FAMILY LIFELINE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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, 2017, 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 October 20, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Lifeline's internal control over financial reporting and compliance.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
October 20, 2017

FAMILY LIFELINE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 476,139	$ -	$ -	$ 476,139
Accounts receivable	306,678	-	-	306,678
Unconditional promises to give	2,500	131,000	-	133,500
Prepaid expenses	61,139	-	-	61,139
TOTAL CURRENT ASSETS	846,456	131,000	-	977,456
INVESTMENTS				
Investments	244,443	375,701	-	620,144
Beneficial interest in assets held by The Community Foundation	-	-	81,560	81,560
TOTAL INVESTMENTS	244,443	375,701	81,560	701,704
LAND, BUILDINGS AND EQUIPMENT				
Automobiles	70,820	-	-	70,820
Land	357,955	-	-	357,955
Furniture and equipment	151,232	-	-	151,232
Buildings and improvements	809,545	-	-	809,545
	1,389,552	-	-	1,389,552
Less: Accumulated depreciation	435,517	-	-	435,517
NET LAND, BUILDINGS AND EQUIPMENT	954,035	-	-	954,035
	$2,044,934	$ 506,701	$ 81,560	$2,633,195
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and payroll withholdings	$ 35,823	$ -	$ -	$ 35,823
Accrued expenses	85,430	-	-	85,430
TOTAL CURRENT LIABILITIES	121,253	-	-	121,253
NET ASSETS	1,923,681	506,701	81,560	2,511,942
	$2,044,934	$ 506,701	$ 81,560	$2,633,195

See Independent Auditor's Report and Notes to Financial Statements

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 296,130	$ -	$ -	$ 296,130
203,566	-	-	203,566
17,561	110,000	-	127,561
110,574	-	-	110,574
627,831	110,000	-	737,831
309,093	229,571	-	538,664
-	-	77,203	77,203
309,093	229,571	77,203	615,867
70,820	-	-	70,820
357,955	-	-	357,955
173,987	-	-	173,987
808,625	-	-	808,625
1,411,387	-	-	1,411,387
427,289	-	-	427,289
984,098	-	-	984,098
$ 1,921,022	$ 339,571	$ 77,203	$ 2,337,796
$ 25,063	$ -	$ -	$ 25,063
146,985	-	-	146,985
172,048	-	-	172,048
1,748,974	339,571	77,203	2,165,748
$ 1,921,022	$ 339,571	$ 77,203	$ 2,337,796

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
FEES AND GRANTS FROM GOVERNMENT AGENCIES	$ 1,751,643	$ -	$ -	$ 1,751,643
PUBLIC SUPPORT				
Contributions	555,993	478,432	-	1,034,425
Allocated from United Way Services	539,000	-	-	539,000
REVENUE				
Program service fees	26,149	-	-	26,149
Investment income (loss)	81,480	-	-	81,480
Endowment income (loss)	-	-	4,357	4,357
Events, net	56,575	-	-	56,575
Miscellaneous income, net	697	-	-	697
Loss on disposal of property and equipment	(404)	-	-	(404)
	3,011,133	478,432	4,357	3,493,922
Net assets released from restrictions	311,302	(311,302)	-	-
TOTAL FEES, GRANTS, PUBLIC SUPPORT AND REVENUE	3,322,435	167,130	4,357	3,493,922
EXPENSES				
Program services	2,693,947	-	-	2,693,947
Management and general	312,276	-	-	312,276
Fundraising	141,505	-	-	141,505
TOTAL EXPENSES	3,147,728	-	-	3,147,728
CHANGE IN NET ASSETS	174,707	167,130	4,357	346,194
Net assets, beginning of year	1,748,974	339,571	77,203	2,165,748
NET ASSETS, END OF YEAR	$ 1,923,681	$ 506,701	$ 81,560	$ 2,511,942

See Independent Auditor's Report and Notes to Financial Statements

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,537,648	$ -	$ -	$ 1,537,648
566,618	303,127	-	869,745
539,000	-	-	539,000
39,204	-	-	39,204
(16,951)	-	-	(16,951)
-	-	(6,244)	(6,244)
44,788	-	-	44,788
5,618	-	-	5,618
-	-	-	-
2,715,925	303,127	(6,244)	3,012,808
436,481	(436,481)	-	-
3,152,406	(133,354)	(6,244)	3,012,808
2,655,673	-	-	2,655,673
330,743	-	-	330,743
137,003	-	-	137,003
3,123,419	-	-	3,123,419
28,987	(133,354)	(6,244)	(110,611)
1,719,987	472,925	83,447	2,276,359
$ 1,748,974	$ 339,571	$ 77,203	$ 2,165,748

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services			Supporting Services		
	Early Childhood	Senior Care	Total	Management and General	Fundraising	Total
Salaries	$ 1,285,062	$ 466,926	$ 1,751,988	$ 212,775	$ 45,194	$ 2,009,957
Employee health and retirement benefits	259,030	70,589	329,619	17,646	5,805	353,070
Payroll and related taxes	108,331	42,848	151,179	15,508	3,457	170,144
Other personnel costs	17,750	13,862	31,612	(131)	427	31,908
TOTAL SALARIES AND RELATED EXPENSES	1,670,173	594,225	2,264,398	245,798	54,883	2,565,079
Professional fees and contract services	60,514	20,100	80,614	47,752	67,730	196,096
Occupancy	81,230	33,426	114,656	6,463	5,152	126,271
Local transportation	43,886	28,669	72,555	473	555	73,583
Specific assistance to individuals	38,411	-	38,411	-	-	38,411
Telephone	21,794	6,729	28,523	1,029	1,099	30,651
Training and conferences	21,057	4,199	25,256	575	1,833	27,664
Organization dues	18,129	606	18,735	-	134	18,869
Supplies	5,997	3,839	9,836	2,942	4,169	16,947
Printing and publications	1,531	819	2,350	2,011	4,248	8,609
Postage and shipping	771	317	1,088	1,136	49	2,273
Miscellaneous	262	208	470	1,470	67	2,007
Bad debt	-	1,767	1,767	-	-	1,767
EXPENSES BEFORE DEPRECIATION	1,963,755	694,904	2,658,659	309,649	139,919	3,108,227
Depreciation	25,001	10,288	35,288	2,627	1,586	39,501
TOTAL EXPENSES	$ 1,988,756	$ 705,192	$ 2,693,947	$ 312,276	$ 141,505	$ 3,147,728

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services			Supporting Services		
	Early Childhood	Senior Care	Total	Management and General	Fundraising	Total
Salaries	$ 1,236,050	$ 495,471	$ 1,731,521	$ 216,611	$ 45,238	$ 1,993,370
Employee health and retirement benefits	255,862	62,724	318,586	19,204	6,362	344,152
Payroll and related taxes	102,839	50,318	153,157	15,828	3,493	172,478
Other personnel costs	15,784	12,600	28,384	269	454	29,107
TOTAL SALARIES AND RELATED EXPENSES	1,610,535	621,113	2,231,648	251,912	55,547	2,539,107
Professional fees and contract services	72,650	24,676	97,326	60,830	66,999	225,155
Occupancy	73,126	30,092	103,218	6,580	4,638	114,436
Local transportation	40,858	32,732	73,590	555	585	74,730
Specific assistance to individuals	38,003	-	38,003	-	-	38,003
Telephone	20,342	6,318	26,660	976	1,048	28,684
Training and conferences	11,276	4,688	15,964	-	1,163	17,127
Organization dues	13,820	1,494	15,314	-	125	15,439
Supplies	4,464	2,278	6,742	2,349	3,047	12,138
Printing and publications	1,265	821	2,086	1,866	1,932	5,884
Postage and shipping	912	375	1,287	1,345	58	2,690
Miscellaneous	4,805	2,236	7,041	1,638	250	8,929
Bad debt	-	942	942	-	-	942
EXPENSES BEFORE DEPRECIATION	1,892,056	727,765	2,619,821	328,051	135,392	3,083,264
Depreciation	25,400	10,452	35,852	2,692	1,611	40,155
TOTAL EXPENSES	$ 1,917,456	$ 738,217	$ 2,655,673	$ 330,743	$ 137,003	$ 3,123,419

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 346,194	$ (110,611)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	39,501	40,155
Loss on disposal of furniture and equipment	404	-
Reinvested interest and dividends	(13,745)	(16,162)
Realized gain on investments	(41,475)	(11,510)
Unrealized (gain) loss on investments	(26,260)	44,623
(Increase) decrease in		
Accounts receivable	(103,112)	15,365
Unconditional promises to give	(5,939)	24,939
Prepaid expenses	49,435	(29,844)
Decrease in		
Accounts payable, payroll withholdings and accrued expenses	(50,795)	(28,801)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	194,208	(71,846)
CASH FLOWS FROM INVESTING ACTIVITIES		
Endowment fund investment	(4,357)	6,244
Purchases of property and equipment	(9,842)	(9,885)
NET CASH USED IN INVESTING ACTIVITIES	(14,199)	(3,641)
NET INCREASE (DECREASE) IN CASH	180,009	(75,487)
Cash and cash equivalents, beginning of year	296,130	371,617
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 476,139	$ 296,130
NONCASH INVESTING ACTIVITIES		
Dividends	$ 13,745	$ 16,162
Reinvested proceeds from sale of securities	$ 187,676	$ 120,475

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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 who need to improve their health and well-being and to strengthen their ability to be self-sufficient. The Agency is headquartered in Richmond, Virginia.

Summary of Significant Accounting Policies

Basis of Presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) ASC 958-205, *"Presentation of Financial Statements"*. Under FASB ASC 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Agency pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently Restricted Net Assets - Net assets resulting from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Agency's actions.

Fair Value Measurements

The Agency applies FASB ASC 820-10, *"Fair Value Measurements and Disclosures"*. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. FASB ASC 820-10 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 - Quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 - Directly or indirectly observable valuations in the marketplace at the measurement date other than Level 1 inputs

Level 3 - Valuations unobservable in the marketplace at the measurement date

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 year ended June 30, 2017. The Agency is generally no longer subject to examination by the Internal Revenue Service for years prior to 2014.

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 and Cash Equivalents
For purposes of the accompanying statements of cash flows, the Agency considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounts Receivable
Accounts receivable are carried at original invoice amount. Management identifies troubled accounts by evaluating individual customer receivables and then initiating contact with the customer 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 accounts receivable to be collectible. Therefore, no allowance for doubtful accounts has been recorded at June 30, 2017 or 2016.

Unconditional Promises to Give
Contributions are recognized when the donor makes a written promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

In accordance with FASB ASC 958-310, *"Receivables"*, promises to give in a future period are discounted to their net present value at the time the revenue is recorded.

Investments
Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of the investments, unrealized gains and losses are reported in the accompanying Statements of Activities as a component of investment income.

The Agency invests in a professionally managed portfolio that contains bonds of publicly traded companies, U.S. obligations, mutual funds, and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements. The Agency's investments are held by one investment custodian, Charles Schwab Institutional.

Land, Buildings and Equipment
The Agency follows the practice of capitalizing all significant expenditures for land, buildings, furniture, equipment and automobiles. These assets are stated at cost if purchased, or fair market value at date of receipt, if received as a contribution. Depreciation is computed using the straight-line method over the useful lives of the asset.

The costs of routine maintenance and repairs are expensed when incurred.

Revenue Recognition
The Agency generates revenue from services provided to individuals for home care. These program fees are recognized as revenue when earned.

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded once an unconditional promise to give has been received by the Agency. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Gifts of property and equipment are reported as unrestricted support unless donor stipulations specify how the donated assets must be used. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE B - INVESTMENTS

Investments consist of the following at June 30, 2017 and 2016:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Domestic equity - mutual funds	$ 289,006	$ 333,495	$ 296,203	$ 321,741
Taxable bonds - mutual funds	109,829	107,369	109,885	107,516
International mutual funds	95,420	100,363	47,320	44,675
Exchange traded funds	25,290	25,274	25,290	25,462
Cash reserve	53,643	53,643	39,270	39,270
	$ 573,188	$ 620,144	$ 517,968	$ 538,664

NOTE B - INVESTMENTS - Continued

Investment income (loss) included in the accompanying Statements of Activities consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	$ 13,745	$ 16,162
Realized gain on investments	41,475	11,510
Unrealized gain (loss) on investments	26,260	(44,623)
	$ 81,480	$ (16,951)

All financial assets and liabilities relating to investments were measured using Level 1 inputs.

NOTE C - ENDOWMENT FUNDS

On October 23, 1987, the Family Lifeline Board of Directors established an endowment fund entering into an agreement with The Community Foundation *Serving Richmond and Central Virginia* (TCF) to create an agency endowment 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 establish an endowment fund for the benefit of the 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.

Endowment income 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 endowment for the program 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 there from as the Board of Directors of Family Lifeline 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.

NOTE C - ENDOWMENT FUNDS - Continued

On October 203, 2007, the CHIP of Greater Richmond (acquired by Family Lifeline on January 1, 2011) Board of Directors established an endowment fund 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 an agency endowment 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 hold endowments 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.

Endowment income 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 following table represents the activity in the Endowment Funds for the years ended June 30, 2017 and 2016:

	2017	2016
Beneficial interest in assets held by The Community Foundation, beginning of year	$ 77,203	$ 83,447
Donations received by The Community Foundation	789	787
Approved grants	(3,543)	(3,563)
Net investment return	7,891	(2,656)
The Community Foundation compensation	(780)	(812)
Beneficial interest in assets held by The Community Foundation, end of year	$ 81,560	$ 77,203

All financial assets and liabilities relating to endowment funds were measured using Level 2 inputs.

NOTE D - LINE OF CREDIT

The Agency has available a revolving line of credit with Xenith Bank with a maximum principal amount not to exceed $400,000. Interest is computed at Wall Street Journal Prime plus 1% (5.25% at June 30, 2017). As of June 30, 2017 and 2016, no amounts were outstanding on this line of credit. The note, which matures July 28, 2018, is collateralized by the Agency's real estate. There was no interest expensed or paid during the years ended June 30, 2017 and 2016 relating to this line of credit.

NOTE E - 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, 2017 and 2016 was $197,014 and $172,654, respectively. As of the most recent funded status report, July 1, 2016, the plan was 67.6% funded with total assets of $30,179,591 and an accumulated benefit obligation of $44,673,338. 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 3.19% 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 $13,082 and $13,904 for the years ended June 30, 2017 and 2016, respectively.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	2017	2016
Program Services		
Early Childhood	$ 436,701	$ 202,171
Senior Care	70,000	137,400
	$ 506,701	$ 339,571

Assets released from restriction during the fiscal years ended June 30 are as follows:

	2017	2016
Program Services		
Early Childhood	$ 173,902	$ 280,231
Senior Care	137,400	156,250
	$ 311,302	$ 436,481

NOTE G - CONCENTRATION OF CREDIT RISK

Three contributors represent approximately 74% and 81% of accounts receivable at June 30, 2017 and 2016, respectively, and 32% and 35% of total fees, grants, public support and revenue for the years ended June 30, 2017 and 2016, respectively.

NOTE H - COMMITMENTS

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

2018	$ 19,498
2019	12,748
2020	8,499
	$ 40,745

Total rent expense under all rental agreements (including month-to-month agreements) for the years ended June 30, 2017 and 2016 was $23,420 and $23,363, respectively.

NOTE I - SUBSEQUENT EVENTS

In the preparation of its financial statements, Family Lifeline considered subsequent events through October 20, 2017, 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, 2017, 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 October 20, 2017.

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
October 20, 2017

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, 2017. 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 the requirements of laws, regulations, contracts, and grants 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, 2017.

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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
October 20, 2017

FAMILY LIFELINE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

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	United Way of Greater Richmond and Petersburg (UWGRP)	$ 37,819	
	93.505	Virginia Department of Health	176,611	
				214,430
Temporary Assistance for Needy Families	93.558	Children's Health Involving Parents (CHIP) of Virginia	395,076	
	93.558	Virginia Department of Social Services	381,739	
				776,815
Healthy Start Initiative	93.926	City of Richmond		137,200
Promoting Safe and Stable Families	93.556	City of Petersburg		10,881
				$ 1,139,326

FAMILY LIFELINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

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:

2017	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