	14,452
Miscellaneous	96,817	15,267	15,286	127,370
	<b>\$ 4,605,957</b>	<b>\$ 1,272,682</b>	<b>\$ 680,816</b>	<b>\$ 6,559,455</b>

**Family and Children's Service and Affiliate**  
Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents, beginning of year	\$ 1,542,591	\$ 1,885,573
<b>Cash flows from operating activities</b>		
Change in net assets	(836,841)	820,532
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	251,478	264,735
Amortization of loan costs	45,644	45,644
Realized and unrealized (gain) loss on investments	754,394	(900,113)
Change in:		
Receivables from federal and state grants	(154,623)	(215,360)
Unconditional promises to give	(6,234)	606,186
Other receivables	1,217	(43,902)
Prepaid expenses	(7,235)	-
Accounts payable	(10,617)	(17,363)
Accrued payroll and benefits	283,849	18,105
Deferred grant revenue	(921,669)	204,640
Net cash provided (used) by operating activities	(600,637)	783,104
<b>Cash flows from investing activities</b>		
Purchase of land, building, and equipment	(12,481)	-
Proceeds from sale of investments	432,923	198,390
Purchase of investments	(388,957)	(96,437)
Net cash provided (used) by investing activities	31,485	101,953
<b>Cash flows from financing activities</b>		
Net borrowings and payments on line of credit	150,000	-
Payments on note payable	-	(1,230,000)
Proceeds restricted for long-term purposes	-	1,961
Net cash provided (used) by financing activities	150,000	(1,228,039)
Net change in cash and cash equivalents	(419,152)	(342,982)
Cash and cash equivalents, end of year	<b>\$ 1,123,439</b>	<b>\$ 1,542,591</b>
<b>Cash and cash equivalents consist of the following</b>		
Cash and cash equivalents	\$ 981,278	\$ 1,345,126
Restricted cash	142,161	197,465
	<b>\$ 1,123,439</b>	<b>\$ 1,542,591</b>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	\$ 69,906	\$ 98,744

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 1. Summary of Significant Accounting Policies**

**Nature of Organization**

The purpose of Family and Children's Service (FCS) is to make best-practice mental and physical health care accessible to all that need it to enable children and families to lead healthier, more fulfilling, and productive lives. This is accomplished through 24-hour telephone crisis counseling, trauma counseling for child and adult victims of violence, attachment counseling to help foster and adoptive children and families form secure loving relationships, healthcare support, and family and individual counseling for addiction, depression, marriage, and relationship issues. FCS serves various regions throughout the state of Tennessee.

FCS established the FCS New Market Landlord, Inc. (FCS New Market) on November 2, 2017, solely to support the charitable purposes, mission, goals, and activities of FCS, its sole member. As such, FCS New Market's activities include constructing FCS's new headquarters and servicing certain notes payable for the benefit of FCS (see note 10).

**Principles of Consolidation**

The financial statements of FCS and FCS New Market (collectively referred to hereafter as the Organization) have been consolidated due to the presence of common control and economic interest as required by accounting principles generally accepted in the United States of America (US GAAP). All significant inter-entity balances and transactions have been eliminated in consolidation.

**Financial Statement Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with US GAAP, as prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions:*

Undesignated – Net assets that are not subject to donor-imposed stipulations or designated by the Organization's Board of Directors (Board).

Designated – Net assets designated by the Organization's Board for particular purposes, presently designated by the Board for endowment.

*Net Assets With Donor Restrictions*

Net assets that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no net assets with donor restrictions perpetual in nature as of June 30, 2022 and 2021.

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 1. Summary of Significant Accounting Policies**

**Cash and Cash Equivalents and Restricted Cash**

The Organization considers all highly liquid investments with an original maturity when purchased of three months or less to be cash equivalents.

**Contributions**

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions that are restricted are reported as increases in net assets with donor restrictions. All other contributions are reported as increases in net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

**Unconditional Promises to Give**

Unconditional promises to give that are expected to be collected in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of estimated future cash flows. The discounts on promises to give are computed using a rate commensurate with the risk of the promise to give in accordance with US GAAP. Amortization of the discount is included in contribution revenue in the consolidated statements of activities. Management considers all unconditional promises to give as of June 30, 2022 and 2021 to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded as of June 30, 2022 and 2021 in the accompanying consolidated statements of financial position.

**Land, Building, and Equipment**

It is the Organization's policy to capitalize land, building, and equipment with cost in excess of \$5,000. All purchases less than that amount are expensed in the period purchased. Donated land, building, and equipment are reported as contributions at their estimated fair value at the date of donation. Unless donor-restricted, all donated land, building, and equipment are reported as increases in net assets without donor restrictions. Building and equipment are depreciated over their estimated useful lives using the straight-line method. Useful lives range from three years for computer equipment to forty years for a building.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Investment income and realized and unrealized gains and losses are reported as changes in net assets without donor restrictions unless the use of income has been restricted by the donor. See note 5 for additional information on fair value measurements.

**Estimates**

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 1. Summary of Significant Accounting Policies**

**Income Taxes**

FCS and FCS New Market are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization as of June 30, 2022.

It is the Organization's policy to account for any uncertainties in income tax law in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 74-10, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the consolidated financial statements. As a result, no provision or liability for income taxes has been included in the consolidated financial statements.

**Functional Allocation of Expenses**

The costs of providing programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among program and support services based on estimated time and effort. The remaining unallocated expenses are charged directly to a specific function based on the nature of the expense.

**Reclassifications**

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

**Note 2. Revenue**

The Organization accounts for revenue under ASC 606. Revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

**Performance Obligations**

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and is recognized as revenue when, or as, each performance obligation is satisfied. The Organization's revenue within the scope of ASC 606 consists primarily of revenue from language interpretation services, counseling, health services assistance, and food distribution and management. The contract performance obligation for these activities is generally satisfied at the time the services are provided.

**Accounts Receivable**

Accounts receivable relating to language interpretation services, counseling, health services assistance, and food distribution and management services totaled \$241,391 and \$242,608 at June 30, 2022 and 2021, respectively.

**Disaggregation of Revenue**

See the consolidated statements of activities for the years ended June 30, 2022 and 2021.

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 3. Liquidity**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing programs and services to provide crisis counseling, trauma counseling for child and adult victims of violence, and attachment counseling as well as conduct of services undertaken to support those activities to be general expenditures.

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at June 30:

	<b>2022</b>	<b>2021</b>
Financial assets		
Cash and cash equivalents	\$ 1,123,439	\$ 1,542,591
Receivables from federal and state grants	655,079	500,456
Unconditional promises to give, net	33,233	26,999
Other receivables	241,391	242,608
Investments	<u>3,965,973</u>	<u>4,764,335</u>
Total financial assets at year-end	6,019,115	7,076,989
Less amounts not available to be used within one year		
Restricted cash	(142,161)	(197,465)
Board designations	(2,213,125)	(2,213,125)
Purpose and time restrictions	<u>(251,953)</u>	<u>(307,396)</u>
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 3,411,876</b>	<b>\$ 4,359,003</b>

The Organization's management monitors its liquidity so that it is able to cover operating expenses. The Organization is substantially supported by grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Designations of net assets are self-imposed limitations which may be reversed by action of the Board should the need arise to cover operating expenses. Further, the Organization has two lines of credit as of June 30, 2022 (see note 7).



**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 4. Unconditional Promises to Give**

Unconditional promises to give are due as follows as of June 30:

	<b>2022</b>	<b>2021</b>
Receivable in less than one year	\$ 5,000	\$ 6,975
Receivable in one to five year	29,010	21,000
Less: allowance for doubtful accounts	-	-
Less: unamortized discount	<u>(777)</u>	<u>(976)</u>
	<b>\$ 33,233</b>	<b>\$ 26,999</b>

**Note 5. Investments and Fair Value Measurements**

US GAAP establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2022 and 2021.

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

**Note 5. Investments and Fair Value Measurements**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2022:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity funds	\$ 2,498,766	\$ -	\$ -	\$ 2,498,766
Bond funds	1,466,751	-	-	1,466,751
Money market funds	<u>456</u>	<u>-</u>	<u>-</u>	<u>456</u>
	<b>\$ 3,965,973</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,965,973</b>

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2021:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity funds	\$ 3,116,673	\$ -	\$ -	\$ 3,116,673
Bond funds	1,647,392	-	-	1,647,392
Money market funds	<u>270</u>	<u>-</u>	<u>-</u>	<u>270</u>
	<b>\$ 4,764,335</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,764,335</b>

**Note 6. Land, Building, and Equipment**

Land, building, and equipment consist of the following at June 30:

	<b>2022</b>	<b>2021</b>
Land	\$ 1,220,000	\$ 1,220,000
Building	8,589,200	8,589,200
Equipment	295,690	283,209
Less: accumulated depreciation	<u>(826,422)</u>	<u>(574,946)</u>
Land, building, and equipment, net	<b>\$ 9,278,468</b>	<b>\$ 9,517,463</b>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$251,478 and \$264,735, respectively.

**Note 7. Lines of Credit**

The Organization has a \$300,000 line of credit available with a financial institution that expires January 25, 2028. The line of credit bears interest at a rate based upon the financial institution's index (3.25% at June 30, 2022) and is secured by certain business assets. As of June 30, 2022 and 2021, \$150,000 and \$0, respectively, were outstanding on the line of credit.

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 7. Lines of Credit**

The Organization has an additional revolving line of credit in the amount of \$1,000,000. The line of credit bears interest at 3.75%, matures February 11, 2023, and is secured by certain investment balances. As of June 30, 2022 and 2021, there was no outstanding balance on the line of credit.

**Note 8. Note Payable**

During December 2017, the Organization borrowed \$1,951,785 from a financial institution to serve as a bridge loan to finance a portion of its investment in the New Market Tax Credit (NMTC) transaction (see note 10). The note required monthly interest only payments at a rate of 3.8% plus principal payments due semi-annually, scheduled to mature December 2020, and was secured by the Organization's deposits and investments maintained by the lender. This note was paid off with borrowings from another commercial lender as described in the following paragraph.

During January 2018, the Organization borrowed \$2,000,000 from a commercial lender to pay off the note payable described in the previous paragraph. This note payable had a maturity date of November 1, 2023 and required monthly interest only payments at a rate of 3.5%. The note payable was secured by the Organization's investments. This note was paid in full during January 2021. There was no balance due at June 30, 2022 and 2021.

**Note 9. Deferred Grant Revenue**

The Organization received a Paycheck Protection Program (PPP) loan in the amount of \$764,400. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. This loan was forgiven in April 2021. The Organization recognized grant revenue in the amount of \$678,931, which is included on the consolidated statements of activities for the year ended June 30, 2021.

The Organization received a second draw on this PPP loan in March 2021 in the amount of \$921,669 and recorded it as deferred grant revenue on the consolidated statement of financial position as of June 30, 2021. The loan was forgiven in April 2022. The Organization recognized grant revenue in the amount of \$921,669, which is included on the consolidated statement of activities for the year ended June 30, 2022.

**Note 10. New Market Tax Credit Agreement**

During December 2017, the Organization entered into a NMTC agreement to assist with the construction of its new headquarters. The Organization will realize a projected benefit in positive cash flow from federal incentives totaling approximately \$2,400,000 (unaudited) for the NMTC financing transaction. All loans originated in the NMTC financing transactions are secured by substantially all assets (excluding investments) and revenues of the Organization whether owned as of the date of the agreement or thereafter.

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 10. New Market Tax Credit Agreement**

In December 2017, FCS New Market entered into two debt agreements to borrow \$10,000,000 from Partnerships of Hope XV, LLC (a community development financial institution). The notes require quarterly payments of interest only at 1.13% per annum until December 2024. Thereafter, annual principal and interest payments totaling approximately \$494,000 per annum are due until December 2047. Financing fees deferred related to the notes totaled approximately \$319,500 with approximately \$46,000 amortized during each of the years ended June 30, 2022 and 2021, which is included as a component of interest expense. The notes contain certain nonfinancial covenants which require management's representations that the loans will qualify as a qualified low-income community investment based on the ongoing activities of the Organization and its continuing mission.

Furthermore, FCS provided a loan of \$6,990,000 to FCS Investment Fund, LLC. The loan is evidenced by a promissory note receivable from FCS Investment Fund, LLC, accruing interest at 1.00% per annum, and requiring quarterly interest only payments until December 2024 at which point the loan will begin to amortize on a straight-line basis through maturity in December 2047.

As part of this transaction FCS New Market is required to maintain a segregated loan reserve fund for payment of the servicing fee in compliance with the note payable. The initial deposit was \$387,500 and will cover annual payments totaling approximately \$42,000. FCS New Market will continue making such expense reimbursements even after the funds in the reserve account have been fully disbursed. The amount of restricted cash as of June 30, 2022 and 2021 totaled approximately \$142,000 and \$197,000, respectively.

In December 2024, the bank that owns the unaffiliated investment structure may put its interest in the investments structure to FCS New Market for a put price of \$1,000. If the bank does not exercise its put right, FCS New Market may call the bank's interest in the investment structure for a call price equal to the fair value of the investment. Exercise of the put or the call will provide FCS New Market with ownership of the investment structure.

**Note 11. Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

	<b>2022</b>	<b>2021</b>
Restricted for future years	\$ 231,963	\$ 279,421
Pledges – timing restriction	<u>19,990</u>	<u>27,975</u>
	<b>\$ 251,953</b>	<b>\$ 307,396</b>

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 11. Net Assets With Donor Restrictions**

Net assets were released from donor restrictions during 2022 and 2021 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2022	2021
Purpose restrictions accomplished		
Capital campaign for The Honey Alexander Center	\$ 7,985	\$ 992,860
Restricted for future years	704,575	705,374
COVID-19	-	40,000
Crisis Contact Center	25,000	45,000
Other programs	-	7,700
	<u>\$ 737,560</u>	<u>\$ 1,790,934</u>

**Note 12. Board-designated Net Assets**

As of June 30, 2022 and 2021, net assets totaling \$2,213,125 are designated by the Board for the general endowment. The interest earned on designated for endowment net assets is available to the Organization on an unrestricted basis.

The Organization's endowment consists of Board-designated funds held in investment accounts. As required by US GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions and Board designations.

Endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	\$ 2,213,125	\$ -	\$ 2,213,125

**Endowment Investment Policy and Risk Parameters**

The Organization follows investment and spending policies for endowment assets that attempt to supplement annual operating expenses, while allowing sufficient long-term growth to meet future capital and budgetary requirements. Endowment assets include funds designated by the Board. Prohibited investments include non-liquid securities, private placements, and futures (except for hedging purposes). The use of leverage for investment purposes is expressly prohibited.

**Strategies Employed for Achieving Investment Objectives**

To satisfy its long-term rate of return objectives, the Organization relies on a targeted mix of investments as follows: 0% to 10% cash and cash equivalents; 20% to 50% fixed income; 40% to 70% equities; 0% to 20% other securities.

**Family and Children's Service and Affiliate**  
Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2022 and 2021

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**Note 12. Board-designated Net Assets**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy of appropriating monthly up to 5% of the average of the most recent 36 monthly investment balances, updated quarterly.

**Note 13. Concentrations**

The Organization's cash account balances for the years ended June 30, 2022 and 2021, exceeded Federal Deposit Insurance Corporation insurance limits by approximately \$427,000 and \$788,000, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

The Organization receives a substantial amount of its revenue from federal and state grants and the United Way. A significant reduction in the amount received from these sources could have an adverse effect on the operations of the Organization.

As of June 30, 2022, approximately 100% of unconditional promises to give were due from one donor.

For the year ended June 30, 2022, contributions from one donors made up approximately 12% of total contribution and other grant revenue.

**Note 15. Subsequent Events**

Management has evaluated subsequent events January 24, 2023, the date on which the financial statements were available for issuance.

## **Supplementary Information**

**Family and Children's Service and Affiliate**  
**Consolidating Schedule of Financial Position**  
June 30, 2022

	<b>FCS</b>	<b>FCS New Market</b>	<b>Eliminations</b>	<b>Consolidated total</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 940,352	\$ 40,926	\$ -	\$ 981,278
Restricted cash	-	142,161	-	142,161
Receivables from federal and state grants	655,079	-	-	655,079
Unconditional promises to give, current	5,000	-	-	5,000
Other receivables	241,391	70,000	(70,000)	241,391
Prepaid expenses	7,235	-	-	7,235
Total current assets	<u>1,849,057</u>	<u>253,087</u>	<u>(70,000)</u>	<u>2,032,144</u>
Land, building, and equipment, net	31,504	9,246,964	-	9,278,468
Unconditional promises to give, net, noncurrent	28,233	-	-	28,233
New market tax credit note receivable	6,990,000	-	-	6,990,000
Investments	3,965,973	-	-	3,965,973
Total assets	<b>\$ 12,864,767</b>	<b>\$ 9,500,051</b>	<b>\$ (70,000)</b>	<b>\$ 22,294,818</b>
<b>Liabilities and Net Assets</b>				
Current liabilities				
Line of credit	\$ 150,000	\$ -	\$ -	\$ 150,000
Accounts payable	117,151	131,591	(70,000)	178,742
Accrued payroll and benefits	733,816	-	-	733,816
Total current liabilities	<u>1,000,967</u>	<u>131,591</u>	<u>(70,000)</u>	<u>1,062,558</u>
New market tax dredit debt, less unamortized debt issuance costs	<u>-</u>	<u>9,885,890</u>	<u>-</u>	<u>9,885,890</u>
Total liabilities	<u>1,000,967</u>	<u>10,017,481</u>	<u>(70,000)</u>	<u>10,948,448</u>
Net assets				
Without donor restrictions				
Designated	2,213,125	-	-	2,213,125
Undesignated	9,365,560	(484,268)	-	8,881,292
With donor restrictions	251,953	-	-	251,953
Total net assets	<u>11,830,638</u>	<u>(484,268)</u>	<u>-</u>	<u>11,346,370</u>
Total liabilities and net assets	<b>\$ 12,681,605</b>	<b>\$ 9,533,213</b>	<b>\$ (70,000)</b>	<b>\$ 22,294,818</b>



**Family and Children's Service and Affiliate**  
Consolidating Schedule of Financial Position  
June 30, 2021

	<b>FCS</b>	<b>FCS New Market</b>	<b>Eliminations</b>	<b>Consolidated total</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 1,345,126	\$ -	\$ -	\$ 1,345,126
Restricted cash	-	197,465	-	197,465
Receivables from federal and state grants	500,456	-	-	500,456
Unconditional promises to give, current	6,975	-	-	6,975
Other receivables	242,608	110,833	(110,833)	242,608
Total current assets	2,095,165	308,298	(110,833)	2,292,630
Land, building, and equipment, net	31,504	9,485,959	-	9,517,463
Unconditional promises to give, net, noncurrent	20,024	-	-	20,024
New market tax credit note receivable	6,990,000	-	-	6,990,000
Investments	4,764,335	-	-	4,764,335
Total assets	<b>\$ 13,901,028</b>	<b>\$ 9,794,257</b>	<b>\$ (110,833)</b>	<b>\$ 23,584,452</b>
<b>Liabilities and Net Assets</b>				
Current liabilities				
Accounts payable	\$ 168,601	\$ 131,591	\$ (110,833)	\$ 189,359
Accrued payroll and benefits	449,967	-	-	449,967
Deferred grant revenue	921,669	-	-	921,669
Total current liabilities	1,540,237	131,591	(110,833)	1,560,995
New market tax credit debt, less unamortized debt issuance costs	-	9,840,246	-	9,840,246
Total liabilities	1,540,237	9,971,837	(110,833)	11,401,241
Net assets				
Without donor restrictions				
Designated	2,213,125	-	-	2,213,125
Undesignated	9,840,270	(177,580)	-	9,662,690
With donor restrictions	307,396	-	-	307,396
Total net assets	12,360,791	(177,580)	-	12,183,211
Total liabilities and net assets	<b>\$ 13,901,028</b>	<b>\$ 9,794,257</b>	<b>\$ (110,833)</b>	<b>\$ 23,584,452</b>

**Family and Children's Service and Affiliate**  
Consolidating Schedule of Activities  
For the Year Ended June 30, 2022

	Family and Children's Service			FCS New Market			Eliminations	Consolidated total
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total		
<b>Revenues and Other Support</b>								
Federal and state grants and fees	\$ 5,164,676	\$ -	\$ 5,164,676	\$ -	\$ -	\$ -	\$ -	\$ 5,164,676
Program service fees	786,567	-	786,567	-	-	-	-	786,567
Other grants	203,445	682,117	885,562	-	-	-	-	885,562
PPP grant revenue	921,669	-	921,669	-	-	-	-	921,669
Contributions	226,022	-	226,022	-	-	-	-	226,022
Special events, net	92,429	-	92,429	-	-	-	-	92,429
United Way	75,000	-	75,000	-	-	-	-	75,000
Miscellaneous income	448	-	448	70,053	-	70,053	(70,000)	501
Net assets released from restrictions	737,560	(737,560)	-	-	-	-	-	-
Total revenues and other support	8,207,816	(55,443)	8,152,373	70,053	-	70,053	(70,000)	8,152,426
<b>Expenses</b>								
Program services	6,545,004	-	6,545,004	183,581	-	183,581	-	6,728,585
Management and general	1,117,128	-	1,117,128	170,527	-	170,527	(70,000)	1,217,655
Fundraising	492,523	-	492,523	22,633	-	22,633	-	515,156
Total expenses	8,154,655	-	8,154,655	376,741	-	376,741	(70,000)	8,461,396
<b>Investment Activity</b>								
Interest and dividends	226,523	-	226,523	-	-	-	-	226,523
Realized and unrealized gain (loss)	(754,394)	-	(754,394)	-	-	-	-	(754,394)
Total investment activity	(527,871)	-	(527,871)	-	-	-	-	(527,871)
Change in net assets	(474,710)	(55,443)	(530,153)	(306,688)	-	(306,688)	-	(836,841)
Net assets, beginning of year	12,053,395	307,396	12,360,791	(177,580)	-	(177,580)	-	12,183,211
Net assets, end of year	<b>\$ 11,578,685</b>	<b>\$ 251,953</b>	<b>\$ 11,830,638</b>	<b>\$ (484,268)</b>	<b>\$ -</b>	<b>\$ (484,268)</b>	<b>\$ -</b>	<b>\$ 11,346,370</b>

**Family and Children's Service and Affiliate**  
Consolidating Schedule of Activities  
For the Year Ended June 30, 2021

	Family and Children's Service			FCS New Market				
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total	Eliminations	Consolidated total
<b>Revenues and Other Support</b>								
Federal and state grants and fees	\$ 3,391,755	\$ -	\$ 3,391,755	\$ -	\$ -	\$ -	\$ -	\$ 3,391,755
Program service fees	836,423	-	836,423	-	-	-	-	836,423
Other grants	127,444	683,250	810,694	-	-	-	-	810,694
PPP grant revenue	678,931	-	678,931	-	-	-	-	678,931
Contributions	296,584	27,975	324,559	-	-	-	-	324,559
Special events, net	143,405	-	143,405	-	-	-	-	143,405
United Way	76,648	15,000	91,648	-	-	-	-	91,648
Miscellaneous income	35,917	-	35,917	70,144	-	70,144	(70,000)	36,061
Inter-entity transfers	(164,304)	-	(164,304)	164,304	-	164,304	-	-
Net assets released from restrictions	1,790,934	(1,790,934)	-	-	-	-	-	-
Total revenues and other support	7,213,737	(1,064,709)	6,149,028	234,448	-	234,448	(70,000)	6,313,476
<b>Expenses</b>								
Program services	4,348,807	-	4,348,807	257,150	-	257,150	-	4,605,957
Management and general	1,086,577	-	1,086,577	256,105	-	256,105	(70,000)	1,272,682
Fundraising	656,990	-	656,990	23,826	-	23,826	-	680,816
Total expenses	6,092,374	-	6,092,374	537,081	-	537,081	(70,000)	6,559,455
<b>Investment Activity</b>								
Interest and dividends	166,387	-	166,387	11	-	11	-	166,398
Realized and unrealized gain (loss)	900,113	-	900,113	-	-	-	-	900,113
Total investment activity	1,066,500	-	1,066,500	11	-	11	-	1,066,511
Change in net assets	2,187,863	(1,064,709)	1,123,154	(302,622)	-	(302,622)	-	820,532
Net assets, beginning of year	9,865,532	1,372,105	11,237,637	125,042	-	125,042	-	11,362,679
Net assets, end of year	<b>\$ 12,053,395</b>	<b>\$ 307,396</b>	<b>\$ 12,360,791</b>	<b>\$ (177,580)</b>	<b>\$ -</b>	<b>\$ (177,580)</b>	<b>\$ -</b>	<b>\$ 12,183,211</b>

## **Compliance Information**

**Family and Children's Service and Affiliate**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2022

Grantor / Pass-through Grantor	Program name	Assistance listing	Contract number	Expenditures
<b>Federal Awards</b>				
U.S. Department of Health and Human Services /				
N/A - direct	Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332	1NAVCA190350-01-00	\$ 102,005
N/A - direct	Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332	1NAVCA210392-01-00	1,755,956
				<u>1,857,961</u>
N/A - direct	Children's Health Insurance Program (CHIP)	93.767	1Y1CMS331692-01 -00	491,310
Tennessee Department of Health and Human Services	Temporary Assistance for Needy Families (TANF)	93.558	34530-74321	485,842
Tennessee Department of Health and Human Services	Temporary Assistance for Needy Families (TANF)	93.558	34530-40320	884,304
				<u>1,370,146</u>
Tennessee Department of Mental Health and Substance Abuse Services	Block Grants for Community Mental Health Services	93.958	33901-71232	111,558
Tennessee Department of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 69867_2021-2022_006	36,656
Tennessee Commission on Aging and Disability	Medicare Enrollment Assistance Program	93.071	31602-18024	11,171
Tennessee Commission on Aging and Disability	State Health Insurance Assistance Program	93.324	31602-19048	59,144
Tennessee Department of Children's Services	Stephanie Tubbs Jones Child Welfare Services Program	93.645	35910-01891	20,000
Tennessee Department of Children's Services	Promoting Safe and Stable Families Program	93.556	35910-05575	40,000
U.S. Department of Justice /				
N/A - direct	Enhancing Community Responses to the Opioid Crisis: Serving Our Youngest Crime Victims	16.582	2019-V3-GX-0035	256,313
Tennessee Department of Finance and Administration Office of Criminal Justice	Domestic Violence and Trauma	16.575	2015-VA-GX-0018	189,559
Total financial assistance				<u>4,443,818</u>
<b>State Financial Assistance</b>				
Tennessee Department of Mental Health and Substance Abuse Services	National Suicide Prevention Lifeline State Capacity Building Initiative 21	N/A	N/A	19,447
Tennessee Department of Finance and Administration	Access TN	N/A	31865-00458-06	43,262
Tennessee Department of Finance and Administration	Access TN	N/A	31865-00458-07	45,663
Tennessee Department of Children's Services	Relative Caregiver Program	N/A	35910-01891	488,494
Tennessee Department of Children's Services	Adverse Childhood Experiences Initiative	N/A	35910-58689	<u>66,759</u>
Total state financial assistance				663,625
Total federal and state financial assistance				<b>\$ 5,107,443</b>

**Family and Children's Service and Affiliate**  
Notes to Schedule of Expenditures of  
Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2022

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**Note 1. Basis of Accounting**

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations and the requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the 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.

The Organization did not expend any federal awards during the year ended June 30, 2022 in the form of noncash assistance.

**Note 3. Indirect Cost Rate**

The Organization expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4. Subrecipients**

The Organization did not have expenditures to subrecipients during the fiscal year.

**Note 5. Contingencies**

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.



**Independent Auditor's 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***

Board of Directors  
Family and Children's Service and Affiliate

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 (*Government Auditing Standards*), the consolidated financial statements of Family and Children's Service and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements as listed in the table of contents (collectively, the financial statements), and have issued our report thereon dated January 24, 2023.

**Report on 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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
January 24, 2023





**Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Family and Children's Service and Affiliate

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Family and Children's Service and Affiliate's (the Organization) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
January 24, 2023

**Family and Children's Service and Affiliate**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with US GAAP	Unmodified
Internal control over financial reporting	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major federal programs	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs (Assistance Listing and name of federal program or cluster)	
93.332 Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	
93.767 Children's Health Insurance Program Reauthorization Act	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II. Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no findings required to be reported in accordance with *Government Auditing Standards*.

**Family and Children's Service and Affiliate**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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**Section III. Federal Award Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported in accordance with 2 CFR 200.516(a).

**Family and Children's Service and Affiliate**  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2022

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**Section I. Financial Statement Findings**

There were no prior year findings reported.

**Section II. Federal Award Findings and Questioned Costs**

There were no prior year findings or questioned costs reported.