Family and Children’s Service and Affiliate

Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

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For the Years Ended June 30, 2023 and 2022

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Family and Children's Service and Affiliate
Roster of Board of Directors and Executive Staff
As of June 30, 2023

Board of Directors

Cullen Douglass	President
Nancy Stabell	Vice President
Edwin Green	Secretary/Treasurer
Marlene Moses	Immediate Past President
Jane Corcoran	Governance Chair
Charley Bairnsfather	Board Member
Jean Brandon	Board Member
Honoree Corder	Board Member
Erin Samuelson	Board Member
John Steele	Board Member
Leslee Alexander	Board Member
Laurie Atkins	Board Member
Adrienne Battle	Board Member
Marees Choppin	Board Member
Amy Colton	Board Member
Sarah Ann Ezzell	Board Member
Irwin Fisher	Board Member
Andrew Galbierz	Board Member
Dwayne Greene	Board Member
Jeffrey Guy	Board Member
Don Holmes	Board Member
Margarita Illingsworth	Board Member
Paul Jones	Board Member
Yeenee Leri	Board Member
William Liles	Board Member
Tena Mayberry	Board Member
Anne Elizabeth McIntosh	Board Member
Anna Norton	Board Member
William Robinson	Board Member
Alex Ryerson	Board Member
Alyse Sprintz	Board Member
Kristen Toth	Board Member
Chad Tuck	Board Member
Jennifer Vandercook	Board Member
Joyce A. Vise	Board Member
Kaylee Wilson	Board Member
Rob Wilson	Board Member
T. Allen Morgan	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 statements of financial position as of June 30, 2023 and 2022, the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, 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.

Basis for Opinion

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

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 audits were conducted for the purpose of forming an opinion on the financial statements 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 has been subjected to the auditing procedures applied in the audits 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 GAAS. In our opinion, the information is fairly stated, in all material respects, 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 November 29, 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
Nashville, Tennessee
November 29, 2023

Family and Children's Service and Affiliate
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 657,966	$ 981,278
Restricted cash	181,839	142,161
Receivables from federal and state grants	1,648,947	655,079
Unconditional promises to give, current portion	-	5,000
Other receivables	553,305	241,391
Prepaid expenses	2,098	7,235
Total current assets	3,044,155	2,032,144
Land, building, and equipment, net	9,111,622	9,278,468
Unconditional promises to give, net of current portion	19,213	28,233
New market tax credit note receivable	6,990,000	6,990,000
Investments	4,155,068	3,965,973
Total assets	**$ 23,320,058**	**$ 22,294,818**
Liabilities and Net Assets		
Current liabilities		
Lines of credit	$ 1,974,942	$ 150,000
Accounts payable	180,697	178,742
Accrued payroll and benefits	566,237	733,816
Total current liabilities	2,721,876	1,062,558
New market tax credit debt, less unamortized debt issuance costs	9,931,534	9,885,890
Total liabilities	12,653,410	10,948,448
Net assets		
Without donor restrictions		
Designated	2,213,125	2,213,125
Undesignated	8,138,532	8,881,292
With donor restrictions	314,991	251,953
Total net assets	10,666,648	11,346,370
Total liabilities and net assets	**$ 23,320,058**	**$ 22,294,818**

Family and Children's Service and Affiliate
Consolidated Statement of Activities
For the Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues and Other Support			
Contributions of cash and other financial assets			
Federal and state grants and fees	$ 7,106,631	$ -	$ 7,106,631
General contributions	444,982	-	444,982
Other grants	2,363,199	764,750	3,127,949
United Way	75,000	-	75,000
Program service fees	560,637	-	560,637
Special events, net	120,218	-	120,218
Miscellaneous income	202	-	202
Net assets released from restrictions	701,712	(701,712)	-
Total revenues and other support	11,372,581	63,038	11,435,619
Expenses			
Program services	10,300,779	-	10,300,779
Management and general	1,655,572	-	1,655,572
Fundraising	637,295	-	637,295
Total expenses	12,593,646	-	12,593,646
Investment activity			
Interest and dividends	122,696	-	122,696
Realized and unrealized gain (loss)	355,609	-	355,609
Total investment activity	478,305	-	478,305
Change in net assets	(742,760)	63,038	(679,722)
Net assets, beginning of year	11,094,417	251,953	11,346,370
Net assets, end of year	**$ 10,351,657**	**$ 314,991**	**$ 10,666,648**

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
Revenues and Other Support			
Contributions of cash and other financial assets			
Federal and state grants and fees	$ 5,164,676	$ -	$ 5,164,676
General contributions	226,022	-	226,022
Other grants	203,445	682,117	885,562
United Way	75,000	-	75,000
Program service fees	786,567	-	786,567
PPP grant revenue	921,669	-	921,669
Special events, net	92,429	-	92,429
Miscellaneous income	501	-	501
Net assets released from restrictions	737,560	(737,560)	-
Total revenues and other support	8,207,869	(55,443)	8,152,426
Expenses			
Program services	6,728,585	-	6,728,585
Management and general	1,217,655	-	1,217,655
Fundraising	515,156	-	515,156
Total expenses	8,461,396	-	8,461,396
Investment activity			
Interest and dividends	226,523	-	226,523
Realized and unrealized gain (loss)	(754,394)	-	(754,394)
Total investment activity	(527,871)	-	(527,871)
Change in net assets	(781,398)	(55,443)	(836,841)
Net assets, beginning of year	11,875,815	307,396	12,183,211
Net assets, end of year	**$ 11,094,417**	**$ 251,953**	**$ 11,346,370**

Family and Children's Service and Affiliate
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

		Support Services		
	Program services	Management and general	Fundraising	Total
Salaries	$ 6,270,539	$ 1,033,841	$ 370,062	$ 7,674,442
Employee benefits	527,776	40,090	28,498	596,364
Advertising and marketing	323,407	19	4,167	327,593
Conferences and meetings	23,199	9,665	2,693	35,557
Depreciation	182,116	48,059	22,765	252,940
Equipment and building expense	71,447	57,157	14,289	142,893
Financial aid	390,534	3,276	-	393,810
Insurance	75,257	2,752	2,642	80,651
Interest expense	-	166,946	-	166,946
Occupancy	133,988	21,578	15,765	171,331
Organizational dues	1,784	12,007	-	13,791
Payroll taxes	495,434	65,511	28,749	589,694
Postage	2,335	331	2,082	4,748
Printing and publication	1,394	1,645	9,536	12,575
Professional fees	1,237,648	95,299	98,084	1,431,031
Supplies	54,543	73,072	31,799	159,414
Telephone	136,472	14,870	5,507	156,849
Travel	116,402	9,454	657	126,513
Miscellaneous	256,504	-	-	256,504
	$ 10,300,779	**$ 1,655,572**	**$ 637,295**	**$ 12,593,646**

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

		Support Services		
	Program services	Management and general	Fundraising	Total
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
	$ 6,728,585	**$ 1,217,655**	**$ 515,156**	**$ 8,461,396**

Family and Children's Service and Affiliate

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash and cash equivalents, beginning of year	$ 1,123,439	$ 1,542,591
Cash flows from operating activities		
Change in net assets	(679,722)	(836,841)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	252,940	251,478
Amortization of loan costs	45,644	45,644
Unrealized (gain) loss on investments	(388,843)	621,432
Contributions restricted for capital campaign	(190,000)	-
Change in:		
Receivables from federal and state grants	(993,868)	(154,623)
Unconditional promises to give	14,020	(6,234)
Other receivables	(311,914)	1,217
Prepaid expenses	5,137	(7,235)
Accounts payable	1,955	(10,617)
Accrued payroll and benefits	(167,579)	283,849
Deferred grant revenue	-	(921,669)
Net cash provided (used) by operating activities	(2,412,230)	(733,599)
Cash flows from investing activities		
Purchase of land, building, and equipment	(86,094)	(12,481)
Proceeds from sale of investments	679,293	432,923
Purchase of investments	(479,545)	(255,995)
Net cash provided (used) by investing activities	113,654	164,447
Cash flows from financing activities		
Net change in lines of credit	1,824,942	150,000
Collections of contributions restricted for capital campaign and related capital assets	190,000	-
Net cash provided (used) by financing activities	2,014,942	150,000
Net change in cash and cash equivalents	(283,634)	(419,152)
Cash and cash equivalents, end of year	**$ 839,805**	**$ 1,123,439**
Cash and cash equivalents consist of the following		
Cash and cash equivalents	$ 657,966	$ 981,278
Restricted cash	181,839	142,161
	$ 839,805	**$ 1,123,439**
Supplemental disclosures of cash flow information		
Interest paid	$ 69,907	$ 69,906

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, 2023 and 2022.

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 of Cash and Other Financial Assets
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, 2023 and 2022 to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded as of June 30, 2023 and 2022 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 3 years for computer equipment to 40 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, the 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.

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, 2023.

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

Income Taxes
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.

Leases (New Accounting Standard Adopted in 2023)
In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key qualitative and quantitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*. The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. The adoption of ASC 842 had no material effect on the consolidated financial statements as they have been eliminated in consolidation.

Reclassifications
Certain reclassifications were made to the 2022 financial statements to conform to the 2023 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.

Note 2. **Revenue**

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 district 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.

Other Receivables

Accounts receivable relating to language interpretation services, counseling, health services assistance, and food distribution and management services totaled $553,305 and $241,391 at June 30, 2023 and 2022, respectively.

Disaggregation of Revenue

See the consolidated statements of activities for the years ended June 30, 2023 and 2022.

Note 3. **Liquidity and Availability**

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:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 839,805	$ 1,123,439
Receivables from federal and state grants	1,648,947	655,079
Unconditional promises to give, net	19,213	33,233
Other receivables	553,305	241,391
Investments	4,155,068	3,965,973
Total financial assets at year-end	7,216,338	6,019,115
Less amounts not available to be used within one year		
Restricted cash	(181,839)	(142,161)
Board designations	(2,213,125)	(2,213,125)
Purpose and time restrictions	(314,991)	(251,953)
Financial assets available to meet cash needs for general expenditures within one year	**$ 4,506,383**	**$ 3,411,876**

Note 3. **Liquidity and Availability**

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, 2023 (see note 7).

Note 4. **Unconditional Promises to Give**

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

	2023	2022
Receivable in less than one year	$ -	$ 5,000
Receivable in one to five year	19,990	29,010
Less: unamortized discount	(777)	(777)
	$ 19,213	**$ 33,233**

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.

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

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, 2023 and 2022.

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, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds - equity	$ 2,757,949	$ -	$ -	$ 2,757,949
Mutual funds - bond	1,396,548	-	-	1,396,548
Money market funds	571	-	-	571
	$ 4,155,068	**$ -**	**$ -**	**$ 4,155,068**

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:

	Level 1	Level 2	Level 3	Total
Mutual funds - equity	$ 2,498,766	$ -	$ -	$ 2,498,766
Mutual funds - bond	1,466,751	-	-	1,466,751
Money market funds	456	-	-	456
	$ 3,965,973	**$ -**	**$ -**	**$ 3,965,973**

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

Land, building, and equipment consist of the following:

	2023	2022
Land	$ 1,220,000	$ 1,220,000
Building	8,584,837	8,589,200
Equipment	386,147	295,690
Less: accumulated depreciation	(1,079,362)	(826,422)
Land, building, and equipment, net	**$ 9,111,622**	**$ 9,278,468**

Depreciation expense for the years ended June 30, 2023 and 2022 was $252,940 and $251,478, 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 (8.25% at June 30, 2023) and is secured by certain business assets. As of June 30, 2023 and 2022, $99,942 and $150,000, respectively, were outstanding on the line 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, there was no outstanding balance on the line of credit. On December 7, 2022 the line of credit was increased to $3,000,000. The line of credit bears interest at 6% per annum, matures December 7, 2024, and is secured by certain investment balances. As of June 30, 2023, $1,875,000 was outstanding on the line of credit.

Note 8. **COVID Relief**

The Organization received a second draw from the Paycheck Protection Program in March 2021 in the amount of $921,669. 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 9. **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.

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, 2023 and 2022, 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, 2023 and 2022 totaled approximately $87,000 and $142,000, respectively.

Note 9. **New Market Tax Credit Agreement**

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 10. **Net Assets With Donor Restrictions**

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

	2023	**2022**
Restricted for future years	$ 200,001	$ 231,963
Capital Campaign	95,000	-
Pledges, timing restriction	19,990	19,990
	$ 314,991	**$ 251,953**

Net assets were released from donor restrictions during 2023 and 2022 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2023	**2022**
Purpose restrictions accomplished		
Capital campaign for The Honey Alexander Center	$ 95,000	$ 7,985
Restricted for future years	586,712	704,575
Crisis Contact Center	20,000	25,000
	$ 701,712	**$ 737,560**

Note 11. **Board-designated Net Assets**

As of June 30, 2023 and 2022, 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, 2023 and 2022:

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

Note 11. **Board-designated Net Assets**

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.

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 12. **Cash Restricted for Long-term Assets**

At June 30, 2023, the Organization had cash on hand of $95,000 that was restricted for long-term assets related to the capital campaign. The amount reflected in the statement of cash flows for the year ended June 30, 2023 of $190,000, reflects cash inflows of contributions from donors for long-term assets as part of the capital campaign for construction of long-term assets.

Cash on hand that was restricted for fee reserves totaled $86,839 and $142,161 at June 30, 2023 and 2022, respectively.

Note 13. **Concentrations**

The Organization's cash account balances for the years ended June 30, 2023 and 2022, exceeded Federal Deposit Insurance Corporation insurance limits by approximately $245,000 and $427,000, 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.

For the year ended June 30, 2023, contributions from one donor made up approximately 43% of total general contribution revenue.

Note 14. **Subsequent Events**

Management has evaluated subsequent events November 29, 2023, the date on which the financial statements were available for issuance.

The Organization is expecting to receive a $3,000,000 bequest to add to the endowment. The bequest is to assure sustainability and maintenance of the Honey Alexander Center.

Supplementary Information

Family and Children's Service and Affiliate
Consolidating Schedule of Financial Position
June 30, 2023

	FCS	FCS New Market	Eliminations	Consolidated total
Assets				
Current assets				
Cash and cash equivalents	$ 599,447	$ 58,519	$ -	$ 657,966
Restricted cash	95,000	86,839	-	181,839
Receivables from federal and state grants	1,648,947	-	-	1,648,947
Other receivables	553,305	147,500	(147,500)	553,305
Prepaid expenses	2,098	-	-	2,098
Total current assets	2,898,797	292,858	(147,500)	3,044,155
Land, building, and equipment, net	27,141	9,084,481	-	9,111,622
Right of use assets	6,195,365	-	(6,195,365)	-
Unconditional promises to give, net of current portion	19,213	-	-	19,213
New market tax credit note receivable	6,990,000	-	-	6,990,000
Investments	4,155,068	-	-	4,155,068
Total assets	**$ 20,285,584**	**$ 9,377,339**	**$ (6,342,865)**	**$ 23,320,058**
Liabilities and Net Assets				
Current liabilities				
Lines of credit	$ 1,974,942	$ -	$ -	$ 1,974,942
Accounts payable	196,606	131,591	(147,500)	180,697
Lease liabilities, current portion	31,144	-	(31,144)	-
Accrued payroll and benefits	566,237	-	-	566,237
Total current liabilities	2,768,929	131,591	(178,644)	2,721,876
Lease liabilities, net of current portion	6,515,287		(6,515,287)	-
New market tax credit debt, less		-		
unamortized debt issuance costs	-	9,931,534	-	9,931,534
Total liabilities	9,284,216	10,063,125	(6,693,931)	12,653,410
Net assets				
Without donor restrictions				
Designated	2,213,125	-	-	2,213,125
Undesignated	8,473,252	(685,786)	351,066	8,138,532
With donor restrictions	314,991	-	-	314,991
Total net assets	11,001,368	(685,786)	351,066	10,666,648
Total liabilities and net assets	**$ 20,285,584**	**$ 9,377,339**	**$ (6,342,865)**	**$ 23,320,058**

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

	FCS	FCS New Market	Eliminations	Consolidated total
Assets				
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 portion	5,000	-	-	5,000
Other receivables	241,391	70,000	(70,000)	241,391
Prepaid expenses	7,235	-	-	7,235
Total current assets	1,849,057	253,087	(70,000)	2,032,144
Land, building, and equipment, net	31,504	9,246,964	-	9,278,468
Unconditional promises to give, net of current portion	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	**$ 12,864,767**	**$ 9,500,051**	**$ (70,000)**	**$ 22,294,818**
Liabilities and Net Assets				
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	1,000,967	131,591	(70,000)	1,062,558
New market tax dredit debt, less unamortized debt issuance costs	-	9,885,890	-	9,885,890
Total liabilities	1,000,967	10,017,481	(70,000)	10,948,448
Net assets				
Without donor restrictions				
Designated	2,213,125	-	-	2,213,125
Undesignated	9,398,722	(517,430)	-	8,881,292
With donor restrictions	251,953	-	-	251,953
Total net assets	11,863,800	(517,430)	-	11,346,370
Total liabilities and net assets	**$ 12,864,767**	**$ 9,500,051**	**$ (70,000)**	**$ 22,294,818**

Family and Children's Service and Affiliate
Consolidating Schedule of Activities
For the Year Ended June 30, 2023

	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
Reveneus and Other Support								
Contributions of cash and other financial assets								
Federal and state grants and fees	$ 7,106,631	$ -	$ 7,106,631	$ -	$ -	$ -	$ -	$ 7,106,631
General contributions	444,982	-	444,982	-	-	-	-	444,982
Other grants	2,363,199	764,750	3,127,949	-	-	-	-	3,127,949
United Way	75,000	-	75,000	-	-	-	-	75,000
Program service fees	560,637	-	560,637	-	-	-	-	560,637
Special events, net	120,218	-	120,218	-	-	-	-	120,218
Miscellaneous income	166	-	166	165,036	-	165,036	(165,000)	202
Inter-entity transfers	(95,008)	-	(95,008)	95,008	-	95,008	-	-
Net assets released from restrictions	701,712	(701,712)	-	-	-	-	-	-
Total revenues and other support	11,277,537	63,038	11,340,575	260,044	-	260,044	(165,000)	11,435,619
Expenses								
Program services	10,061,029	-	10,061,029	239,750	-	239,750	-	10,300,779
Management and general	2,006,208	-	2,006,208	165,430	-	165,430	(516,066)	1,655,572
Fundraising	614,075	-	614,075	23,220	-	23,220	-	637,295
Total expenses	12,681,312	-	12,681,312	428,400	-	428,400	(516,066)	12,593,646
Investment activity								
Interest and dividends	122,696	-	122,696	-	-	-	-	122,696
Realized and unrealized gain (loss)	355,609	-	355,609	-	-	-	-	355,609
Total investment activity	478,305	-	478,305	-	-	-	-	478,305
Change in net assets	(925,470)	63,038	(862,432)	(168,356)	-	(168,356)	351,066	(679,722)
Net assets, beginning of year	11,611,847	251,953	11,863,800	(517,430)	-	(517,430)	-	11,346,370
Net assets, end of year	**$ 10,686,377**	**$ 314,991**	**$ 11,001,368**	**$ (685,786)**	**$ -**	**$ (685,786)**	**$ 351,066**	**$ 10,666,648**

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				
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total	Eliminations	Consolidated total
Reveneus and Other Support								
Contributions of cash and other financial assets								
Federal and state grants and fees	$ 5,164,676	$ -	$ 5,164,676	$ -	$ -	$ -	$ -	$ 5,164,676
General contributions	226,022	-	226,022	-	-	-	-	226,022
Other grants	203,445	682,117	885,562	-	-	-	-	885,562
United Way	75,000	-	75,000	-	-	-	-	75,000
Program service fees	786,567	-	786,567	-	-	-	-	786,567
PPP grant revenue	921,669	-	921,669	-	-	-	-	921,669
Special events, net	92,429	-	92,429	-	-	-	-	92,429
Miscellaneous income	448	-	448	70,053	-	70,053	(70,000)	501
Inter-entity transfers	33,162	-	33,162	(33,162)	-	(33,162)	-	-
Net assets released from restrictions	737,560	(737,560)	-	-	-	-	-	-
Total revenues and other support	8,240,978	(55,443)	8,185,535	36,891	-	36,891	(70,000)	8,152,426
Expenses								
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
Investment activity								
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	(441,548)	(55,443)	(496,991)	(339,850)	-	(339,850)	-	(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	**$ 11,611,847**	**$ 251,953**	**$ 11,863,800**	**$ (517,430)**	**$ -**	**$ (517,430)**	**$ -**	**$ 11,346,370**

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, 2023

Grantor / Pass-through Grantor	Program name	Assistance Listing	Contract number	Expenditures	Pass-Through to Subrecipients
Federal Awards					
U.S. Department of Treasury /					
Metropolitan Government of Nashville and Davidson County	Covid-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	L-5027	$ 227,348	$ -
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	1NAVCA210392-01-00	444,918	148,561
N/A - direct	Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332	1NAVCA210392-02-00	2,326,467	306,965
				2,771,385	455,526
N/A - direct	Children's Health Insurance Program	93.767	1Y1CMS331692-01 -00	12,759	-
N/A - direct	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM084713-01	39,251	-
Tennessee Department of Mental Health and Substance Abuse Services	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	75174_2022-2024_005	219,553	-
				258,804	-
Tennessee Department of Health and Human Services	Temporary Assistance for Needy Families	93.558	34530-40320	864,120	-
Tennessee Department of Health and Human Services	Temporary Assistance for Needy Families	93.558	34530-83223	1,382,347	281,994
				2,246,467	281,994
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	Community Based Two Generation Services	93.588	34530-74321	120,632	-
Tennessee Department of Children's Services	Promoting Safe and Stable Families	93.556	35910-05575	40,000	-
U.S. Department of Justice /					
N/A - direct	Crime Victim Assistance/Discretionary Grants	16.582	2019-V3-GX-0035	42,023	-
TN Commission on Children and Youth	Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2019-JX-FX-0013	54,943	-
Tennessee Department of Finance and Administration Office of Criminal Justice	Crime Victim Assistance	16.575	2019-VA-GX-0043	139,484	-
Total federal awards				6,025,403	737,520
State Financial Assistance					
Tennessee Department of Finance and Administration	Access TN	N/A	31865-00458-06	37,127	-
Tennessee Department of Finance and Administration	Access TN	N/A	31865-00458-07	42,293	-
Tennessee Department of Children's Services	Relative Caregiver Program	N/A	35910-05575	247,268	-
Tennessee Department of Children's Services	Relative Caregiver Program	N/A	35910-08333	231,911	-
Tennessee Department of Children's Services	Relative Caregiver Program	N/A	35910-08334	442,974	-
Tennessee Department of Children's Services	Adverse Childhood Experiences Initiative	N/A	35910-58689	79,439	-
Total state financial assistance				1,081,012	-
Total federal awards and state financial assistance				**$ 7,106,415**	**$ 737,520**

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, 2023 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 had expenditures of $737,520 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, 2023, 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 November 29, 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
Nashville, Tennessee
November 29, 2023

BLANKENSHIP

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, 2023. 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, 2023.

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
Nashville, Tennessee
November 29, 2023

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
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. **Financial Statement Findings**

None.

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

None.

Family and Children's Service and Affiliate
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2023

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.