FAMILY LIFELINE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

CONTENTS

HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Family Lifeline
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Family Lifeline (the "Agency") (a non-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Lifeline as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of expenditures of federal awards for the year ended June 30, 2019, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of Family Lifeline'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 Agency'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 Family Lifeline's internal control over financial reporting and compliance.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
November 4, 2019

FAMILY LIFELINE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash	$ 765,074	$ 621,494
Contributions receivable	57,500	94,999
Grants receivable	239,511	340,077
Investments, operations	702,850	671,810
Prepaid expenses	76,633	50,242
Land, building, and equipment, net	900,564	927,090
Beneficial interest in trust	89,431	90,679
	$ 2,831,563	$ 2,796,391
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 44,471	$ 46,023
Accrued expenses	102,967	105,502
TOTAL LIABILITIES	147,438	151,525
NET ASSETS		
Without donor restrictions	2,227,612	2,115,098
With donor restrictions	456,513	529,768
TOTAL NET ASSETS	2,684,125	2,644,866
	$ 2,831,563	$ 2,796,391

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals, corporations, and foundations	$ 867,807	$ 350,566	$ 1,218,373
In-kind	18,200	-	18,200
Sponsorships	67,928	-	67,928
Grants			
Federal agencies	1,206,815	-	1,206,815
State and local agencies	566,313	-	566,313
Total Support, Other Than Special Events	2,727,063	350,566	3,077,629
Special Events			
Special event revenue	42,535	-	42,535
Less: Direct benefits to donors	41,679	-	41,679
Net Support from Special Events	856	-	856
Program Services Revenue			
Client fees	25,491	-	25,491
Total Program Services Revenue	25,491	-	25,491
Other Revenues, Gains and (Losses)			
Investment return, net	31,476	(1,248)	30,228
Gain on sale of fixed assets	-	-	-
Other revenue	829	-	829
Total Other Revenues, Gains and (Losses)	32,305	(1,248)	31,057
Net Assets Released from Restrictions			
Satisfaction of use restrictions	422,573	(422,573)	-
Total Net Assets Released from Restrictions	422,573	(422,573)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	3,208,288	(73,255)	3,135,033
EXPENSES			
Program Services			
Early Childhood	1,929,366	-	1,929,366
Long-term support services	736,841	-	736,841
Total Program Services	2,666,207	-	2,666,207
Management and General	293,515	-	293,515
Fundraising	136,052	-	136,052
TOTAL EXPENSES	3,095,774	-	3,095,774
CHANGE IN NET ASSETS	112,514	(73,255)	39,259
NET ASSETS, beginning of year	2,115,098	529,768	2,644,866
NET ASSETS, end of year	$ 2,227,612	$ 456,513	$ 2,684,125

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals, corporations, and foundations	$ 961,509	$ 357,399	$ 1,318,908
In-kind	48,350	-	48,350
Sponsorships	62,851	-	62,851
Grants			
Federal agencies	1,131,827	-	1,131,827
State and local agencies	595,339	-	595,339
Total Support, Other Than Special Events	2,799,876	357,399	3,157,275
Special Events			
Special event revenue	60,880	-	60,880
Less: Direct benefits to donors	49,121	-	49,121
Net Support from Special Events	11,759	-	11,759
Program Services Revenue			
Client fees	41,057	-	41,057
Total Program Services Revenue	41,057	-	41,057
Other Revenues, Gains and (Losses)			
Investment return, net	51,831	9,119	60,950
Gain on sale of fixed assets	8,000	-	8,000
Other revenue	3,535	-	3,535
Total Other Revenues, Gains and (Losses)	63,366	9,119	72,485
Net Assets Released from Restrictions			
Satisfaction of use restrictions	425,011	(425,011)	-
Total Net Assets Released from Restrictions	425,011	(425,011)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	3,341,069	(58,493)	3,282,576
EXPENSES			
Program Services			
Early Childhood	1,984,542	-	1,984,542
Long-term support services	698,626	-	698,626
Total Program Services	2,683,168	-	2,683,168
Management and General	317,549	-	317,549
Fundraising	148,935	-	148,935
TOTAL EXPENSES	3,149,652	-	3,149,652
CHANGE IN NET ASSETS	191,417	(58,493)	132,924
NET ASSETS, beginning of year	1,923,681	588,261	2,511,942
NET ASSETS, end of year	$ 2,115,098	$ 529,768	$ 2,644,866

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					
	Early Childhood	Long Term Support Services	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,268,883	$ 493,564	$ 1,762,447	$ 196,857	$ 47,190	$ 2,006,494
Employee benefits	240,534	72,489	313,023	8,161	856	322,040
Payroll taxes	113,384	49,689	163,073	15,922	4,084	183,079
Other personnel costs	16,253	11,778	28,031	(4,322)	350	24,059
	1,639,054	627,520	2,266,574	216,618	52,480	2,535,672
Professional fees and contract services	35,060	11,350	46,410	61,237	64,461	172,108
Occupancy	80,818	28,525	109,343	5,124	11,368	125,835
Supplies	7,752	11,191	18,943	3,731	40,957	63,631
Local transportation	44,653	5,095	49,748	409	105	50,262
Training and conferences	29,077	5,800	34,877	-	1,190	36,067
Specific assistance to individuals	34,870	500	35,370	-	-	35,370
Depreciation	23,032	8,129	31,161	1,771	1,356	34,288
Telephone	22,379	6,431	28,810	766	1,018	30,594
Bad debt	-	30,576	30,576	-	-	30,576
Organization dues	9,228	663	9,891	-	104	9,995
Printing and publications	1,802	799	2,601	2,325	3,906	8,832
Postage and shipping	640	226	866	903	780	2,549
Miscellaneous	1,001	36	1,037	631	6	1,674
TOTAL EXPENSES	1,929,366	736,841	2,666,207	293,515	177,731	3,137,453
Direct benefits to donors	-	-	-	-	(41,679)	(41,679)
PER STATEMENT OF ACTIVITIES	$ 1,929,366	$ 736,841	$ 2,666,207	$ 293,515	$ 136,052	$ 3,095,774

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services					
	Early Childhood	Long Term Support Services	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,304,843	$ 468,803	$ 1,773,646	$ 215,725	$ 49,088	$ 2,038,459
Employee benefits	238,855	66,023	304,878	17,099	5,579	327,556
Payroll taxes	102,947	40,652	143,599	14,917	3,822	162,338
Other personnel costs	20,650	14,739	35,389	1,915	730	38,034
	1,667,295	590,217	2,257,512	249,656	59,219	2,566,387
Professional fees and contract services	52,091	37,041	89,132	50,062	65,592	204,786
Occupancy	79,841	33,249	113,090	6,053	8,774	127,917
Supplies	13,525	2,811	16,336	3,366	53,262	72,964
Local transportation	47,499	4,248	51,747	671	847	53,265
Specific assistance to individuals	35,957	-	35,957	-	-	35,957
Telephone	24,149	6,839	30,988	975	1,148	33,111
Depreciation	20,825	8,569	29,394	2,048	1,321	32,763
Training and conferences	22,651	4,896	27,547	583	1,760	29,890
Organization dues	10,554	748	11,302	-	294	11,596
Bad debt	3,626	7,313	10,939	-	-	10,939
Printing and publications	1,754	794	2,548	2,299	5,001	9,848
Miscellaneous	3,951	1,562	5,513	621	59	6,193
Postage and shipping	824	339	1,163	1,215	779	3,157
TOTAL EXPENSES	1,984,542	698,626	2,683,168	317,549	198,056	3,198,773
Direct benefits to donors	-	-	-	-	(49,121)	(49,121)
PER STATEMENT OF ACTIVITIES	$ 1,984,542	$ 698,626	$ 2,683,168	$ 317,549	$ 148,935	$ 3,149,652

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 39,259	$ 132,924
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	34,288	32,763
Gain on disposal of property and equipment	-	(8,000)
Reinvested investment return, operations	(43,985)	(31,734)
Unrealized (gain) loss on investments, operations	12,946	(19,932)
(Increase) decrease in		
Contributions receivable	37,499	38,501
Grants receivable	100,566	(33,399)
Prepaid expenses	(26,391)	10,897
Increase (decrease) in		
Accounts payable	(1,552)	10,200
Accrued expenses	(2,535)	20,072
NET CASH PROVIDED BY OPERATING ACTIVITIES	150,095	152,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	8,000
Change in beneficial interest in trust	1,248	(9,119)
Purchases of land, building and equipment	(7,763)	(5,818)
NET CASH USED IN INVESTING ACTIVITIES	(6,515)	(6,937)
NET INCREASE IN CASH	143,580	145,355
CASH, beginning of year	621,494	476,139
CASH, end of year	$ 765,074	$ 621,494
NONCASH INVESTING ACTIVITIES		
Reinvested proceeds from sale of securities	$ 108,728	$ 25,757

See Independent Auditor's Report and Notes to Financial Statements

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Family Lifeline (the "Agency") is a non-profit, non-stock, tax-exempt corporation organized to work with families in the Greater Richmond and Petersburg areas to improve their health and well-being and to strengthen their ability to be self-sufficient. The Agency is headquartered in Richmond, Virginia.

Program Description

Early Childhood - The Agency supports healthy babies, children, parents, and other caregivers. The Agency's programs for families with young children partners with parents to assure that their children are healthy, safe, and ready to succeed in school, work, and life. Recognizing that parents are their children's first and most important teachers, the Agency utilizes three best practice home visiting models: Parents As Teachers, Healthy Families, and CHIP (Children's Health Involving Parents) to support at risk families with young children as they strive to ensure their children are prepared for school and life.

Long Term Support Services - The Agency partners with older adults, persons living with disabilities, and their caregivers to reduce isolation and promote independence. To accomplish this work, the Agency utilizes inter-generational programming that works with two generations at a time to ensure wellness, healthy aging, and caregiver support. Our intensive home-based caregiving, delivered by home care professionals and friendly visiting volunteers, allows individuals and families to remain socially engaged maintaining their health, safety, and dignity.

Summary of Significant Accounting Policies

The Agency prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit entities. The significant accounting and reporting policies used by the Agency are described subsequently to enhance the usefulness and understandability of the financial statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The Agency reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Agency has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
    - quoted prices for similar assets or liabilities in active markets;
    - quoted prices for identical or similar assets in markets that are not active;
    - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
    - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Agency measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Agency is required to measure at fair value (for example, contributions receivable and in-kind contributions).

The primary uses of fair value measures in the Agency's financial statements are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of short-term investments (Note F).
- recurring measurement of beneficial interest in trust (Note G).

The Agency uses the following ways to determine the fair value of its investments:

Mutual funds: Determined by the published NAV per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Exchange-traded funds: Determined by the published closing price on the last business day of the fiscal year.

Cash reserves: Cost basis as of the date of the financial statements, which is equivalent to fair market value.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. On an ongoing basis, the Agency's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Agency’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Income Taxes

The Agency is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Agency’s tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBTI). The Agency has recognized no uncertain tax positions for the years ended June 30, 2019 and 2018. The Agency believes its tax returns are no longer subject to examination by the Internal Revenue Service for years prior to 2016.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on beneficial interest investments are reported as decreases in net assets without donor restrictions. Net gains on beneficial interest investments increase net assets with donor restrictions, and net losses on beneficial interest investments reduce that net asset class.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Schedule of Expenditures of Federal Awards

The accompanying Supplemental Schedule of Expenditures of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Supplemental Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Cash Equivalents

Cash equivalents are short-term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a long-term or endowment nature.

Contributions Receivable/Allowance

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value as of the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Management identifies troubled receivables by evaluating individual receivables and then initiating contact with the individual or organization regarding expected payment. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Unless specifically identified, management has determined contributions receivable to be collectible. Therefore, no allowance for doubtful accounts has been recorded as of June 30, 2019 or 2018.

Grants Receivable/Allowance

Grants receivable are carried at original billed amount. Management identifies troubled receivables by evaluating individual receivables and then initiating contact with the grantor regarding expected payment. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Unless specifically identified, management has determined grants receivable to be collectible. Therefore, no allowance for doubtful accounts has been recorded as of June 30, 2019 or 2018.

Land, Building, and Equipment/Depreciation

Land, building, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of $500 or more. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Beneficial Interest in Trust
The Agency is the irrevocable beneficiary of a perpetual charitable trust held by The Community Foundation. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Distributions of income from the trust are restricted as set forth in the terms of the agreement with The Community Foundation (see Note G) and are reported as investment return increasing net assets with donor restrictions. The value of the beneficial interest in trust is adjusted annually for the change in its estimated fair value. Those changes in value beyond annual distributions are also reported as increases in net assets with donor restrictions, because the trust assets will never be distributed to the Agency.

Net Assets
The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions
Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Agency, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions
Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Agency must continue to use the resources in accordance with the donor's instructions.

The Agency's unspent contributions are included in this class if the donor limited their use, as are its beneficial interest in trust.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Agency, unless the donor provides more specific directions about the period of its use.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-Kind Contributions

The Agency receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions as of the date of gift and as expenses when the donated items are placed into service or distributed. If the Agency receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Agency's capitalization policy.

The Agency benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Agency's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. Accounting principles generally accepted in the United States of America allow recognition of contributed services only if (*a*) the services create or enhance nonfinancial assets or (*b*) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The Agency benefited from donated consulting services. The value of consulting services included in in-kind contributions in the accompanying statements of activities was $18,200 and $48,350 for the years ended June 30, 2019 and 2018, respectively.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Agency's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Agency.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Recognition and Allocation

The cost of providing the Agency's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, payroll taxes, employee benefits, and other personnel costs are allocated based on time spent by personnel on specific programs.
- Professional fees and contract services, occupancy, and other expenses are allocated based on management's estimate of budgeted time and expense per program and supporting services.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Agency.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Agency generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

NOTE B - CHANGE IN ACCOUNTING PRINCIPLE

The Agency implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- Temporarily restricted and permanently restricted net assets are included in net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets as of June 30, 2018:

	As Originally Presented	After Adoption of ASU 2016-14
Net Asset Class		
Unrestricted net assets	$ 2,115,098	
Temporarily restricted net assets	439,089	
Permanently restricted net assets	90,679	
Net assets without donor restrictions		$ 2,115,098
Net assets with donor restrictions		529,768
Total net assets	$ 2,644,866	$ 2,644,866

NOTE C - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Financial assets:	
Cash	$ 765,074
Contributions receivable	57,500
Grants receivable	239,511
Investments, operations	702,850
Beneficial interest in trust	89,431
Total financial assets	1,854,366
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets (Note J)	327,082
Beneficial interest in trust (Note G)	89,431
Total financial assets available for general expenditures within one year	$ 1,437,853

As part of the Agency's liquidity management plan, cash in excess of daily requirements is kept in short-term investments (Note F). The Agency maintains a revolving line of credit of $400,000 to cover short-term cash needs (Note H).

NOTE D - CONTRIBUTIONS RECEIVABLE

As of June 30, 2019 and 2018, contributors to the Agency have made unconditional promises to give that relate to the following purposes:

	2019	2018
Net assets without donor restrictions	$ 2,500	$ 2,500
Net assets with donor restrictions	15,000	92,499
Net assets with time restrictions	40,000	-
	$ 57,500	$ 94,999

All contributions receivable will be remitted by contributors within one year.

NOTE E - LAND, BUILDING, AND EQUIPMENT, NET

Land, building, and equipment, net are as follows as of June 30:

	2019	2018
Building	$ 810,097	$ 809,545
Land	357,955	357,955
Furniture and equipment	152,656	149,102
	1,320,708	1,316,602
Less: Accumulated depreciation	420,144	389,512
Land, building, and equipment, net	$ 900,564	$ 927,090

NOTE F - INVESTMENTS, OPERATIONS

Investments held for operations consist of the following as of June 30, 2019 and 2018:

	2019	2018
Mutual funds		
Domestic equity	$ 320,372	$ 350,833
Taxable bonds	145,908	141,442
International	103,216	107,340
Exchange traded funds	94,236	24,888
Cash reserve	39,118	47,307
	$ 702,850	$ 671,810

All investments held for operations were measured using Level 1 inputs.

NOTE G - BENEFICIAL INTEREST IN TRUST

On October 23, 1987, the Family Lifeline Board of Directors entered into an agreement with The Community Foundation *Serving Richmond and Central Virginia* (TCF) to create a beneficial interest in trust (Fund) as described under FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The beneficial interest was formed for the benefit of Family Lifeline.

Under the terms of the agreement, variance power was granted to TCF, including the power for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment.

Income of the Fund shall be available at least annually to the Board of Governors of The Community Foundation for the benefit of Family Lifeline. Spendable income shall be determined each year to be not more than 5% of the Fund's balance at the prior calendar year end, exclusive of compensation to The Community Foundation.

The net income of the Fund, after deducting the expenses of investment and administering the Fund, shall be distributed quarterly to Family Lifeline. Family Lifeline may elect, by written notice to the Community Foundation, to add all or any part of such net income to the Fund. All such additions shall be treated as principal, unless otherwise directed by Family Lifeline at or before the time of addition.

Gifts may be added to the Fund at any time by Family Lifeline or other donors to assure the growth of the Fund as a permanent beneficial interest for the programs of Family Lifeline. In the event of the dissolution of Family Lifeline, the Community Foundation shall thereafter continue to hold the Fund and shall apply the principal and income therefrom as the Board of Directors of TCF shall direct. For its services, the Community Foundation shall be entitled to take and receive an amount equal to one percent (1%) of the Fund balance per annum, charged quarterly.

On November 13, 2007, CHIP of Greater Richmond (acquired by Family Lifeline on January 1, 2011) Board of Directors established a beneficial interest in trust and named it in honor of Barbara W. Fleming, the Organization's founding Executive Director.

The Organization entered into an agreement with The Community Foundation *Serving Richmond and Central Virginia* (TCF) to create beneficial interest in trust (Fund) as described under FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The Fund was formed to work with parents to improve the health and well-being of children through support of CHIP of Greater Richmond (CHIP).

Under the terms of the agreement, variance power was granted to TCF, including the power for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment.

NOTE G - BENEFICIAL INTEREST IN TRUST - Continued

Income of the Fund shall be available at least annually to the Board of Governors of The Community Foundation for the benefit of Family Lifeline. Spendable income shall be determined each year to be not more than 5% of the Fund's balance at the prior calendar year end, exclusive of compensation to The Community Foundation. In addition to the aforementioned spendable income, upon a vote of 75% of all members of the Agency's Board of Directors, and not more than once in any five-year period, up to 10% of the prior calendar year-ending fund balance may be requested for capital or emergency purposes. Any spendable income not requested by the Board of Directors within a given calendar year will be added to the Fund's principal balance.

The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Agency is a level 3 fair value measure.

The following table represents the activity in the beneficial interests for the years ended June 30, 2019 and 2018:

	2019	2018
Beneficial interest in assets held by The Community Foundation, beginning of year	$ 90,679	$ 81,560
Donations received by The Community Foundation	750	5,775
Amount distributed to the Agency	(3,713)	(3,577)
Net investment return	1,715	6,921
Beneficial interest in assets held by The Community Foundation, end of year	$ 89,431	$ 90,679

NOTE H - LINE OF CREDIT

The Agency has available a revolving line of credit with Union Bank and Trust with a maximum principal amount not to exceed $400,000. Interest is computed at Wall Street Journal Prime plus 1% (6.5% at June 30, 2019). As of June 30, 2019 and 2018, no amounts were outstanding on this line of credit. The note is collateralized by the Agency's real estate. There was no interest expensed or paid during the years ended June 30, 2019 and 2018 relating to this line of credit.

NOTE I - PENSION AND OTHER RETIREMENT PLANS

The Agency participated in a multi-employer defined benefit pension plan which extended to participating affiliate agencies with United Way Services serving as administrator (plan 6-17262), and which covered substantially all of the Agency's eligible employees. Contributions to the plan were remitted by the Agency to Mutual of America Life Insurance Company. Participants in the plan were fully vested after three years of service.

The risks of participating in a multi-employer plan are different from a single employer plan in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; (3) if an employer chooses to stop participating in a multi-employer plan, the Agency may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. If a plan were to terminate, if participants voluntarily withdrew or there was a mass withdrawal, the Agency may also be required to make additional payments to the plan for its proportionate share of underfunded liabilities.

In February 2002, the Agency was notified by the United Way Services that the plan was overfunded; and, therefore, the Agency was allowed to cease contributions. The Agency froze the plan to new participants as of December 31, 2007.

In December 2008, the plan administrator, United Way Services, decided to freeze the entire plan as of December 31, 2008. As a result of economic and market conditions the Agency was required to resume contributions. Pension expense for years ended June 30, 2019 and 2018 was $186,879 and $192,960, respectively. As of the most recent funded status report, July 1, 2019, the plan was 73.4% funded with total assets of $35,000,000 and an accumulated benefit obligation of $47,700,000. The actuarial present value of vested and nonvested accumulated plan benefits and net assets available for benefits were not determined for the individual entities that participated in this multi-employer plan. Actuarial assumptions include a discount rate of 2.97% and an expected rate of investment return of 6.0%.

Effective January 1, 2012, the Agency established a 401(k) plan, covering substantially all eligible employees twenty-one years old or over, with one year and 1,000 hours of service. The Agency's contribution to the plan is equal to 1% of the employees' compensation. The Agency's expense under the plan was $11,505 and $10,881 for the years ended June 30, 2019 and 2018, respectively.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes or periods:

	2019	2018
Purpose restrictions, available for spending:		
Early childhood	$ 249,135	$ 369,089
Long term support services	77,947	70,000
Total purpose-restricted net assets	327,082	439,089
Time restrictions:		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions	40,000	-
Beneficial interest in trust	89,431	90,679
Total net assets with donor restrictions	$ 456,513	$ 529,768

NOTE K - CONCENTRATION OF CREDIT RISK

All depository accounts of the Agency are in institutions insured by the Federal Depository Insurance Corporation; however, the deposits exceeded the insurance limits from time to time during the year ended June 30, 2019. As of June 30, 2019, the Agency's balance in excess of insurance was $518,000.

Four contributors represent approximately 48% of total support other than special events and 91% of accounts receivable for the year ended June 30, 2019. Four contributors represent approximately 42% of total support other than special events and 84% of accounts receivable for the year ended June 30, 2018.

NOTE L - COMMITMENTS

The Agency leases equipment and office space under non-cancelable operating leases. Future equipment and office space payments are as follows:

2020	$ 17,670
2021	10,920
2022	10,920
2023	10,920
2024	10,920
	$ 61,350

Total rent expense under all rental agreements (including month-to-month agreements) for the years ended June 30, 2019 and 2018 was $24,250 and $23,733, respectively.

NOTE M - SUBSEQUENT EVENTS

In the preparation of its financial statements, Family Lifeline considered subsequent events through November 4, 2019, which was the date the financial statements were available to be issued.

HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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 Lifeline
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Lifeline (the "Agency") (a non-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
November 4, 2019

HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Family Lifeline
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited Family Lifeline's (the "Agency") (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2019. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Report on Internal Control over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
November 4, 2019

FAMILY LIFELINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Grant Name	Federal CFDA Number	Pass-Through Entity		Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Virginia Department of Health		$ 328,913
Temporary Assistance for Needy Families	93.558	Children's Health Involving Parents (CHIP) of Virginia	$ 394,221	
	93.558	Virginia Department of Social Services	387,261	
				781,482
Healthy Start Initiative	93.926	City of Richmond		96,420
				$ 1,206,815

FAMILY LIFELINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Family Lifeline were prepared in accordance with GAAP.

2. No material weaknesses were identified during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Family Lifeline were disclosed during the audit.

4. No material weaknesses were identified during the audit of the major federal award programs.

5. The auditor's report on compliance for the major federal award programs for Family Lifeline expresses an unmodified opinion.

6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.

7. The program tested as a major program was:

2019	CFDA #
Temporary Assistance for Needy Families	93.558

8. The threshold for distinguishing Types A and B was $750,000.

9. Family Lifeline was determined to be a low risk auditee.

Findings - Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None