
**COMMUNITY SOLUTIONS
for Children, Families and Individuals
(A CALIFORNIA NON-PROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Nichols, Rick & Company

**COMMUNITY SOLUTIONS
for Children, Families and Individuals**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Solutions for Children, Families and Individuals
Gilroy, California

Report on the Financial Statements

We have audited the accompanying financial statements of Community Solutions for Children, Families and Individuals (Community Solutions), a California non-profit organization which comprise the statements of financial position as of June 30, 2018 and June 30, 2017, the related statements of cash flows for the years then ended, the related statements of activities and functional expenses for the year ended June 30, 2018, 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 error or fraud.

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 audit to obtain reasonable assurance about whether the financial statements are free of 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 misstatements 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 statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Solutions as of June 30, 2018 and June 30, 2017, the changes in its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

Other Matters-Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state, and local awards, 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*, and California Office of Emergency Services (OES) supplementary information for the year ended June 30, 2018, as required by OES, are presented for purposes of additional analysis and are not a required part of the basic 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 a report dated September 12, 2018 on our consideration of Community Solutions' internal control over financial reporting and 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 Community Solutions' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Community Solutions' June 30, 2017 financial statements, and our report dated September 12, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



September 12, 2018

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statements of Financial Position
As of June 30, 2018 and June 30, 2017

| | 2018 | 2017 |
|--|----------------------------|----------------------------|
| <u>ASSETS</u> | | |
| Assets: | | |
| Cash | \$ 1,441 | \$ 1,014,793 |
| Accounts receivable, net | 28,126 | 14,639 |
| Grants receivable, net | 5,071,003 | 4,465,500 |
| Unconditional promises to give: | | |
| Pledges receivable | 50,000 | 50,000 |
| Investments | 225,604 | - |
| Prepaid expenses | 55,999 | 24,840 |
| Total current assets | <u>5,432,173</u> | <u>5,569,772</u> |
| Fixed assets, net | 1,097,334 | 1,143,094 |
| Pledges receivable, net of current portion | - | 50,000 |
| Deposits | <u>73,384</u> | <u>73,184</u> |
| TOTAL ASSETS | <u>\$ 6,602,891</u> | <u>\$ 6,836,050</u> |
| <u>LIABILITIES & NET ASSETS</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 929,069 | \$ 808,972 |
| Accrued salaries & vacation | 1,638,647 | 1,398,551 |
| Other current liabilities | 277,922 | 283,770 |
| Accrued interest payable | 26,049 | 24,879 |
| Deferred revenue | 1,990,869 | 1,941,978 |
| Line of credit | - | 155,000 |
| Notes payable, current portion | <u>51,715</u> | <u>497,024</u> |
| Total current liabilities | 4,914,271 | 5,110,174 |
| Grants payable, long term | 46,918 | 46,918 |
| Accrued interest payable | 145,675 | 155,254 |
| Notes payable | <u>589,415</u> | <u>607,038</u> |
| Total long term liabilities | 782,008 | 809,210 |
| Total liabilities | 5,696,279 | 5,919,384 |
| Net assets | | |
| Unrestricted | 555,373 | 503,979 |
| Unrestricted-board designated | 225,604 | 214,000 |
| Temporarily restricted | 125,635 | 198,687 |
| Permanently restricted | <u>-</u> | <u>-</u> |
| Total net assets | 906,612 | 916,666 |
| TOTAL LIABILITIES & NET ASSETS | <u>\$ 6,602,891</u> | <u>\$ 6,836,050</u> |

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statement of Activities
For the Year ended June 30, 2018
with summarized financial information for the year ended June 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>June 30, 2018 Totals</u> | <u>Comparative Summary Totals for the Year ended June 30, 2017</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------------------|--|
| SUPPORT & REVENUE | | | | | |
| Support received directly | | | | | |
| Contributions | \$ 168,726 | \$ - | \$ - | \$ 168,726 | \$ 123,769 |
| Contributions, in-kind | 98,864 | | | 98,864 | 60,179 |
| Special events, less expenses of \$71,561 and \$66,114 | 136,798 | | | 136,798 | 145,997 |
| Self forgiving indebtedness | 100,000 | | | 100,000 | - |
| Foundations and grants | 106,861 | | | 106,861 | 286,519 |
| Support received indirectly | | | | | |
| United Way | 1,252 | | | 1,252 | 1,029 |
| Total support | 612,501 | - | - | 612,501 | 617,493 |
| Revenue | | | | | |
| Government grants and fees | 25,369,288 | | | 25,369,288 | 20,582,954 |
| Interest and dividend income | 3,882 | | | 3,882 | 2,090 |
| Realized and unrealized gain/(loss) | 2,849 | | | 2,849 | - |
| Program rents received | 383,500 | | | 383,500 | 266,899 |
| Other income | 48,718 | | | 48,718 | 15,960 |
| Fees for services | 385,999 | | | 385,999 | 393,790 |
| Total revenue | 26,194,236 | - | - | 26,194,236 | 21,261,693 |
| Net assets released from restrictions | 73,052 | (73,052) | | - | - |
| TOTAL SUPPORT & REVENUE | 26,879,789 | (73,052) | - | 26,806,737 | 21,879,186 |
| EXPENSES | | | | | |
| Program Services | | | | | |
| Behavioral Health Care | 19,996,221 | | | 19,996,221 | 15,844,456 |
| Prevention and Education | 964,919 | | | 964,919 | 1,061,078 |
| Solutions to Violence | 3,266,496 | | | 3,266,496 | 2,780,923 |
| Total Program Services | 24,227,636 | - | - | 24,227,636 | 19,686,457 |
| Support Services | | | | | |
| Management and General | 2,343,958 | | | 2,343,958 | 2,021,908 |
| Fund Development | 245,197 | | | 245,197 | 224,397 |
| Total Support Services | 2,589,155 | - | - | 2,589,155 | 2,246,305 |
| TOTAL EXPENSES | 26,816,791 | - | - | 26,816,791 | 21,932,762 |
| Change in net assets from operations | 62,998 | (73,052) | - | (10,054) | (53,576) |
| Net assets at beginning of year | 717,979 | 198,687 | - | 916,666 | 970,242 |
| Net assets at end of year | <u>\$ 780,977</u> | <u>\$ 125,635</u> | <u>\$ -</u> | <u>\$ 906,612</u> | <u>\$ 916,666</u> |

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statement of Functional Expenses
For the Year ended June 30, 2018
with summarized financial information for the year ended June 30, 2017

| | PROGRAM SERVICES | | | | Comparative Summary |
|--|---------------------------|-----------------------------|--------------------------|-------------------------|---|
| | Behavioral Health Care | Prevention and Education | Solutions to Violence | June 30, 2018 Totals | Totals for the Year ended June 30, 2017 |
| Salaries | \$ 12,280,150 | \$ 322,805 | \$ 1,562,750 | \$ 14,165,705 | \$ 11,130,888 |
| Payroll taxes & employee benefits | 3,616,087 | 113,856 | 504,812 | 4,234,755 | 3,531,823 |
| Total salaries & related expenses | 15,896,237 | 436,661 | 2,067,562 | 18,400,460 | 14,662,711 |
| Professional fees | 1,227,060 | 409,129 | 636,542 | 2,272,731 | 1,982,373 |
| Supplies | 242,225 | 13,238 | 81,579 | 337,042 | 398,698 |
| Telephone | 158,022 | 5,774 | 26,424 | 190,220 | 157,941 |
| Postage & shipping | 15,780 | 1,189 | 2,766 | 19,735 | 20,397 |
| Occupancy | 827,522 | 23,681 | 89,638 | 940,841 | 858,340 |
| Insurance | 83,630 | 2,437 | 11,619 | 97,686 | 88,427 |
| Utilities | 118,605 | 13,602 | 25,485 | 157,692 | 146,135 |
| Interest | 23,907 | 6,691 | 1,373 | 31,971 | 36,874 |
| Equipment maintenance & rental | 169,067 | 1,532 | 17,333 | 187,932 | 166,664 |
| Printing & publications | 1,628 | 38 | 18,827 | 20,493 | 12,339 |
| Travel | 619,079 | 7,461 | 53,444 | 679,984 | 545,336 |
| Conferences, conventions & meetings | 70,530 | 1,021 | 43,528 | 115,079 | 103,303 |
| Specific assistance to individuals | 366,078 | 60 | 177,152 | 543,290 | 333,998 |
| Dues & subscriptions | 67,098 | 825 | 7,214 | 75,137 | 72,025 |
| Licensing fees & taxes | 44,777 | 23,692 | 1,940 | 70,409 | 50,274 |
| Miscellaneous | 36,159 | 943 | 4,070 | 41,172 | 20,557 |
| Total expenses before depreciation & amortization | 19,967,404 | 947,974 | 3,266,496 | 24,181,874 | 19,656,392 |
| Depreciation & amortization | 28,817 | 16,945 | - | 45,762 | 30,065 |
| TOTAL EXPENSES | \$ 19,996,221 | \$ 964,919 | \$ 3,266,496 | \$ 24,227,636 | \$ 19,686,457 |

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statement of Functional Expenses
For the Year ended June 30, 2018
with summarized financial information for the year ended June 30, 2017

| | TOTAL PROGRAM SERVICES | MANAGEMENT & SUPPORT SERVICES | | | June 30, 2018 PROGRAM & SUPPORT SERVICES TOTALS | Comparative Summary Totals for the Year ended June 30, 2017 |
|--|------------------------------|-------------------------------|---------------------|----------------------------|---|---|
| | | Management & General | Fund Development | Total Mgmt. & Sup. Svcs | | |
| Salaries | \$ 14,165,705 | \$ 1,288,398 | \$ 170,755 | \$ 1,459,153 | \$ 15,624,858 | \$ 12,420,023 |
| Payroll taxes & employee benefits | 4,234,755 | 364,998 | 37,792 | 402,790 | 4,637,545 | 3,880,838 |
| Total salaries & related expenses | 18,400,460 | 1,653,396 | 208,547 | 1,861,943 | 20,262,403 | 16,300,861 |
| Professional fees | 2,272,731 | 474,868 | 17,202 | 492,070 | 2,764,801 | 2,387,921 |
| Supplies | 337,042 | 32,546 | 1,171 | 33,717 | 370,759 | 433,944 |
| Telephone | 190,220 | 15,435 | 1,417 | 16,852 | 207,072 | 169,415 |
| Postage & shipping | 19,735 | 4,442 | 1,295 | 5,737 | 25,472 | 25,566 |
| Occupancy | 940,841 | 81,136 | 5,632 | 86,768 | 1,027,609 | 926,760 |
| Insurance | 97,686 | 7,691 | 812 | 8,503 | 106,189 | 95,826 |
| Utilities | 157,692 | 8,677 | 801 | 9,478 | 167,170 | 154,160 |
| Interest | 31,971 | - | - | - | 31,971 | 36,874 |
| Equipment maintenance & rental | 187,932 | 8,053 | 1,045 | 9,098 | 197,030 | 175,688 |
| Printing & publications | 20,493 | 16,554 | 2,477 | 19,031 | 39,524 | 31,659 |
| Travel | 679,984 | 14,246 | 1,211 | 15,457 | 695,441 | 557,872 |
| Conferences, conventions & meetings | 115,079 | 11,232 | 997 | 12,229 | 127,308 | 112,817 |
| Specific assistance to individuals | 543,290 | - | - | - | 543,290 | 333,998 |
| Dues & subscriptions | 75,137 | 6,242 | 2,170 | 8,412 | 83,549 | 77,786 |
| Licensing fees & taxes | 70,409 | 3,264 | 217 | 3,481 | 73,890 | 51,859 |
| Miscellaneous | 41,172 | 6,176 | 203 | 6,379 | 47,551 | 29,691 |
| Total expenses before depreciation & amortization | 24,181,874 | 2,343,958 | 245,197 | 2,589,155 | 26,771,029 | 21,902,697 |
| Depreciation & amortization | 45,762 | - | - | - | 45,762 | 30,065 |
| TOTAL EXPENSES | \$ 24,227,636 | \$ 2,343,958 | \$ 245,197 | \$ 2,589,155 | \$ 26,816,791 | \$ 21,932,762 |

See Accompanying Notes to the Financial Statements

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statements of Cash Flows
For the Years ended June 30, 2018 and June 30, 2017

| | 2018 | 2017 |
|---|--------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets from operations | \$ (10,054) | \$ (53,576) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 45,762 | 30,065 |
| Forgiveness of debt included in support | 100,000 | |
| Investment management fees deducted | 583 | |
| Reinvestment of earnings from investments | (2,996) | |
| Unrealized (gain) loss on investments | (55) | |
| Changes in assets & liabilities: | | |
| Decrease (increase) in accounts and grants receivable | (568,990) | (930,380) |
| Decrease (increase) in deposits and prepaid expenses | (31,359) | 110,772 |
| Increase (decrease) in payables and accrued liabilities | 294,825 | 868,382 |
| Net cash (used) provided by operating activities | <u>(172,284)</u> | <u>25,263</u> |
| Cash flows from investing activities | | |
| Purchase of investments | (223,136) | |
| Acquisition of fixed assets | | |
| Net cash provided (used) by investing activities | <u>(223,136)</u> | <u></u> |
| Cash flows from financing activities | | |
| Proceeds from (repayment of) line of credit | (155,000) | 155,000 |
| Repayments of long-term debt | (462,932) | (34,852) |
| Net cash provided (used) by financing activities | <u>(617,932)</u> | <u>120,148</u> |
| Net (decrease) increase in cash | <u>(1,013,352)</u> | <u>145,411</u> |
| Cash, beginning of year | 1,014,793 | 869,382 |
| Cash, end of year | <u>\$ 1,441</u> | <u>\$ 1,014,793</u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

| | | |
|-----------------------------------|-----------|-----------|
| Cash paid during the year for: | | |
| Interest | \$ 40,380 | \$ 36,874 |
| Income taxes | \$ 0 | \$ 0 |
| Supplemental noncash disclosures: | | |
| Cost basis of assets disposed | \$ 0 | \$ 0 |

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. NATURE OF ORGANIZATION:

Community Solutions for Children, Families & Individuals, doing business as Community Solutions (Agency), is a California nonprofit public benefit organization that was founded in 1972. For more than four decades the Agency has provided proactive, compassionate, professional, and effective services to children, families, and individuals facing the most difficult of life's challenges. The Agency holds a deep and unequivocal commitment to each client's success, safety and well being.

The Agency's mission is to create opportunities for positive change by promoting and supporting the full potential of individuals, the strengths of families and the well being of the community. This mission is realized through:

- Wellness and recovery-based behavioral health services
- Strengths-based prevention and intervention services
- Empowerment-based domestic violence, sexual assault and human trafficking intervention services

The Agency provides comprehensive, culturally relevant, and needs driven human services throughout Santa Clara County and within San Benito County. Embracing a client-centered approach, the Agency provides services at the location that is most convenient for the individuals being served, including: client homes, schools, community-based organizations and Agency offices.

Behavioral Health Care programs support the well being of children, teens, adults and older adults who are challenged by mental health issues, substance abuse, poverty, and/or severe family dysfunction. Services include:

- 24-hour crisis intervention for youth, families & adults
- Mental health counseling
- Comprehensive case management
- Medication support
- Home-based support services for families with young children
- 12-bed transitional residential center for adults with mental illness
- Clean and sober living environments
- School-based support services

Prevention and Education programs are committed to preventing youth and adults from entering into, or further penetrating, the justice system. Services include:

- Assistance with reentry into the community from incarceration
- Prevention & intervention services for at-risk youth
- First-time juvenile offender program
- First Offender and Multiple Offender DUI programs
- Housing for mental health clients

Solutions to Violence programs are dedicated to healing and empowering children and adults that have been victimized by sexual assault, domestic violence and human trafficking. Services include:

- 24-hour crisis intervention and response services
- 14-bed confidential domestic violence shelter for women and their children
- Counseling and peer support services
- Legal advocacy and court accompaniment
- School-based and community-based prevention workshops

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. In addition, pledges and unconditional promises to give are required to be reported as temporarily restricted support upon date of notification and are then released from restrictions upon satisfaction of the time or use requirement. If a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. As of June 30, 2018, the Agency's investments consist of funds held and administered by the Gilroy Foundation. The Agency has adopted ASC 820-10-50, *Fair Value Measurements*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. For its investments, the Agency utilized Level 1 inputs, consisting of unadjusted quoted prices in active markets for identical assets and having the highest priority. Level 2 and Level 3 inputs were not utilized.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents. Included in cash as of June 30, 2018 and June 30, 2017 are four restricted certificates of deposit totaling \$129,072 and \$123,164, respectively, that carry immaterial early withdrawal penalties. The carrying amounts reported in the statements of financial position approximate fair values as a result of the short maturity of these instruments.

Accounts Receivable

Accounts and grants receivable are shown net of an allowance of \$155,594 for private program service fees and contract billings as of June 30, 2018 and June 30, 2017. There were no bad debt expenses charged to operations during the years ended June 30, 2018 and June 30, 2017.

Income Taxes

The Agency is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), from California income taxes under Section 23701(d) of the California Bank and Corporation Tax Law, and has been determined to be an organization that is not a private foundation. Management has determined the implementation of ASC 740-10-65 did not have a material impact on its financial statements. Tax years for the years ended June 30, 2014 through June 30, 2018 remain open for examination by taxing authorities.

Indirect Expenses

The Agency has in place a cost allocation plan employed to allocate indirect expenses to each program on a basis proportionate to the direct staff time or other cost driver used for each program.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Depreciation

Fixed assets are reported at cost, or donated value, and are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years. The Agency's policy is to capitalize fixed asset additions in excess of \$1,000. At June 30, 2018 and June 30, 2017, the cost and related accumulated depreciation for such assets is as follows:

| | 2018 | 2017 |
|-----------------------------|---------------------|---------------------|
| Land | \$ 475,395 | \$ 475,395 |
| Buildings | 1,304,057 | 1,304,057 |
| Furniture, equipment & fees | <u>138,250</u> | <u>138,250</u> |
| | 1,917,702 | 1,917,702 |
| less: | | |
| Accumulated depreciation | <u>820,368</u> | <u>774,608</u> |
| | <u>\$ 1,097,334</u> | <u>\$ 1,143,094</u> |

Depreciation and amortization expense charged for the years ended June 30, 2018 and June 30, 2017 was \$45,762 and \$30,065, respectively. In addition, for the years ended June 30, 2018 and June 30, 2017, \$89,188 and \$115,671, respectively, of equipment and furniture purchased with grant funds, normally capitalized, has been expensed due to the grantor retaining a reversionary interest in title. No asset impairment was recognized by the Agency during the years ended June 30, 2018 and June 30, 2017.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Compensated Absences and Vacations

All eligible full-time employees accrue fifteen days of paid vacation during the first continual year of service. This amount is increased to twenty days after five years, and twenty-five days after ten years. Upon separation, the terminating employee is directly compensated for unused vacation leave. Holidays that fall on vacation periods are not charged against vacation time. Accrued vacation may not be carried beyond eighteen months unless approved by the Executive Director. All regular employees are entitled to be paid sick leave at the rate of twelve working days per year consistent with the number of hours comprising their particular working agreement. Upon separation, under any circumstances, the employee is entitled to sick leave pay at the rate of sixty-five percent of the remaining sick leave, not to exceed 80 hours. In the event of sickness or death in the immediate family of an employee, the employee shall be granted three days of leave of absence with full pay. Such leave will not be subtracted from regular sick leave. Employees are granted a leave of absence with pay at any time they are required to report for jury duty.

Donations

All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair market value at date of notification. Donated services, valued at \$79,284 and \$60,179 were contributed by specially trained relief workers involved in the rape crisis program during the years ended June 30, 2018 and June 30, 2017, respectively. During the year ended June 30, 2018 the Agency also received \$19,580 in donated program supplies and food.

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Advertising

The Agency charges all advertising costs incurred to operations as a current expense.

Legacies and Bequests

Legacies and bequests are received by the Agency under various wills and trust agreements. The amounts are recorded upon legal validation.

Revenue Recognition, Grants Receivable, and Grants Payable

The Agency receives cost reimbursement contract revenue as well as fixed rate contract revenue. Revenue is recognized when the corresponding service has been provided according to the agreement, subject to the contract limit, if any. Under fixed rate contracts, the Agency agrees to provide certain services in specified quantities at a prescribed rate per unit of service provided. Certain contracts have provisions for annual settlements to provide for recovery of costs for service capacity required to be provided, but not utilized, and for repayment of amounts billed in excess of contract limits. Estimated settlements are accrued by the Agency as a grant receivable or grant payable for contracts for which cost reports have not been finalized. The carrying amounts for grants receivable and payable reported in the statements of financial position approximate fair values as all amounts are expected to be received or paid within one year.

3. INVESTMENTS:

Investments are presented in the financial statement at fair market value based on the closing stated value published on the public exchanges on June 30, 2018. The investments are not insured.

| | |
|--|-------------------|
| | <u>2018</u> |
| SV Community Foundation pooled investment fund | <u>\$ 225,604</u> |

The fair market value of these investments reflects an unrealized gain (loss) of (\$8,094) as of June 30, 2018. Investment returns are shown gross of management fees of \$583 incurred during the year ended June 30, 2018. Components of investment income are as follows:

| | |
|-----------------------------|-----------------|
| | <u>2018</u> |
| Interest and dividends | \$ 202 |
| Realized gains and losses | 2,794 |
| Unrealized gains and losses | <u>55</u> |
| | <u>\$ 3,051</u> |

4. GRANTS, PLEDGES, AND ACCOUNTS RECEIVABLE:

The carrying amounts for grants and accounts receivable reported in the statement of financial position approximate fair value as all amounts are due and expected to be received within ninety days. The following amounts are reported as accounts and grants receivable as of June 30, 2018 and 2017:

| | | |
|---------------------------------------|--------------------|--------------------|
| | <u>2018</u> | <u>2017</u> |
| Mental Health | \$4,144,034 | \$3,791,280 |
| CAL OES | 528,267 | 365,620 |
| Block Grants | 105,101 | 52,643 |
| Social Services | 154,533 | 350,182 |
| Restorative Justice | 158,799 | 43,872 |
| Other Grants | <u>135,863</u> | <u>17,497</u> |
| Grants receivable | 5,226,597 | 4,621,094 |
| Program and other fees receivable | 28,126 | 14,639 |
| Less: allowance for doubtful accounts | <u>(155,594)</u> | <u>(155,594)</u> |
| Total | <u>\$5,099,129</u> | <u>\$4,480,139</u> |

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. LONG-TERM DEBT:

Long-term debt at June 30, 2018, is comprised of the following:

| <u>Payable to</u> | <u>Interest Rate</u> | <u>Due Date</u> | <u>Current Amount</u> | <u>Total Due</u> |
|---|--------------------------|---------------------|---------------------------|----------------------|
| Union Bank, secured by real property, monthly payments of \$1,953 | 4.75% | 9/12/2027 | \$ 15,105 | \$ 174,220 |
| Wells Fargo, secured by real property, monthly payments \$646 | 6.05% | 11/15/2018 | 3,160 | 3,160 |
| State of California, secured by real property, monthly payments deferred | 3% deferred | 12/19/2026 | 0 | 117,081 |
| State of California, secured by real property, monthly payments deferred | 3% deferred | 9/4/2020 | 0 | 87,439 |
| State of California, secured by real property, monthly payments deferred | 3% deferred | 8/21/2022 | 0 | 105,968 |
| County of Santa Clara, secured by real property, monthly payments deferred | 3.5% deferred | 5/3/2016 | 33,450 | 33,450 |
| City of Morgan Hill secured by real property, monthly payments deferred | None | None | 0 | 119,812 |
| | | | <u>\$ 51,715</u> | <u>\$ 641,130</u> |

The three State of California loans include underlying indebtedness to the department of Housing and Urban Development and contain self-forgiving provisions, contingent upon use restrictions, commencing in the year 2001 as well as provisions for the waiver of accrued interest payable. Agency management is presently working with the State of California to determine the procedures required to receive the interest accrual waiver, which totaled \$9,315 annually during the years ended June 30, 2018 and June 30, 2017. During the year ended June 30, 2018 a total of \$18,894 was paid down against the cumulative accrued interest payable. As of June 30, 2018, the cumulative accrued interest payable under these loans of \$171,723 is presented as a long-term liability, less a current provision for the County of Santa Clara loan that matured May 2016.

The Agency also had a note payable totaling \$100,000 due to the County of Santa Clara that was forgiven during the year ended June 30, 2018.

In addition, the Agency has in place a line of credit of \$1,500,000 at an interest rate of 6.75% maturing March 2020. Terms of this facility require the Agency to maintain certain financial measurements and conditions for usage. As of June 30, 2018, the Agency did not meet all required measurements and conditions. This facility is secured by the Agency's personal property, and as of June 30, 2018 had no amount outstanding.

The existing schedule for the retirement of long-term debt is as follows:

| | |
|---------------------------|-------------------|
| Year ending June 30, 2019 | \$ 51,715 |
| Year ending June 30, 2020 | 15,600 |
| Year ending June 30, 2021 | 103,539 |
| Year ending June 30, 2022 | 16,600 |
| Year ending June 30, 2023 | 123,168 |
| Thereafter | <u>330,508</u> |
| | <u>\$ 641,130</u> |

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. FACILITY LEASE COMMITMENTS:

The lease for the Agency's administration office continues to April 2021, and requires monthly rental payments of \$37,425 with annual cost of living adjustments. In addition, the Agency is committed under several other facility leases expiring through calendar year 2021. Monthly rent commitments under these leases are \$66,422. Rent expense paid totaled \$844,731 and \$791,374 for the years ended June 30, 2018 and June 30, 2017, respectively. Existing future annual facility lease commitments are:

| | |
|---------------------------|-----------|
| Year ending June 30, 2019 | \$547,117 |
| Year ending June 30, 2020 | 449,100 |
| Year ending June 30, 2021 | 374,250 |

7. EQUIPMENT LEASE COMMITMENTS:

The Agency is obligated under eleven non-cancelable operating leases expiring September 2021 for the rental of certain office equipment. The minimum annual rental payments under these equipment leases are:

| | |
|---------------------------|----------|
| Year ending June 30, 2019 | \$30,768 |
| Year ending June 30, 2020 | 30,768 |
| Year ending June 30, 2021 | 30,768 |
| Year ending June 30, 2022 | 7,692 |

Total payments made under all equipment lease agreements were \$37,392 and \$33,762 for the years ended June 30, 2018 and June 30, 2017, respectively.

8. RETIREMENT PLAN:

The Agency has adopted a policy whereby it will match an employee's contributions to an individual tax deferred annuity account, up to 5% of the employee's gross salary. For the years ended June 30, 2018 and June 30, 2017, the Agency's contributions totaled \$277,601 and \$257,247, respectively.

9. GRANTS PAYABLE, DEFERRED REVENUES AND COST REPORT SETTLEMENTS:

The Agency has entered into an agreement with Santa Clara County to repay its prior year mental health cost reconciliation shortages at a rate of \$9,384 per month. No payments were made during the year ended June 30, 2018, with the remaining \$46,918 presented as a long-term grant payable. In addition, as of June 30, 2018 and June 30, 2017, the Agency has reserved \$1,943,650 and \$1,903,916, respectively, as deferred revenues pending cost report reconciliation with Santa Clara County.

10. CONCENTRATIONS AND CONTINGENCIES:

At times during the fiscal year, the Agency maintained cash balances in excess of insured levels at one financial institution. In addition, approximately 85% of the Agency's operating revenue base is derived from contracts and grants with various governmental departments of the County of Santa Clara. Approximately 75% of the Agency's employees are covered under membership in a collective bargaining agreement scheduled for renewal November 2019. The health care industry is subject to numerous laws and regulations of federal, state, and local governments. In addition, the Agency, during the normal course of operating its business, may be subject to various lawsuits, licensing reviews, and government audits. Management believes that losses resulting from these matters, if any, would either be covered under the Agency's insurance policy or immeasurable. Management further believes the losses, if any, would not have a material effect on the financial position of the Agency.

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

11. RESTRICTED NET ASSETS:

As of June 30, 2018 and 2017, the Agency's temporarily restricted net assets consist of the following:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Time restriction- Foundations | \$ 50,000 | \$ 100,000 |
| Use restrictions- Foundation – programs | - | - |
| Real property under HUD/HCD restrictions to year 2027 | <u>75,635</u> | <u>98,687</u> |
| | <u>\$ 125,635</u> | <u>\$ 198,687</u> |

In addition, the Agency's board of directors has designated that \$225,604 be earmarked for future opportunities. Board permission is required to access these funds.

12. NET ASSETS RELEASED FROM RESTRICTIONS:

Unrestricted net assets were (increased) decreased as a result of the following temporary restriction releases and transfers during the years ended June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---|------------------|--------------------|
| Time restriction- Foundations | \$ 50,000 | \$ - |
| Use restrictions- Foundation grants | - | - |
| Real property under regulatory restrictions | <u>23,052</u> | <u>(16,945)</u> |
| | <u>\$ 73,052</u> | <u>\$ (16,945)</u> |

13. RECENT ACCOUNTING PRONOUNCEMENTS:

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2016-02, "Leases", which will be effective for the Agency's financial statements during the year ending June 30, 2021. The new standard amends much of the existing accounting guidance on leases, with a core principle of increasing transparency and comparability among organizations by recognizing lease assets and leases liabilities on the statement of position and disclosing key information about leasing arrangements. In addition, the FASB has issued ASU No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities", which will be effective for the Agency's financial statements during the year ending June 30, 2019. This standard will significantly amend existing standards for the format of the financial statements and related disclosures. The Agency is still considering what effects, if any, these new standards will have on the Agency's financial statements and accounting policies.

14. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 12, 2018, the date on which the financial statements were available to be issued.

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Schedule of Expenditures of Federal, State and Local Awards
For the Year ended June 30, 2017

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Program or Award Amount | Receipts/ Revenue Recognized | Disbursements/ Expenditures Incurred |
|---|---------------------------|-------------------------------|------------------------------------|--|
| Major Programs | | | | |
| Department of Justice, passed through State of California OES, sexual assault services, Grant RC-17201043 | 16.575 | \$ 193,233 | \$ 149,767 | \$ 164,259 |
| Department of Justice, passed through Bay Area Legal Aid, support services, Grant XL-16011008 | 16.575 | 47,490 | 35,037 | 35,037 |
| Department of Justice, passed through County of Santa Clara, domestic violence support, Grant XC-16010430 | 16.575 | 156,000 | 95,109 | 95,109 |
| Department of Justice, passed through State of California OES, unserved/underserved victim advocacy, Grant XV-15011043 | 16.575 | 656,249 | 173,676 | 230,061 |
| Department of Justice, passed through State of California OES, sexual assault services, La Isla, Grant DV-16081043 | 16.575 | 254,003 | 9,421 | 9,894 |
| Department of Justice, passed through State of California OES, sexual assault services, La Isla, Grant DV-17091043 | 16.575 | 135,256 | 95,595 | 115,793 |
| Department of Justice, passed through State of California OES, DV housing first, Grant KD-17011043 | 16.575 | 417,186 | 144,295 | 184,292 |
| Department of Justice, passed through State of California OES, sexual assault services, Grant RC-16191043 | 16.575 | 202,551 | 57,491 | 68,446 |
| Department of Justice, passed through State of California OES, sexual assault services, Grant RC-16301043 | 16.575 | 237,120 | 80,127 | 91,923 |
| Department of Justice, passed through State of California OES, sexual assault services, Grant RC-17311043 | 16.575 | 226,664 | 165,383 | 185,713 |
| subtotal | 16.575 | 2,525,752 | 1,005,901 | 1,180,527 |
| Total Major Programs | | | | |
| | | 2,525,752 | 1,005,901 | 1,180,527 |
| Non Major Programs | | | | |
| Department of Health and Human Services, passed through State of California OES sexual assault services, La Isla, Grant DV-16081043 | 93.671 | 140,000 | 67,033 | 67,033 |
| Department of Health and Human Services, passed through State of California OES sexual assault services, La Isla, Grant DV-17091043 | 93.671 | 145,000 | 99,601 | 99,601 |
| Department of Health and Human Services, passed through California Department of Public Health, injury prevention and control, Grant 14-10654 | 93.136 | 276,250 | 73,490 | 73,490 |
| Department of Housing & Urban Development, passed through County of Santa Clara, community development block grant, Grant PS-18-04 | 14.218 | 21,315 | 21,315 | 21,315 |
| Department of Housing & Urban Development, passed through City of Gilroy, community development block grant, Grant 17-259-2621-5202 | 14.218 | 12,500 | 12,500 | 12,500 |
| Department of Housing & Urban Development, passed through St. Joseph's Family Center, supportive housing, Our New Place | 14.235 | 9,000 | 4,748 | 4,748 |
| Department of Justice, passed through State of California OES domestic violence response team, Grant VA-16031043 | 16.588 | 152,431 | 39,837 | 39,837 |
| FEMA, passed through United Way, emergency food and shelter, phase 33 | 97.024 | 8,500 | 8,500 | 8,500 |
| Total Non Major Programs | | | | |
| | | 764,996 | 327,024 | 327,024 |
| Total federal financial assistance | | | | |
| | | 3,290,748 | 1,332,925 | 1,507,551 |
| State and local assistance | | | | |
| City of Gilroy, CAL GRIP, Project "ONE", Grant 11016760 | | 74,250 | 66,711 | 66,711 |
| County of Santa Clara, mental health, DMH Short Doyle, Grant 4300014235 | | 5,523,698 | 4,059,128 | 4,059,128 |
| County of Santa Clara, mental health, DMH Short Doyle Adult, Grant 4300014206 | | 3,988,624 | 3,702,041 | 3,702,041 |
| County of Santa Clara, mental health, DMH Short Doyle First 5, Grant 4300014234 | | 2,458,990 | 1,453,938 | 1,453,938 |
| County of Santa Clara, MHSA THU, El Invierno, Walnut & Kern, Grant 4300014193 | | 372,619 | 323,916 | 323,916 |
| County of Santa Clara, MHSA-CSS, Older Adult, Grant 4300014208 | | 297,795 | 297,795 | 297,795 |
| County of Santa Clara, MHSA-FSP AB109, Grant 4300014196 and 4300014198 | | 968,590 | 279,217 | 279,217 |
| County of Santa Clara, MHSA-FSP AB109, Jail diversion, Grant 4300013934 | | 1,431,100 | 1,133,884 | 1,133,884 |
| County of Santa Clara, MHSA- FSP CDCR, Grant 4300014197 | | 447,156 | 162,378 | 162,378 |
| County of Santa Clara, MHSA- CSS Adult Expansion, Grant 4300014207 | | 280,330 | 280,330 | 280,330 |
| County of Santa Clara, MHSA- CSS F & C, Grant 4300014233 | | 132,512 | 132,512 | 132,512 |
| County of Santa Clara, MHSA- CSS SHP, Grant 4300013937 | | 1,738,094 | 1,178,250 | 1,178,250 |
| County of Santa Clara, MHSA- CSS School Link, CGF Expansion, Grant 4300014231 | | 55,753 | 45,976 | 45,976 |
| County of Santa Clara, MHSA FSP child, Grant 4300014230 | | 2,227,046 | 1,834,180 | 1,834,180 |
| County of Santa Clara, MHSA FSP, adult criminal justice, Grant 4300014194 | | 429,104 | 206,526 | 206,526 |
| County of Santa Clara, MHSA FSP, criminal justice, Grant 4300014195 | | 1,715,649 | 1,386,641 | 1,386,641 |
| County of Santa Clara, MHSA CGF Housing, Grant 4300013939 | | 142,102 | 119,959 | 119,959 |
| County of Santa Clara, MHSA FSP, JPD aftercare, Grant 4300014232 | | 733,210 | 683,567 | 683,567 |
| County of Santa Clara, MHSA FSP, Tay, Grant 4300014228 | | 2,630,737 | 1,709,993 | 1,709,993 |
| County of Santa Clara, MHSA PEI Child, Grant 4300014227 | | 767,436 | 750,574 | 750,574 |
| County of Santa Clara, MHSA PEI School Link, Grant 4300014226 | | 752,282 | 620,333 | 620,333 |
| County of Santa Clara, MHSA PEI Older Adult, Grant 4300014210 | | 32,497 | 32,497 | 32,497 |
| County of Santa Clara, MHSA FSP Adult, Grant 4300014211 | | 915,405 | 915,405 | 915,405 |
| County of Santa Clara, MHSA Older Adult CGF, Grant 4300014209 | | 12,115 | 12,115 | 12,115 |
| County of Santa Clara, MHSA FSP Older Adult, Grant 4300014212 | | 255,906 | 255,906 | 255,906 |
| County of Santa Clara, CSEC, Grant 43000012414 | | 688,800 | 629,326 | 629,326 |
| County of Santa Clara, passed through City of San Jose, HT coalition, Grant 126-04-10-075 | | 50,000 | 50,000 | 50,000 |
| County of Santa Clara, STOP, Grant 4300010352 | | 45,000 | 44,185 | 44,185 |
| County of Santa Clara, DV, Grant TF-0231 | | 54,164 | 44,765 | 44,765 |
| County of Santa Clara, Regional Anti Trafficking, Grant 4300014806 | | 150,000 | 55,986 | 55,986 |
| County of Santa Clara, Probationers Fees, TF 0378 | | 16,394 | 16,309 | 16,309 |
| County of Santa Clara, DV Stopgap, Grant 4300012083 | | 70,070 | 52,101 | 52,101 |
| County of Santa Clara, CAC, Grant 4300011483 | | 35,000 | 32,121 | 32,121 |
| County of Santa Clara, SSA general, Grant 4300008416 | | 99,841 | 99,330 | 99,330 |
| County of Santa Clara, passed through Santa Clara University, trafficking, Grant SCC016 | | 255,579 | 255,266 | 255,266 |
| County of Santa Clara, passed through Santa Clara University, trafficking, OVCD0J006 | | 156,125 | 46,051 | 46,051 |
| County of Santa Clara, family reunification and well being, Grant 4300012952 | | 110,000 | 26,614 | 26,614 |
| County of Santa Clara, competency development, Grant 4300009198 | | 530,450 | 434,816 | 434,816 |
| State of California, OES, shelter, Grant DV-16081043 | | 201,398 | 21,388 | 21,388 |
| State of California, OES, shelter, Grant DV-17091043 | | 203,126 | 128,361 | 128,361 |
| State of California, OES, human trafficking assistance, Grant HV-16011043 | | 1,000,000 | 388,220 | 388,220 |
| State of California, OES, sexual assault services, Grant RC-16301043 | | 32,564 | 18,046 | 18,046 |
| State of California, OES, sexual assault services, Grant RC-17311043 | | 20,805 | 17,297 | 17,297 |
| State of California, OES, sexual assault services, Grant RC-16191043 | | 28,119 | 15,970 | 15,970 |
| State of California, OES, sexual assault services, Grant RC-17201043 | | 18,037 | 16,439 | 16,439 |
| Total state & local government assistance | | 32,148,472 | 24,036,363 | 24,036,363 |
| GRAND TOTALS | | \$ 35,439,220 | \$ 25,369,288 | \$ 25,543,914 |

See Accompanying Notes to the Financial Statements

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*

To the Board of Directors of
Community Solutions for Children, Families and Individuals
Gilroy, California

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 Community Solutions for Children, Families and Individuals, which comprise the statement of financial position as of June 30, 2018, the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2018.

Internal Control over Financial Reporting

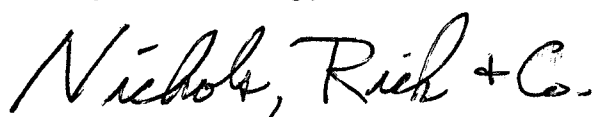
In planning and performing our audit, we considered Community Solutions for Children, Families and Individuals' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Solutions for Children, Families and Individuals' internal control. Accordingly, we do not express an opinion on the effectiveness of Community Solutions for Children, Families and Individuals' 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 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 earlier in this paragraph 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 Community Solutions for Children, Families and Individuals' 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 12, 2018

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

To the Board of Directors of
Community Solutions for Children, Families and Individuals
Gilroy, California

Report on Compliance for Each Major Federal Program

We have audited Community Solutions for Children, Families and Individuals' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Solutions for Children, Families and Individuals' major federal programs for the year ended June 30, 2018. Community Solutions for Children, Families and Individuals' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Solutions for Children, Families and Individuals' 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* 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 Community Solutions for Children, Families and Individuals' 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 Community Solutions for Children, Families and Individuals' compliance.

Opinion on Each Major Federal Program

In our opinion, Community Solutions for Children, Families and Individuals 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, 2018.

Report on Internal Control over Compliance

Management of Community Solutions for Children, Families and Individuals 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 Community Solutions for Children, Families and Individuals' 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 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 Community Solutions for Children, Families and Individuals' 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.

Purpose of this Report

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.



September 12, 2018

COMMUNITY SOLUTIONS FOR CHILDREN, FAMILIES AND INDIVIDUALS
SUPPLEMENTARY INFORMATION REQUIRED BY CALIFORNIA OFFICE OF EMERGENCY SERVICES
JUNE 30, 2018

PROJECT TITLE RAPE CRISIS RECOVERY ACT PROGRAM (SANTA CLARA COUNTY)
 GRANT AWARD NUMBER RC 16301043
 GRANT PERIOD SEPTEMBER 1, 2016 THROUGH SEPTEMBER 30, 2017
 AUDIT PERIOD JULY 1, 2017 THROUGH SEPTEMBER 30, 2017

| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | IN-KIND MATCH | TOTAL EXPENDITURES |
|--------------------|-------------------|------------------|-----------------|------------------|------------------|-----------------------|
| PERSONAL SERVICES | \$ 230,852 | \$ 68,078 | \$ - | \$ - | \$ - | \$ 68,078 |
| OPERATING EXPENSES | 71,036 | 12,049 | - | 18,046 | - | 41,891 |
| TOTALS | <u>\$ 301,888</u> | <u>\$ 80,127</u> | <u>\$ -</u> | <u>\$ 18,046</u> | <u>\$ 11,796</u> | <u>\$ 109,969</u> |

PROJECT TITLE RAPE CRISIS RECOVERY ACT PROGRAM (SANTA CLARA COUNTY)
 GRANT AWARD NUMBER RC 17311043
 GRANT PERIOD OCTOBER 1, 2017 THROUGH SEPTEMBER 30, 2018
 AUDIT PERIOD OCTOBER 1, 2017 THROUGH JUNE 30, 2018

| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | IN-KIND MATCH | TOTAL EXPENDITURES |
|--------------------|-------------------|-------------------|-----------------|------------------|------------------|-----------------------|
| PERSONAL SERVICES | \$ 214,448 | \$ 132,693 | \$ - | \$ - | \$ 20,330 | \$ 153,023 |
| OPERATING EXPENSES | 50,021 | 32,690 | - | 17,297 | - | 49,987 |
| TOTALS | <u>\$ 264,469</u> | <u>\$ 165,383</u> | <u>\$ -</u> | <u>\$ 17,297</u> | <u>\$ 20,330</u> | <u>\$ 203,010</u> |

PROJECT TITLE LA ISLA PACIFICA DOMESTIC VIOLENCE SHELTER AND SERVICE
 GRANT AWARD NUMBER DV 16081043
 GRANT PERIOD JULY 1, 2016 THROUGH SEPTEMBER 30, 2017
 AUDIT PERIOD JULY 1, 2017 THROUGH SEPTEMBER 30, 2017

| | BUDGET | FEDERAL FVPS | FEDERAL VOCA | STATE | CASH MATCH | IN-KIND MATCH | TOTAL EXPENDITURES |
|--------------------|-------------------|------------------|-----------------|------------------|---------------|------------------|-----------------------|
| PERSONAL SERVICES | \$ 491,817 | \$ 67,033 | \$ 9,421 | \$ 21,388 | \$ - | \$ 193 | \$ 98,035 |
| OPERATING EXPENSES | 123,724 | - | - | - | - | \$ 280 | 280 |
| EQUIPMENT | - | - | - | - | - | - | - |
| TOTALS | <u>\$ 615,541</u> | <u>\$ 67,033</u> | <u>\$ 9,421</u> | <u>\$ 21,388</u> | <u>\$ -</u> | <u>\$ 473</u> | <u>\$ 98,315</u> |

PROJECT TITLE LA ISLA PACIFICA DOMESTIC VIOLENCE SHELTER AND SERVICE
 GRANT AWARD NUMBER DV 17091043
 GRANT PERIOD JULY 1, 2017 THROUGH SEPTEMBER 30, 2018
 AUDIT PERIOD OCTOBER 1, 2017 THROUGH JUNE 30, 2018

| | BUDGET | FEDERAL FVPS | FEDERAL VOCA | STATE | CASH MATCH | IN-KIND MATCH | TOTAL EXPENDITURES |
|--------------------|-------------------|------------------|------------------|-------------------|---------------|------------------|-----------------------|
| PERSONAL SERVICES | \$ 438,273 | \$ 99,601 | \$ 95,595 | \$ 89,586 | \$ - | \$ 20,198 | \$ 304,980 |
| OPERATING EXPENSES | 65,307 | - | - | 38,775 | - | \$ - | 38,775 |
| EQUIPMENT | - | - | - | - | - | - | - |
| TOTALS | <u>\$ 503,580</u> | <u>\$ 99,601</u> | <u>\$ 95,595</u> | <u>\$ 128,361</u> | <u>\$ -</u> | <u>\$ 20,198</u> | <u>\$ 343,755</u> |

PROJECT TITLE DOMESTIC VIOLENCE RESPONSE TEAM
 GRANT AWARD NUMBER VA 16031043
 GRANT PERIOD JULY 1, 2016 THROUGH SEPTEMBER 30, 2017
 AUDIT PERIOD JULY 1, 2017 THROUGH SEPTEMBER 30, 2017

| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | IN-KIND MATCH | TOTAL EXPENDITURES |
|--------------------|-------------------|-----------------|------------------|------------------|------------------|-----------------------|
| PERSONAL SERVICES | \$ 44,118 | \$ - | \$ 14,148 | \$ - | \$ - | \$ 14,148 |
| OPERATING EXPENSES | 112,132 | - | 2,979 | 22,710 | - | 25,689 |
| TOTALS | <u>\$ 156,250</u> | <u>\$ -</u> | <u>\$ 17,127</u> | <u>\$ 22,710</u> | <u>\$ -</u> | <u>\$ 39,837</u> |

PROJECT TITLE RAPE CRISIS RECOVERY ACT PROGRAM (SAN BENITO COUNTY)
 GRANT AWARD NUMBER RC 16191043
 GRANT PERIOD SEPTEMBER 1, 2016 THROUGH SEPTEMBER 30, 2017
 AUDIT PERIOD JULY 1, 2017 THROUGH SEPTEMBER 30, 2017

| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | IN-KIND MATCH | TOTAL EXPENDITURES |
|--------------------|-------------------|------------------|-----------------|------------------|------------------|-----------------------|
| PERSONAL SERVICES | \$ 195,357 | \$ 40,331 | \$ - | \$ - | \$ 10,955 | \$ 51,286 |
| OPERATING EXPENSES | 62,821 | 17,160 | - | 15,970 | - | 33,130 |
| TOTALS | <u>\$ 258,178</u> | <u>\$ 57,491</u> | <u>\$ -</u> | <u>\$ 15,970</u> | <u>\$ 10,955</u> | <u>\$ 84,416</u> |

PROJECT TITLE RAPE CRISIS RECOVERY ACT PROGRAM (SAN BENITO COUNTY)
 GRANT AWARD NUMBER RC 17201043
 GRANT PERIOD SEPTEMBER 1, 2017 THROUGH SEPTEMBER 30, 2018
 AUDIT PERIOD OCTOBER 1, 2017 THROUGH JUNE 30, 2018

| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | IN-KIND MATCH | TOTAL EXPENDITURES |
|--------------------|-------------------|-------------------|-----------------|------------------|------------------|-----------------------|
| PERSONAL SERVICES | \$ 188,702 | \$ 133,909 | \$ - | \$ - | \$ 14,492 | \$ 148,401 |
| OPERATING EXPENSES | 37,060 | 15,858 | - | 16,439 | - | 32,297 |
| TOTALS | <u>\$ 225,762</u> | <u>\$ 149,767</u> | <u>\$ -</u> | <u>\$ 16,439</u> | <u>\$ 14,492</u> | <u>\$ 180,698</u> |

COMMUNITY SOLUTIONS FOR CHILDREN, FAMILIES AND INDIVIDUALS
SUPPLEMENTARY INFORMATION REQUIRED BY CALIFORNIA OFFICE OF EMERGENCY SERVICES
JUNE 30, 2018

PROJECT TITLE UNSERVED/UNDERSERVED VICTIM ADVOCACY
GRANT AWARD NUMBER XV 15011043
GRANT PERIOD APRIL 1, 2016 THROUGH DECEMBER 31, 2019
AUDIT PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018

| | | <u>EXPENDITURES BY REVENUE SOURCE</u> | | | | | |
|--------------------|-------------------|---------------------------------------|-----------------|-------------|------------------|--|-----------------------|
| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | CASH MATCH | | TOTAL EXPENDITURES |
| PERSONAL SERVICES | \$ 401,525 | \$ 101,583 | \$ - | \$ - | \$ 25,388 | | \$ 126,971 |
| OPERATING EXPENSES | 418,786 | 72,093 | - | - | 30,997 | | 103,090 |
| TOTALS | <u>\$ 820,311</u> | <u>\$ 173,676</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 56,385</u> | | <u>\$ 230,061</u> |

PROJECT TITLE LEGAL SERVICES (PASSED THROUGH BAY AREA LEGAL AID)
GRANT AWARD NUMBER XL 16011008
GRANT PERIOD JULY 1, 2016 THROUGH AUGUST 31, 2019
AUDIT PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018

| | | <u>EXPENDITURES BY REVENUE SOURCE</u> | | | | | |
|--------------------|------------------|---------------------------------------|-----------------|-------------|------------------|--|-----------------------|
| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | IN-KIND MATCH | | TOTAL EXPENDITURES |
| PERSONAL SERVICES | \$ 28,325 | \$ 20,363 | \$ - | \$ - | \$ - | | \$ 20,363 |
| OPERATING EXPENSES | 19,165 | 14,674 | - | - | - | | 14,674 |
| TOTALS | <u>\$ 47,490</u> | <u>\$ 35,037</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | <u>\$ 35,037</u> |

PROJECT TITLE HUMAN TRAFFICKING ASSISTANCE PROGRAM
GRANT AWARD NUMBER HV 16011043
GRANT PERIOD APRIL 1, 2017 THROUGH MARCH 31, 2019
AUDIT PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018

| | | <u>EXPENDITURES BY REVENUE SOURCE</u> | | | | | |
|--------------------|---------------------|---------------------------------------|-----------------|-------------------|---------------|------------------|-----------------------|
| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | CASH MATCH | IN-KIND MATCH | TOTAL EXPENDITURES |
| PERSONAL SERVICES | \$ 272,544 | \$ - | \$ - | \$ 133,361 | \$ - | \$ - | \$ 133,361 |
| OPERATING EXPENSES | 727,456 | - | - | 254,859 | - | - | 254,859 |
| EQUIPMENT | - | - | - | - | - | - | - |
| TOTALS | <u>\$ 1,000,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 388,220</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 388,220</u> |

PROJECT TITLE DOMESTIC VIOLENCE SUPPORT (PASSED THROUGH COUNTY OF SANTA CLARA)
GRANT AWARD NUMBER XC 16010430
GRANT PERIOD JULY 1, 2016 THROUGH JUNE 30, 2018
AUDIT PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018

| | | <u>EXPENDITURES BY REVENUE SOURCE</u> | | | | | |
|--------------------|-------------------|---------------------------------------|-----------------|-------------|------------------|--|-----------------------|
| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | IN-KIND MATCH | | TOTAL EXPENDITURES |
| PERSONAL SERVICES | \$ - | \$ 86,167 | \$ - | \$ - | \$ - | | \$ 86,167 |
| OPERATING EXPENSES | 156,000 | 8,942 | - | - | - | | 8,942 |
| TOTALS | <u>\$ 156,000</u> | <u>\$ 95,109</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | <u>\$ 95,109</u> |

PROJECT TITLE DV HOUSING FIRST
GRANT AWARD NUMBER KD 17011043
GRANT PERIOD OCTOBER 1, 2017 THROUGH JUNE 30, 2019
AUDIT PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018

| | | <u>EXPENDITURES BY REVENUE SOURCE</u> | | | | | |
|--------------------|-------------------|---------------------------------------|-----------------|-------------|------------------|------------------|-----------------------|
| | BUDGET | FEDERAL VOCA | FEDERAL VAWA | STATE | CASH MATCH | IN-KIND MATCH | TOTAL EXPENDITURES |
| PERSONAL SERVICES | \$ 204,386 | \$ 91,184 | \$ - | \$ - | \$ 13,759 | \$ - | \$ 104,943 |
| OPERATING EXPENSES | 264,949 | 53,111 | - | - | 26,238 | - | 79,349 |
| TOTALS | <u>\$ 469,335</u> | <u>\$ 144,295</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 39,997</u> | <u>\$ -</u> | <u>\$ 184,292</u> |

COMMUNITY SOLUTIONS FOR CHILDREN, FAMILY and INDIVIDUALS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Community Solutions for Children, Families and Individuals were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Community Solutions for Children, Families and Individuals were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal awards programs for Community Solutions for Children, Families and Individuals expresses an unmodified opinion on all major federal programs. The agency has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Expenditures reported on the Schedule of Federal and local Awards have been reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
6. There were no audit findings relating to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was Victims of Crime Act, CFDA 16.575.
8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. Community Solutions for Children, Families and Individuals qualified as a low risk auditee.

B. Findings and Questioned Costs from Prior Audit

None noted on prior audit.