

FAMILY LIFELINE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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.

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, 2016 and 2015, 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, 2016, 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 1, 2016, 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
November 1, 2016

FAMILY LIFELINE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

| | 2016 | | | Total |
|---|--------------------|---------------------------|---------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 296,130 | \$ - | \$ - | \$ 296,130 |
| Accounts receivable | 203,566 | - | - | 203,566 |
| Unconditional promises to give | 17,561 | 110,000 | - | 127,561 |
| Investments | 309,093 | 229,571 | - | 538,664 |
| Prepaid expenses | 110,574 | - | - | 110,574 |
| TOTAL CURRENT ASSETS | <u>936,924</u> | <u>339,571</u> | <u>-</u> | <u>1,276,495</u> |
| INVESTMENTS | | | | |
| Beneficial interest in assets held by The Community Foundation | - | - | 77,203 | 77,203 |
| LAND, BUILDINGS AND EQUIPMENT | | | | |
| Automobiles | 70,820 | - | - | 70,820 |
| Land | 357,955 | - | - | 357,955 |
| Furniture and equipment | 173,987 | - | - | 173,987 |
| Buildings and improvements | 808,625 | - | - | 808,625 |
| | <u>1,411,387</u> | <u>-</u> | <u>-</u> | <u>1,411,387</u> |
| Less: Accumulated depreciation | 427,289 | - | - | 427,289 |
| NET LAND, BUILDINGS AND EQUIPMENT | <u>984,098</u> | <u>-</u> | <u>-</u> | <u>984,098</u> |
| | <u>\$1,921,022</u> | <u>\$ 339,571</u> | <u>\$ 77,203</u> | <u>\$2,337,796</u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and payroll withholdings | \$ 25,063 | \$ - | \$ - | \$ 25,063 |
| Accrued expenses | 146,985 | - | - | 146,985 |
| TOTAL CURRENT LIABILITIES | <u>172,048</u> | <u>-</u> | <u>-</u> | <u>172,048</u> |
| NET ASSETS | <u>1,748,974</u> | <u>339,571</u> | <u>77,203</u> | <u>2,165,748</u> |
| | <u>\$1,921,022</u> | <u>\$ 339,571</u> | <u>\$ 77,203</u> | <u>\$2,337,796</u> |

See Independent Auditor's Report and Notes to Financial Statements

2015

| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------|---------------------------|---------------------------|---------------------|
| \$ 371,617 | \$ - | \$ - | \$ 371,617 |
| 218,931 | - | - | 218,931 |
| 2,500 | 150,000 | - | 152,500 |
| 232,690 | 322,925 | - | 555,615 |
| 80,730 | - | - | 80,730 |
| <u>906,468</u> | <u>472,925</u> | <u>-</u> | <u>1,379,393</u> |
| - | - | 83,447 | 83,447 |
| 70,820 | - | - | 70,820 |
| 357,955 | - | - | 357,955 |
| 176,813 | - | - | 176,813 |
| 808,625 | - | - | 808,625 |
| <u>1,414,213</u> | <u>-</u> | <u>-</u> | <u>1,414,213</u> |
| <u>399,845</u> | <u>-</u> | <u>-</u> | <u>399,845</u> |
| <u>1,014,368</u> | <u>-</u> | <u>-</u> | <u>1,014,368</u> |
| <u>\$ 1,920,836</u> | <u>\$ 472,925</u> | <u>\$ 83,447</u> | <u>\$ 2,477,208</u> |
| \$ 38,514 | \$ - | \$ - | \$ 38,514 |
| 162,335 | - | - | 162,335 |
| <u>200,849</u> | <u>-</u> | <u>-</u> | <u>200,849</u> |
| <u>1,719,987</u> | <u>472,925</u> | <u>83,447</u> | <u>2,276,359</u> |
| <u>\$ 1,920,836</u> | <u>\$ 472,925</u> | <u>\$ 83,447</u> | <u>\$ 2,477,208</u> |

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | | | Total |
|--|--------------------|------------------------|------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| FEES AND GRANTS FROM GOVERNMENT AGENCIES | \$1,537,648 | \$ - | \$ - | \$1,537,648 |
| PUBLIC SUPPORT | | | | |
| Contributions | 566,618 | 303,127 | - | 869,745 |
| Allocated from United Way Services | 539,000 | - | - | 539,000 |
| REVENUE | | | | |
| Program service fees | 39,204 | - | - | 39,204 |
| Investment income (loss) | (16,951) | - | - | (16,951) |
| Endowment income (loss) | - | - | (6,244) | (6,244) |
| Events, net | 44,788 | - | - | 44,788 |
| Miscellaneous income, net | 5,618 | - | - | 5,618 |
| | <u>2,715,925</u> | <u>303,127</u> | <u>(6,244)</u> | <u>3,012,808</u> |
| Net assets released from restrictions | <u>436,481</u> | <u>(436,481)</u> | <u>-</u> | <u>-</u> |
| | | | | |
| TOTAL FEES, GRANTS, PUBLIC SUPPORT AND REVENUE | <u>3,152,406</u> | <u>(133,354)</u> | <u>(6,244)</u> | <u>3,012,808</u> |
| EXPENSES | | | | |
| Program services | 2,655,673 | - | - | 2,655,673 |
| Management and general | 330,743 | - | - | 330,743 |
| Fundraising | 137,003 | - | - | 137,003 |
| TOTAL EXPENSES | <u>3,123,419</u> | <u>-</u> | <u>-</u> | <u>3,123,419</u> |
| | | | | |
| CHANGE IN NET ASSETS | 28,987 | (133,354) | (6,244) | (110,611) |
| Net assets, beginning of year | <u>1,719,987</u> | <u>472,925</u> | <u>83,447</u> | <u>2,276,359</u> |
| | | | | |
| NET ASSETS, END OF YEAR | <u>\$1,748,974</u> | <u>\$ 339,571</u> | <u>\$ 77,203</u> | <u>\$2,165,748</u> |

See Independent Auditor's Report and Notes to Financial Statements

| 2015 | | | |
|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| \$ 1,749,773 | \$ - | \$ - | \$ 1,749,773 |
| 530,880 | 267,057 | - | 797,937 |
| 543,499 | - | - | 543,499 |
| 47,701 | - | - | 47,701 |
| 19,721 | - | - | 19,721 |
| - | - | 6,726 | 6,726 |
| 33,390 | - | - | 33,390 |
| 13,610 | - | - | 13,610 |
| <u>2,938,574</u> | <u>267,057</u> | <u>6,726</u> | <u>3,212,357</u> |
| <u>396,982</u> | <u>(396,982)</u> | <u>-</u> | <u>-</u> |
| <u>3,335,556</u> | <u>(129,925)</u> | <u>6,726</u> | <u>3,212,357</u> |
| 2,744,325 | - | - | 2,744,325 |
| 358,793 | - | - | 358,793 |
| 123,638 | - | - | 123,638 |
| <u>3,226,756</u> | <u>-</u> | <u>-</u> | <u>3,226,756</u> |
| 108,800 | (129,925) | 6,726 | (14,399) |
| <u>1,611,187</u> | <u>602,850</u> | <u>76,721</u> | <u>2,290,758</u> |
| <u>\$ 1,719,987</u> | <u>\$ 472,925</u> | <u>\$ 83,447</u> | <u>\$ 2,276,359</u> |

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 |
| Miscellaneous | 4,805 | 2,236 | 7,041 | 1,638 | 250 | 8,929 |
| 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 |
| Bad debt | - | 942 | 942 | - | - | 942 |
| EXPENSES BEFORE DEPRECIATION AND INTEREST | 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 |
| Interest | - | - | - | - | - | - |
| 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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

| | Program Services | | | Supporting Services | | |
|--|---------------------|-------------------|---------------------|------------------------------|-------------------|---------------------|
| | Early Childhood | Senior Care | Total | Management and General | Fundraising | Total |
| Salaries | \$ 1,270,424 | \$ 527,612 | \$ 1,798,036 | \$ 213,086 | \$ 38,943 | \$ 2,050,065 |
| Employee health and retirement benefits | 253,963 | 57,598 | 311,561 | 20,567 | 5,022 | 337,150 |
| Payroll and related taxes | 114,384 | 59,254 | 173,638 | 15,866 | 3,777 | 193,281 |
| Other personnel costs | 13,941 | 12,144 | 26,085 | 545 | 454 | 27,084 |
| TOTAL SALARIES AND RELATED EXPENSES | 1,652,712 | 656,608 | 2,309,320 | 250,064 | 48,196 | 2,607,580 |
| Professional fees and contract services | 54,167 | 18,979 | 73,146 | 88,628 | 63,759 | 225,533 |
| Occupancy | 72,021 | 29,637 | 101,658 | 6,304 | 4,568 | 112,530 |
| Local transportation | 46,368 | 41,243 | 87,611 | 408 | 548 | 88,567 |
| Specific assistance to individuals | 35,060 | - | 35,060 | - | - | 35,060 |
| Telephone | 20,870 | 6,392 | 27,262 | 932 | 962 | 29,156 |
| Training and conferences | 19,089 | 5,426 | 24,515 | - | 877 | 25,392 |
| Organization dues | 17,529 | 1,756 | 19,285 | - | 285 | 19,570 |
| Supplies | 11,821 | 3,184 | 15,005 | 2,716 | 1,386 | 19,107 |
| Miscellaneous | 3,780 | 1,876 | 5,656 | 2,413 | 168 | 8,237 |
| Printing and publications | 2,873 | 826 | 3,699 | 2,095 | 1,007 | 6,801 |
| Postage and shipping | 769 | 316 | 1,085 | 1,134 | 49 | 2,268 |
| Bad debt | - | 238 | 238 | - | - | 238 |
| EXPENSES BEFORE DEPRECIATION AND INTEREST | 1,937,059 | 766,481 | 2,703,540 | 354,694 | 121,805 | 3,180,039 |
| Depreciation | 28,895 | 11,890 | 40,785 | 3,121 | 1,833 | 45,739 |
| Interest | - | - | - | 978 | - | 978 |
| TOTAL EXPENSES | \$ 1,965,954 | \$ 778,371 | \$ 2,744,325 | \$ 358,793 | \$ 123,638 | \$ 3,226,756 |

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (110,611) | \$ (14,399) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 40,155 | 45,739 |
| Realized gain on investments | (11,510) | (150) |
| Unrealized (gain) loss on investments | 28,461 | (19,571) |
| (Increase) decrease in | | |
| Accounts receivable | 15,365 | 50,751 |
| Unconditional promises to give | 24,939 | 159,200 |
| Prepaid expenses | (29,844) | (50,957) |
| Increase (decrease) in | | |
| Accounts payable, payroll withholdings and accrued expenses | (28,801) | 33,760 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>(71,846)</u> | <u>204,373</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Endowment fund investment | 6,244 | (6,726) |
| Purchases of property and equipment | (9,885) | (6,963) |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(3,641)</u> | <u>(13,689)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of long-term debt | - | (24,848) |
| NET CASH USED IN FINANCING ACTIVITIES | <u>-</u> | <u>(24,848)</u> |
| NET INCREASE (DECREASE) IN CASH | (75,487) | 165,836 |
| Cash and cash equivalents, beginning of year | <u>371,617</u> | <u>205,781</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 296,130</u> | <u>\$ 371,617</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | \$ - | \$ 978 |
| NONCASH INVESTING ACTIVITIES | | |
| Dividends | \$ 16,162 | \$ 26,734 |
| Reinvested proceeds from sale of securities | \$ 120,475 | \$ 109,001 |

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

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.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

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, 2016. The Agency is generally no longer subject to examination by the Internal Revenue Service for years prior to 2013.

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.

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, 2016 or 2015.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

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

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 following estimated useful lives:

| <u>Property Description</u> | <u>Years</u> |
|-----------------------------|--------------|
| Automobiles | 10 |
| Furniture and equipment | 3 - 12 |
| Buildings and improvements | 10 - 40 |

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.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

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, 2016 and 2015:

| | 2016 | | 2015 | |
|--------------------------------|------------|--------------|------------|--------------|
| | Cost | Market Value | Cost | Market Value |
| Domestic equity - mutual funds | \$ 296,203 | \$ 321,741 | \$ 274,150 | \$ 340,560 |
| Taxable bonds - mutual funds | 109,885 | 107,516 | 109,885 | 107,779 |
| International mutual funds | 47,320 | 44,675 | 49,740 | 50,766 |
| Exchange traded funds | 25,290 | 25,462 | 25,290 | 25,279 |
| Cash reserve | 39,270 | 39,270 | 31,231 | 31,231 |
| | \$ 517,968 | \$ 538,664 | \$ 490,296 | \$ 555,615 |

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE B - INVESTMENTS - Continued

Investment income (loss) included in the accompanying Statements of Activities consists of the following for the years ended June 30, 2016 and 2015:

| | 2016 | 2015 |
|--------------------------------|--------------------|------------------|
| Interest and dividends | \$ 16,162 | \$ 26,734 |
| Realized gain on investments | 11,510 | 150 |
| Unrealized loss on investments | (44,623) | (7,163) |
| | <u>\$ (16,951)</u> | <u>\$ 19,721</u> |

The fair value of financial assets and liabilities relating to investments measured on a recurring basis as of June 30, 2016 and 2015 were \$538,664 and \$555,615, respectively. 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.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE C - ENDOWMENT FUNDS - Continued

On November 13, 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, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Beneficial interest in assets held by The Community Foundation, beginning of year | \$ 83,447 | \$ 76,721 |
| Donations received by The Community Foundation | 787 | 540 |
| Approved grants | (3,563) | - |
| Net investment return | (2,656) | 6,995 |
| The Community Foundation compensation | (812) | (809) |
| Beneficial interest in assets held by The Community Foundation, end of year | <u>\$ 77,203</u> | <u>\$ 83,447</u> |

The fair value of financial assets and liabilities relating to endowment funds measured on a recurring basis as of June 30, 2016 and 2015 were \$77,203 and \$83,447, respectively. All financial assets and liabilities relating to endowment funds were measured using Level 2 inputs.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

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% (4.5% at June 30, 2016). As of June 30, 2016 and 2015, no amounts were outstanding on this line of credit. The note, which matures July 29, 2017, is collateralized by the Agency's real estate. There was no interest expensed or paid during the years ended June 30, 2016 and 2015 relating to this line of credit.

NOTE E - PENSION AND OTHER RETIREMENT PLANS

The Agency participated in a defined benefit pension plan which extended to participating affiliate agencies with United Way Services serving as administrator, 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.

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, 2016 and 2015 was \$172,654 and \$149,910, respectively.

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.

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 \$13,904 and \$13,124 for the years ended June 30, 2016 and 2015, respectively.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|------------------|-------------------|-------------------|
| Program Services | | |
| Early Childhood | \$ 202,171 | \$ 316,675 |
| Senior Care | 137,400 | 156,250 |
| | <u>\$ 339,571</u> | <u>\$ 472,925</u> |

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE F - TEMPORARILY RESTRICTED NET ASSETS - Continued

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

| | <u>2016</u> | <u>2015</u> |
|------------------|-------------------|-------------------|
| Program Services | | |
| Early Childhood | \$ 280,231 | \$ 246,982 |
| Senior Care | 156,250 | 150,000 |
| | <u>\$ 436,481</u> | <u>\$ 396,982</u> |

NOTE G - CONCENTRATION OF CREDIT RISK

Three contributors represent approximately 81% and 78% of accounts receivable at June 30, 2016 and 2015, respectively, and 35% and 36% of total fees, grants, public support and revenue for the years ended June 30, 2016 and 2015, 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:

| | <u>Operating Leases</u> |
|------|-----------------------------|
| 2017 | \$ 19,097 |
| 2018 | 12,347 |
| 2019 | 12,347 |
| 2020 | 8,231 |
| | <u>\$ 52,022</u> |

Total rent expense under all rental agreements (including month-to-month agreements) for the years ended June 30, 2016 and 2015 was \$23,363 and \$21,140, respectively.

NOTE I - SUBSEQUENT EVENTS

In the preparation of its financial statements, Family Lifeline considered subsequent events through November 1, 2016, 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, 2016, 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 1, 2016.

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.

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 1, 2016



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, 2016. 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, 2016.

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 1, 2016

FAMILY LIFELINE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

| <u>Grant Name</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|--|---------------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | United Way of Greater Richmond and Petersburg (UWGRP) | \$ 305,640 |
| Temporary Assistance for Needy Families | 93.558 | Children's Health Involving Parents (CHIP) of Virginia | 204,393 |
| | 93.558 | Virginia Department of Social Services | <u>203,488</u> |
| | | | 407,881 |
| Healthy Start Initiative | 93.926 | City of Richmond | 136,500 |
| Promoting Safe and Stable Families | 93.556 | City of Peterburg | <u>10,881</u> |
| | | | <u>\$ 860,902</u> |

FAMILY LIFELINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

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:

| | |
|---|---------------|
| <u>2016</u> | <u>CFDA #</u> |
| Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 |
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