

FAMILY LIFELINE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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, 2015, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 21, 2015, 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 the Family Lifeline's internal control over financial reporting and compliance.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
October 21, 2015

FAMILY LIFELINE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 371,617	\$ -	\$ -	\$ 371,617
Accounts receivable	218,931	-	-	218,931
Unconditional promises to give	2,500	150,000	-	152,500
Investments	232,690	322,925	-	555,615
Prepaid expenses	80,730	-	-	80,730
TOTAL CURRENT ASSETS	<u>906,468</u>	<u>472,925</u>	<u>-</u>	<u>1,379,393</u>
INVESTMENTS				
Beneficial interest in assets held by				
The Community Foundation	-	-	83,447	83,447
LAND, BUILDINGS AND EQUIPMENT				
Automobiles	70,820	-	-	70,820
Land	357,955	-	-	357,955
Furniture and equipment	176,813	-	-	176,813
Buildings and improvements	808,625	-	-	808,625
	<u>1,414,213</u>	<u>-</u>	<u>-</u>	<u>1,414,213</u>
Less: Accumulated depreciation	399,845	-	-	399,845
NET LAND, BUILDINGS AND EQUIPMENT	<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>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Note payable, current portion of long-term debt	\$ -	\$ -	\$ -	\$ -
Accounts payable and payroll withholdings	38,514	-	-	38,514
Accrued expenses	162,335	-	-	162,335
TOTAL CURRENT LIABILITIES	<u>200,849</u>	<u>-</u>	<u>-</u>	<u>200,849</u>
NOTE PAYABLE, less current portion of long-term debt	-	-	-	-
TOTAL LIABILITIES	<u>200,849</u>	<u>-</u>	<u>-</u>	<u>200,849</u>
NET ASSETS	<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

2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 205,781	\$ -	\$ -	\$ 205,781
269,682	-	-	269,682
7,700	304,000	-	311,700
237,044	298,850	-	535,894
29,773	-	-	29,773
749,980	602,850	-	1,352,830
-	-	76,721	76,721
70,820	-	-	70,820
357,955	-	-	357,955
170,494	-	-	170,494
807,981	-	-	807,981
1,407,250	-	-	1,407,250
354,106	-	-	354,106
1,053,144	-	-	1,053,144
\$ 1,803,124	\$ 602,850	\$ 76,721	\$ 2,482,695
\$ 7,887	\$ -	\$ -	\$ 7,887
27,622	-	-	27,622
139,467	-	-	139,467
174,976	-	-	174,976
16,961	-	-	16,961
191,937	-	-	191,937
1,611,187	602,850	76,721	2,290,758
\$ 1,803,124	\$ 602,850	\$ 76,721	\$ 2,482,695

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
FEES AND GRANTS FROM GOVERNMENT AGENCIES	\$ 1,749,773	\$ -	\$ -	\$ 1,749,773
PUBLIC SUPPORT				
Contributions	530,880	267,057	-	797,937
Allocated from United Way Services	543,499	-	-	543,499
REVENUE				
Program service fees	47,701	-	-	47,701
Investment income	19,721	-	-	19,721
Endowment income	-	-	6,726	6,726
Events, net	33,390	-	-	33,390
Miscellaneous income, net	13,610	-	-	13,610
Loss on disposal of property and equipment	-	-	-	-
	<u>2,938,574</u>	<u>267,057</u>	<u>6,726</u>	<u>3,212,357</u>
Net assets released from restrictions	<u>396,982</u>	<u>(396,982)</u>	<u>-</u>	<u>-</u>
 TOTAL FEES, GRANTS, PUBLIC SUPPORT AND REVENUE	 <u>3,335,556</u>	 <u>(129,925)</u>	 <u>6,726</u>	 <u>3,212,357</u>
EXPENSES				
Program services	2,744,325	-	-	2,744,325
Management and general	358,793	-	-	358,793
Fundraising	123,638	-	-	123,638
 TOTAL EXPENSES	 <u>3,226,756</u>	 <u>-</u>	 <u>-</u>	 <u>3,226,756</u>
 CHANGE IN NET ASSETS	 108,800	 (129,925)	 6,726	 (14,399)
Net assets, beginning of year	<u>1,611,187</u>	<u>602,850</u>	<u>76,721</u>	<u>2,290,758</u>
 NET ASSETS, END OF YEAR	 <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

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,574,214	\$ -	\$ -	\$ 1,574,214
743,976	535,068	-	1,279,044
543,498	-	-	543,498
61,059	-	-	61,059
78,701	-	-	78,701
-	-	3,746	3,746
42,400	-	-	42,400
8,960	-	-	8,960
(131)	-	-	(131)
<u>3,052,677</u>	<u>535,068</u>	<u>3,746</u>	<u>3,591,491</u>
<u>301,492</u>	<u>(301,492)</u>	<u>-</u>	<u>-</u>
<u>3,354,169</u>	<u>233,576</u>	<u>3,746</u>	<u>3,591,491</u>
2,738,757	-	-	2,738,757
346,218	-	-	346,218
130,492	-	-	130,492
<u>3,215,467</u>	<u>-</u>	<u>-</u>	<u>3,215,467</u>
138,702	233,576	3,746	376,024
<u>1,472,485</u>	<u>369,274</u>	<u>72,975</u>	<u>1,914,734</u>
<u>\$ 1,611,187</u>	<u>\$ 602,850</u>	<u>\$ 76,721</u>	<u>\$ 2,290,758</u>

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
Moving expense	-	-	-	-	-	-
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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Program Services			Supporting Services		
	Early Childhood	Senior Care	Total	Management and General	Fundraising	Total
Salaries	\$ 1,248,585	\$ 523,605	\$ 1,772,190	\$ 213,642	\$ 40,500	\$ 2,026,332
Employee health and retirement benefits	222,180	52,165	274,345	19,894	2,291	296,530
Payroll and related taxes	112,130	56,111	168,241	16,838	3,707	188,786
Other personnel costs	14,314	12,393	26,707	494	418	27,619
TOTAL SALARIES AND RELATED EXPENSES	1,597,209	644,274	2,241,483	250,868	46,916	2,539,267
Professional fees and contract services	35,620	19,555	55,175	57,903	63,861	176,939
Occupancy	111,011	43,081	154,092	9,338	7,261	170,691
Local transportation	55,954	45,858	101,812	506	117	102,435
Specific assistance to individuals	50,668	-	50,668	-	-	50,668
Telephone	24,446	7,247	31,693	1,193	1,274	34,160
Training and conferences	15,530	3,406	18,936	-	3,872	22,808
Organization dues	13,798	390	14,188	-	285	14,473
Moving expense	-	-	-	11,715	-	11,715
Supplies	4,369	2,479	6,848	2,734	271	9,853
Miscellaneous	4,827	2,802	7,629	3,506	168	11,303
Printing and publications	5,134	1,985	7,119	444	2,632	10,195
Postage and shipping	1,068	414	1,482	1,552	1,866	4,900
Bad debt	-	5,847	5,847	-	-	5,847
EXPENSES BEFORE DEPRECIATION AND INTEREST	1,919,634	777,338	2,696,972	339,759	128,523	3,165,254
Depreciation	30,103	11,682	41,785	5,367	1,969	49,121
Interest	-	-	-	1,092	-	1,092
TOTAL EXPENSES	\$ 1,949,737	\$ 789,020	\$ 2,738,757	\$ 346,218	\$ 130,492	\$ 3,215,467

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (14,399)	\$ 376,024
Adjustments to reconcile change in net assets to net		
Depreciation	45,739	49,121
Loss on disposal of property and equipment	-	131
Realized (gain) on investments	(150)	(20,683)
Unrealized (gain) loss on investments	(19,571)	(58,018)
(Increase) decrease in		
Accounts receivable	50,751	(102,314)
Unconditional promises to give	159,200	(229,200)
Prepaid expenses	(50,957)	7,656
Increase (decrease) in		
Accounts payable, payroll withholdings and accrued expenses	33,760	10,704
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>204,373</u>	<u>33,421</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Endowment fund investment	(6,726)	(3,746)
Purchases of property and equipment	(6,963)	(26,460)
NET CASH USED IN INVESTING ACTIVITIES	<u>(13,689)</u>	<u>(30,206)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	(24,848)	(7,776)
NET CASH USED IN FINANCING ACTIVITIES	<u>(24,848)</u>	<u>(7,776)</u>
NET INCREASE (DECREASE) IN CASH	165,836	(4,561)
Cash and cash equivalents, beginning of year	<u>205,781</u>	<u>210,342</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 371,617</u>	<u>\$ 205,781</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 978	\$ 1,092
NONCASH INVESTING ACTIVITIES		
Reinvest dividends	\$ 26,734	\$ 16,876
Reinvested proceeds from sale of securities	\$ 109,001	\$ 113,072

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE A - 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Family Lifeline is presented to assist in understanding the Agency's accompanying financial statements. These financial statements and notes are representations of the Agency's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States and have been consistently applied in the financial statements.

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.

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, 2015 AND 2014

NOTE B - 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.

Schedule of Expenditures of Federal Awards

Expenditures reported on the Supplemental Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2015 or 2014.

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.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2015 AND 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2015 AND 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Agency is a qualified non-profit charitable organization as defined by the Internal Revenue Code Section 501(c)(3) and is thus exempt from federal income taxes. In addition, the Agency qualifies for charitable contributions deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Agency did not have any net unrelated business income for the years ended June 30, 2015 and 2014.

The Agency applies FASB ASC 740-10, “*Accounting for Uncertainty in Income Taxes*”, related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. The standard also provides guidance on penalties and interest, classification, and disclosure. The Agency has not identified any uncertain tax positions. The Agency’s income tax returns for years since fiscal 2012 remain open for examination by tax authorities.

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 C - INVESTMENTS

Investments consist of the following at June 30, 2015 and 2014:

	2015		2014	
	Cost	Market Value	Cost	Market Value
Domestic equity - mutual funds	\$ 274,150	\$ 340,560	\$ 240,072	\$ 308,871
Taxable bonds - mutual funds	109,885	107,779	137,366	136,603
International mutual funds	49,740	50,766	36,217	40,574
Exchange traded funds	25,290	25,279	30,558	30,647
Cash reserve	31,231	31,231	19,199	19,199
	<u>\$ 490,296</u>	<u>\$ 555,615</u>	<u>\$ 463,412</u>	<u>\$ 535,894</u>

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2015 AND 2014

NOTE C - INVESTMENTS - Continued

Investment income included in the accompanying Statements of Activities consists of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Interest and dividends	\$ 26,734	\$ 16,876
Realized gain on investments	150	20,683
Unrealized gain (loss) on investments	(7,163)	41,142
	<u>\$ 19,721</u>	<u>\$ 78,701</u>

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014:

Description	Investments	
	2015	2014
Level 1: Quoted prices	\$ 555,615	\$ 535,894
Level 2: Other significant observable inputs	-	-
Level 3: Significant unobservable inputs	-	-
Total fair value	<u>\$ 555,615</u>	<u>\$ 535,894</u>

NOTE D - 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.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2015 AND 2014

NOTE D - ENDOWMENT FUNDS - Continued

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.

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, 2015 and 2014:

Beneficial interest in assets held by The Community Foundation, June 30, 2014	\$ 76,721
Donations received by The Community Foundation	540
Net investment return	6,995
The Community Foundation compensation	<u>(809)</u>
Beneficial interest in assets held by The Community Foundation, June 30, 2015	<u>\$ 83,447</u>

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2015 AND 2014

NOTE D - ENDOWMENT FUNDS - Continued

Beneficial interest in assets held by The Community Foundation, June 30, 2013	\$ 72,975
Donations received by The Community Foundation	772
Approved grant	(3,362)
Net investment return	7,090
The Community Foundation compensation	<u>(755)</u>
Beneficial interest in assets held by The Community Foundation, June 30, 2014	<u>\$ 76,721</u>

The following table provides fair value measurement information for financial assets and liabilities measured at fair value using the market approach on a recurring basis as of June 30, 2015 and 2014:

Description	Beneficial Interest in Assets Held by The Community Foundation	
	2015	2014
Level 1: Quoted prices	\$ -	\$ -
Level 2: Other significant observable inputs	83,447	76,721
Level 3: Significant unobservable inputs	-	-
Total fair value	<u>\$ 83,447</u>	<u>\$ 76,721</u>

NOTE E - 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 WSJ Prime plus 1% (3.25% at June 30, 2015). As of June 30, 2015 and 2014, no amounts were outstanding on this line of credit. The note, which matures June 30, 2016, is collateralized by the Agency's real estate. There was no interest expensed or paid during the years ended June 30, 2015 and 2014 relating to this line of credit.

NOTE F - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2015 and 2014:

	2015	2014
Note payable, interest at 4%, unsecured. Interest and principal of \$2,217 due quarterly, with final payment on June 30, 2017. *	\$ -	\$ 24,848
Less: Current maturities	-	7,887
	<u>\$ -</u>	<u>\$ 16,961</u>

* The loan was paid in full on June 25, 2015.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2015 AND 2014

NOTE F - LONG-TERM DEBT - Continued

Interest expensed and paid during the years ended June 30, 2015 and 2014 relating to this note payable was \$978 and \$1,092, respectively.

NOTE G - 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, 2015 and 2014 was \$149,910 and \$137,862, 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 \$13,124 and \$12,480 for the years ended June 30, 2015 and 2014, respectively.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Program Services		
Early Childhood	\$ 316,675	\$ 422,850
Senior Care	156,250	180,000
	<u>\$ 472,925</u>	<u>\$ 602,850</u>

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2015 AND 2014

NOTE H - TEMPORARILY RESTRICTED NET ASSETS - Continued

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

	<u>2015</u>	<u>2014</u>
Program Services		
Early Childhood	\$ 246,982	\$ 263,992
Senior Care	150,000	37,500
	<u>\$ 396,982</u>	<u>\$ 301,492</u>

NOTE I - CONCENTRATION OF CREDIT RISK

Three contributors represent approximately 78% and 85% of accounts receivable at June 30, 2015 and 2014, respectively, and 36% and 31% of total fees, grants, public support and revenue for the years ended June 30, 2015 and 2014, respectively.

NOTE J - 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>
2016	\$ 18,748
2017	11,998
2018	11,998
2019	11,998
2020	7,999
	<u>\$ 62,741</u>

Total rent expense under all rental agreements (including month-to-month agreements) for the years ended June 30, 2015 and 2014 was \$21,140 and \$112,280, respectively.

NOTE K - RECLASSIFICATIONS

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

NOTE L - SUBSEQUENT EVENTS

In the preparation of its financial statements, Family Lifeline considered subsequent events through October 21, 2015, 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, 2015, 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 21, 2015.

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
October 21, 2015



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 OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
October 21, 2015

FAMILY LIFELINE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

<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)	\$ 297,124
Temporary Assistance for Needy Families	93.558	Children's Health Involving Parents (CHIP) of Virginia	152,000
	93.558	Virginia Department of Social Services	<u>181,680</u>
			333,680
Healthy Start Initiative	93.926	City of Richmond	150,833
Promoting Safe and Stable Families	93.556	City of Peterburg	<u>10,881</u>
			<u>\$ 792,518</u>

FAMILY LIFELINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Family Lifeline.
2. No material weaknesses in internal control over financial reporting were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of Family Lifeline were disclosed during the audit.
4. No material weaknesses in internal control over major federal programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Family Lifeline expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal programs for Family Lifeline are reported in this Schedule.
7. The programs tested as major programs included:

<u>2015</u>	<u>CFDA #</u>
Maternal, Infant, and Early Childhood Home Visiting Program	93.505
Temporary Assistance for Needy Families	93.558

8. The threshold for distinguishing Types A and B was \$300,000.
9. Family Lifeline did not qualify as a low risk auditee.