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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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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, 2015 and June 30, 2014, 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, 2015, 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 opinion.

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, 2015 and June 30, 2014, the changes in its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2015 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 and California Office of Emergency Services (OES) supplementary information for the year ended June 30, 2015, 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 11, 2015 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, 2014 financial statements, and our report dated September 11, 2014, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Morgan Hill, CA
September 11, 2015

Nichols, Rick & Co.

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statements of Financial Position
As of June 30, 2015 and June 30, 2014

	2015	2014
<u>ASSETS</u>		
Assets:		
Cash	\$ 1,511,690	\$ 582,524
Accounts receivable, net	36,891	81,099
Grants receivable, net	2,716,288	3,834,378
Prepaid expenses	113,852	91,842
Total current assets	4,378,721	4,589,843
Fixed assets, net	1,203,454	1,233,750
Deposits	73,184	92,174
TOTAL ASSETS	\$ 5,655,359	\$ 5,915,767
<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 736,768	\$ 1,041,778
Accrued salaries & vacation	1,010,955	989,047
Other current liabilities	29,652	26,006
Accrued interest payable	22,537	-
Deferred revenue	1,395,920	1,355,322
Notes payable, current portion	67,231	32,657
Total current liabilities	3,263,063	3,444,810
Grants payable, long term	46,918	46,918
Accrued interest payable	193,467	224,592
Notes payable	1,106,150	1,173,203
Total long term liabilities	1,346,535	1,444,713
Total liabilities	4,609,598	4,889,523
Net assets		
Unrestricted	746,712	720,029
Unrestricted-board designated	214,000	214,000
Temporarily restricted	85,049	92,215
Permanently restricted	-	-
Total net assets	1,045,761	1,026,244
TOTAL LIABILITIES & NET ASSETS	\$ 5,655,359	\$ 5,915,767

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statement of Activities
For the Year ended June 30, 2015
with summarized financial information for the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>June 30, 2015 Totals</u>	<u>Comparative Summary Totals for the Year ended June 30, 2014</u>
SUPPORT & REVENUE					
Support received directly					
Contributions	\$ 119,723	\$ -	\$ -	\$ 119,723	\$ 169,470
Contributions, in-kind	70,609			70,609	82,331
Special events, less expenses of \$41,704 and \$47,419	83,863			83,863	71,755
Foundations and grants	166,814			166,814	117,347
Support received indirectly					
United Way	5,936			5,936	5,934
Total support	446,945	-	-	446,945	446,837
Revenue					
Government grants and fees	16,575,224			16,575,224	16,087,889
Interest income	274			274	2,873
Program rents received	240,530			240,530	259,906
Other income	11,224			11,224	9,086
Fees for services	433,537			433,537	360,168
Total revenue	17,260,789	-	-	17,260,789	16,719,922
Net assets released from restrictions	7,166	(7,166)		-	-
TOTAL SUPPORT & REVENUE	17,714,900	(7,166)	-	17,707,734	17,166,759
EXPENSES					
Program Services					
Behavioral Health Care	13,356,993			13,356,993	12,454,772
Prevention and Education	1,159,383			1,159,383	1,717,821
Solutions to Violence	1,320,468			1,320,468	1,218,371
Total Program Services	15,836,844	-	-	15,836,844	15,390,964
Support Services					
Management and General	1,670,620			1,670,620	1,591,370
Fund Development	180,753			180,753	184,425
Total Support Services	1,851,373	-	-	1,851,373	1,775,795
TOTAL EXPENSES	17,688,217	-	-	17,688,217	17,166,759
Change in net assets from operations	26,683	(7,166)	-	19,517	-
Net assets at beginning of year	934,029	92,215	-	1,026,244	1,026,244
Net assets at end of year	<u>\$ 960,712</u>	<u>\$ 85,049</u>	<u>\$ -</u>	<u>\$ 1,045,761</u>	<u>\$ 1,026,244</u>

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statement of Functional Expenses
For the Year ended June 30, 2015
with summarized financial information for the year ended June 30, 2014

	<u>PROGRAM SERVICES</u>			<u>June 30, 2015</u> <u>Totals</u>	<u>Comparative</u> <u>Summary</u> <u>Totals for the</u> <u>Year ended</u> <u>June 30, 2014</u>
	<u>Behavioral</u> <u>Health Care</u>	<u>Prevention</u> <u>and Education</u>	<u>Solutions to</u> <u>Violence</u>		
Salaries	\$ 8,184,603	\$ 387,131	\$ 708,300	\$ 9,280,034	\$ 8,608,176
Payroll taxes & employee benefits	2,719,835	148,240	238,931	3,107,006	2,925,961
Total salaries & related expenses	10,904,438	535,371	947,231	12,387,040	11,534,137
Professional fees	167,347	472,131	173,286	812,764	982,653
Supplies	291,695	13,671	21,289	326,655	361,700
Telephone	115,788	4,501	18,031	138,320	141,695
Postage & shipping	20,765	502	315	21,582	21,688
Occupancy	646,866	32,424	38,779	718,069	824,075
Insurance	75,519	4,120	5,086	84,725	53,441
Utilities	96,397	17,117	13,830	127,344	130,836
Interest	29,523	9,315	2,015	40,853	41,384
Equipment maintenance & rental	169,423	7,634	12,660	189,717	390,652
Printing & publications	-	-	8,018	8,018	4,183
Travel	447,450	16,789	21,475	485,714	424,866
Conferences, conventions & meetings	83,153	2,333	23,572	109,058	90,844
Specific assistance to individuals	202,893	2,238	30,797	235,928	256,743
Dues & subscriptions	50,888	75	2,133	53,096	31,448
Licensing fees & taxes	25,154	23,045	573	48,772	52,567
Miscellaneous	16,344	1,172	1,378	18,894	15,862
Total expenses before depreciation & amortization	13,343,643	1,142,438	1,320,468	15,806,549	15,358,774
Depreciation & amortization	13,350	16,945	-	30,295	32,190
TOTAL EXPENSES	\$ 13,356,993	\$ 1,159,383	\$ 1,320,468	\$ 15,836,844	\$ 15,390,964

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statement of Functional Expenses
For the Year ended June 30, 2015
with summarized financial information for the year ended June 30, 2014

	TOTAL PROGRAM SERVICES	MANAGEMENT & SUPPORT SERVICES			June 30, 2015 PROGRAM & SUPPORT SERVICES TOTALS	Comparative Summary Totals for the Year ended June 30, 2014
		Management & General	Fund Development	Total Mgmt. & Sup. Svcs		
Salaries	\$ 9,280,034	\$ 957,776	\$ 118,951	\$ 1,076,727	\$ 10,356,761	\$ 9,575,650
Payroll taxes & employee benefits	3,107,006	277,709	43,884	321,593	3,428,599	3,217,146
Total salaries & related expenses	12,387,040	1,235,485	162,835	1,398,320	13,785,360	12,792,796
Professional fees	812,764	259,988	3,669	263,657	1,076,421	1,255,074
Supplies	326,655	30,359	2,850	33,209	359,864	443,808
Telephone	138,320	7,696	478	8,174	146,494	150,058
Postage & shipping	21,582	2,746	1,390	4,136	25,718	24,683
Occupancy	718,069	69,228	3,548	72,776	790,845	899,642
Insurance	84,725	6,998	669	7,667	92,392	58,010
Utilities	127,344	7,089	630	7,719	135,063	140,552
Interest	40,853	-	-	-	40,853	41,384
Equipment maintenance & rental	189,717	8,062	1,883	9,945	199,662	410,460
Printing & publications	8,018	8,432	729	9,161	17,179	8,761
Travel	485,714	19,329	776	20,105	505,819	436,045
Conferences, conventions & meetings	109,058	8,654	736	9,390	118,448	101,829
Specific assistance to individuals	235,928	-	-	-	235,928	256,743
Dues & subscriptions	53,096	3,434	441	3,875	56,971	35,713
Licensing fees & taxes	48,772	877	66	943	49,715	61,411
Miscellaneous	18,894	2,243	53	2,296	21,190	17,600
Total expenses before depreciation & amortization	15,806,549	1,670,620	180,753	1,851,373	17,657,922	17,134,569
Depreciation & amortization	30,295	-	-	-	30,295	32,190
TOTAL EXPENSES	\$15,836,844	\$ 1,670,620	\$ 180,753	\$ 1,851,373	\$ 17,688,217	\$ 17,166,759

COMMUNITY SOLUTIONS
for Children, Families, and Individuals
Statements of Cash Flows
For the Years ended June 30, 2015 and June 30, 2014

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets from operations	\$ 19,517	\$ 0
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	30,295	32,190
Changes in assets & liabilities:		
Decrease (increase) in accounts and grants receivable	1,172,216	(1,336,039)
Decrease (increase) in deposits and prepaid expenses	(3,020)	(85,176)
Increase (decrease) in payables and accrued liabilities	(257,363)	347,136
Net cash (used) provided by operating activities	961,645	(1,041,889)
Cash flows from investing activities		
Acquisition of fixed assets	—	—
Net cash provided (used) by investing activities	—	—
Cash flows from financing activities		
Repayments of long-term debt	(32,479)	(31,054)
Net cash provided (used) by financing activities	(32,479)	(31,054)
Net (decrease) increase in cash	929,166	(1,072,943)
Cash, beginning of year	582,524	1,655,467
Cash, end of year	\$ 1,511,690	\$ 582,524

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest	\$ 49,441	\$ 30,899
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, 2015**

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, 2015

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 statement of financial position. Unrealized gains and losses are included in the change in net assets.

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, 2015 are four restricted certificates of deposit totaling \$100,877 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, 2015 and June 30, 2014. There were no bad debt expenses charged to operations during the years ended June 30, 2015 and June 30, 2014.

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, 2011 through June 30, 2015 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, 2015**

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, 2015 and June 30, 2014, the cost and related accumulated depreciation for such assets is as follows:

	<u>2015</u>	<u>2014</u>
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>714,248</u>	<u>683,952</u>
	<u>\$ 1,203,454</u>	<u>\$ 1,233,750</u>

Depreciation and amortization expense charged for the years ended June 30, 2015 and June 30, 2014 was \$30,295 and \$32,190, respectively. In addition, for the years ended June 30, 2015 and June 30, 2014, \$140,979 and \$217,964, respectively, of equipment and furniture purchased with grant funds, normally capitalized, has been expensed due to the grantor retaining a reversionary interest in title

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, 2014, 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 \$70,609 and \$82,331 were contributed by specially trained relief workers involved in the rape crisis program during the years ended June 30, 2015 and June 30, 2014, respectively.

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. SCHEDULE OF OPERATING AND SAVINGS ACCOUNTS:

As of June 30, 2015 and 2014, the Agency had funds on deposit in checking, short-term certificates of deposit, and savings accounts as follows:

<u>Institution</u>	<u>2015</u>	<u>2014</u>
Union Bank	\$ 48,511	\$ 579,324
Pinnacle Bank	1,459,979	
Petty Cash	<u>3,200</u>	<u>3,200</u>
Total	<u>\$1,511,690</u>	<u>\$ 582,524</u>

4. GRANTS 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Mental Health	\$2,375,140	\$3,578,600
CAL OES	162,872	99,308
Block Grants	31,606	16,095
Social Services	63,635	24,904
Restorative Justice	83,044	172,412
Other Grants	<u>155,487</u>	<u>98,653</u>
Grants receivable	2,871,784	3,989,972
Program and other fees receivable	36,989	81,099
Less: allowance for doubtful accounts	<u>(155,594)</u>	<u>(155,594)</u>
Total	<u>\$2,753,179</u>	<u>\$3,915,477</u>

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. LONG-TERM DEBT:

Long-term debt at June 30, 2015, 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 \$2,580	4.75%	3/10/2018	\$ 12,800	\$ 368,430
Union Bank, secured by real property, monthly payments of \$1,953	4.75%	9/12/2027	13,481	216,152
Wells Fargo, secured by real property, monthly payments \$657	6.06%	11/15/2018	7,500	25,049
State of California, secured by real property, monthly payments deferred	3% deferred	7/24/2020	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
County of Santa Clara, secured by improvements, monthly payments deferred	5% deferred	4/11/2017	0	100,000
City of Morgan Hill secured by real property, monthly payments deferred	None	None	0	119,812
			<u>\$ 67,231</u>	<u>\$1,173,381</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, 2015 and June 30, 2014. During the year ended June 30, 2015 a total of \$19,074 was paid down against the cumulative accrued interest payable. As of June 30, 2015, the cumulative accrued interest payable under these loans of \$216,004 is presented as a long-term liability, with a current provision for the County of Santa Clara loan maturing May 2016. The Agency also has two notes payable totaling \$85,000 due to the City of Morgan Hill maturing in 2016. No liability is presented for these notes as they are forgiven in full upon the satisfaction of certain use restrictions which the Agency intends to fulfill.

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. LONG TERM DEBT (continued):

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

Year ending June 30, 2016	\$ 67,231
Year ending June 30, 2017	135,435
Year ending June 30, 2018	365,652
Year ending June 30, 2019	16,154
Year ending June 30, 2020	15,600
Thereafter	<u>573,309</u>
	<u>\$1,173,381</u>

6. FACILITY LEASE COMMITMENTS:

The lease for the Agency's administration office continues to April 2021, and requires monthly rental payments of \$34,032. In addition, the Agency is committed under several other facility leases expiring through calendar year 2018. Monthly rent commitments under these leases are \$55,352. Rent expense paid totaled \$697,786 and \$661,978 for the years ended June 30, 2015 and June 30, 2014, respectively. Existing future annual facility lease commitments are:

Year ending June 30, 2016	\$684,582
Year ending June 30, 2017	650,946
Year ending June 30, 2018	653,310
Year ending June 30, 2019	520,051
Year ending June 30, 2020	449,100

7. EQUIPMENT LEASE COMMITMENTS:

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

Year ending June 30, 2016	\$40,975
Year ending June 30, 2017	26,781
Year ending June 30, 2018	6,412
Year ending June 30, 2019	2,640

Total payments made under all equipment lease agreements were \$40,975 and \$40,975 for the years ended June 30, 2015 and June 30, 2014, 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, 2015 and June 30, 2014, the Agency's contributions totaled \$232,242 and \$212,095, respectively.

**COMMUNITY SOLUTIONS
FOR CHILDREN, FAMILIES AND INDIVIDUALS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015. The current portion of \$112,604 is included in accounts payable as of June 30, 2015, with the remaining \$46,918 presented as a long-term grant payable. In addition, as of June 30, 2015 and June 30, 2014, the Agency has reserved \$1,311,088 and \$1,301,558, 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 2016. 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.

11. RESTRICTED NET ASSETS:

As of June 30, 2015 and 2014, the Agency's temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Time restriction-		
None	\$ -	\$ -
Use restrictions-		
Foundation – programs	-	-
Real property under HUD/HCD restrictions to year 2020	<u>85,049</u>	<u>92,215</u>
	<u>\$ 85,049</u>	<u>\$ 92,215</u>

In addition, the Agency's board of directors has designated that \$214,000 be earmarked for future opportunities. Board permission is required to access these funds.

12. NET ASSETS RELEASED FROM RESTRICTIONS:

Unrestricted net assets were decreased as a result of the following temporary restriction releases and transfers during the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Time restriction-		
None	\$ -	\$ -
Use restrictions-		
Foundation grants	-	-
Real property under regulatory restrictions	<u>7,166</u>	<u>26,280</u>
	<u>\$ 7,166</u>	<u>\$ 26,280</u>

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 11, 2015, 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, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Receipts/ Revenue Recognized	Disbursements/ Expenditures Incurred
Department of Justice, passed through State of California OES sexual assault services, Grant RC-13161043	16.575	\$ 95,265	\$ 8,041	\$ 9,391
Department of Justice, passed through State of California OES sexual assault services, Grant RC-14171043	16.575	101,475	69,736	69,736
Department of Justice, passed through State of California OES sexual assault services, Grant RC-14281043	16.575	118,094	86,649	86,649
Department of Justice, passed through State of California OES sexual assault services, Grant RC-13271043	16.575	111,467	21,123	21,294
subtotal	16.575	426,301	185,549	187,070
Department of Health and Human Services, passed through California Department of Public Health, injury prevention and control, Grant 12-10372	93.136	21,000	20,426	20,426
Department of Health and Human Services, passed through California Department of Public Health, injury prevention and control, Grant 14-10654	93.136	63,000	18,893	18,893
subtotal	93.136	84,000	39,319	39,319
Department of Justice, passed through State of California OES sexual assault services, La Isla, Grant DV-14061043	93.671	40,120	40,120	60,122
Department of Health and Human Services, passed through County of Santa Clara, community development block grant, Grant PS-15-04	14.218	23,537	23,505	23,505
Department of Housing & Urban Development, passed through City of Gilroy, community development block grant, Grant 14-259-2621-5202	14.218	14,200	14,200	14,200
subtotal	14.218	37,737	37,705	37,705
Department of Housing & Urban Development, passed through St. Joseph's Family Center, supportive housing, Our New Place and Gilroy Place	14.235	15,500	15,171	15,171
Department of Justice, passed through State of California OES domestic violence response team, Grant VA-14011043	16.588	125,000	125,000	125,000
FEMA, passed through United Way, emergency food and shelter, phase 32	97.024	3,340	3,340	3,340
Total federal financial assistance		731,998	446,204	467,727
State and local assistance				
City of Gilroy, CAL GRIP, Grant 11016760		123,249	75,055	75,055
City of Morgan Hill, GTEA		133,078	9,490	9,490
County of Santa Clara, healthy teen relationship, Grant 44000006630		90,000	81,000	81,000
County of Santa Clara, mental health, Short Doyle, First 5, Grant 4300010552		2,252,758	2,044,619	2,044,619
County of Santa Clara, mental health, Short Doyle, family & children Grant 4300010553		4,399,614	2,655,031	2,655,031
County of Santa Clara, mental health, adults Short Doyle, Grant 4300010550		1,923,765	1,923,765	1,923,765
County of Santa Clara, MHSA THU, El Invierno & Kern, Grant 4300010916		287,693	287,693	287,693
County of Santa Clara, MHSA- CSS, OPD adult support, Grant 4300010567		256,739	256,739	256,739
County of Santa Clara, MHSA- CSS, OPD Redesign, Grant 4300010571		230,454	230,454	230,454
County of Santa Clara, MHSA- CSS, PEI adult & older adult, Grant 4300010565		24,912	8,719	8,719
County of Santa Clara, MHSA- CSS, Intern/stipends, Grant 4300010569		27,479	27,479	27,479
County of Santa Clara, MHSA- CSS, School Linked Services, Grant 4300010564		95,012	79,149	79,149
County of Santa Clara, MHSA- CSS ranches and JPD, Grant 4300010566		412,543	412,543	412,543
County of Santa Clara, MHSA- CSS, child allocation, Grant 4300010570		293,253	238,273	238,273
County of Santa Clara, MHSA- CSS, PEI child, Grant 4300010563		700,608	693,144	693,144
County of Santa Clara, MHSA FSP criminal justice, Grant 4300010574		991,582	991,582	991,582
County of Santa Clara, MHSA FSP, child, Grant 4300010575		2,228,886	1,726,904	1,726,904
County of Santa Clara, MHSA FSP, adult, Grant 4300010578		711,230	473,257	473,257
County of Santa Clara, MHSA FSP, TAY, Grant 4300010573		2,418,648	2,066,349	2,066,349
County of Santa Clara, MHSA FSP, older adult, Grant 4300010577		180,877	143,483	143,483
County of Santa Clara, MHSA FSP, CDCR, Grant 4300010572		280,000	191,119	191,119
County of Santa Clara, MHSA FSP, AB 109, Grant 4300010576		178,000	141,347	141,347
County of Santa Clara, CSEC, Grant 4300001046		133,194	73,616	73,616
County of Santa Clara, passed through City of San Jose, HT coalition		50,000	50,000	50,000
County of Santa Clara, STOP, Grant 4300010352		70,000	31,588	31,588
County of Santa Clara, DV, Grant TF-0231		48,000	37,134	37,134
County of Santa Clara, SSA general, Grant 4300008416		73,441	73,441	73,441
County of Santa Clara, passed through Next Door Solutions, Grants ESG-12-003 and CPS-13-008		40,045	31,257	31,257
County of Santa Clara, passed through Santa Clara University, trafficking, Grant SCC012-02		81,848	81,796	81,796
County of Santa Clara, family reunification and well being, Grant 3217		100,000	100,000	100,000
County of Santa Clara, DRP Probation, Grant 4300008277		282,000	180,765	180,765
County of Santa Clara, Adult Protective Services		10,125	10,125	10,125
County of Santa Clara, United Way Measure A safety net		20,652	20,652	20,652
County of Santa Clara, competency development, Grant 4300008267		618,654	417,256	417,256
State of California, Medicare direct payments via Palmetto		20,000	5,540	5,739
State of California, OES, shelter, Grant DV-14061043		200,019	200,019	200,019
State of California, OES, sexual assault services, Grant RC-14281043		29,587	25,963	25,963
State of California, OES, sexual assault services, Grant RC-13271043		29,587	6,920	6,920
State of California, OES, sexual assault services, Grant RC-14171043		25,142	23,247	23,247
State of California, OES, sexual assault services, Grant RC-13161043		25,142	2,507	2,507
Total state & local government assistance		20,097,816	16,129,020	16,129,219
GRAND TOTALS		\$ 20,829,814	\$ 16,575,224	\$ 16,596,946

See Accompanying Notes to the Financial Statements

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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, 2015, 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 11, 2015.

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.



Morgan Hill, CA
September 11, 2015

COMMUNITY SOLUTIONS FOR CHILDREN, FAMILIES AND INDIVIDUALS
SUPPLEMENTARY INFORMATION REQUIRED BY CALIFORNIA OFFICE OF EMERGENCY SERVICES
JUNE 30, 2015

PROJECT TITLE RAPE CRISIS RECOVERY ACT PROGRAM (SANTA CLARA COUNTY)
GRANT AWARD NUMBER RC 14 28 1043
GRANT PERIOD SEPTEMBER 1, 2014 THROUGH AUGUST 31, 2015
AUDIT PERIOD SEPTEMBER 1, 2014 THROUGH JUNE 30, 2015

	<u>EXPENDITURES BY REVENUE SOURCE</u>				TOTAL EXPENDITURES
	BUDGET	FEDERAL VOCA	FEDERAL VAWA	STATE	
PERSONAL SERVICES	\$ 117,776	\$ 64,674	\$ 521	\$ 21,136	\$ 86,331
OPERATING EXPENSES	<u>29,905</u>	<u>18,293</u>	<u>3,161</u>	<u>4,827</u>	<u>26,281</u>
TOTALS	<u>\$ 147,681</u>	<u>\$ 82,967</u>	<u>\$ 3,682</u>	<u>\$ 25,963</u>	<u>\$ 112,612</u>

PROJECT TITLE RAPE CRISIS RECOVERY ACT PROGRAM (SANTA CLARA COUNTY)
GRANT AWARD NUMBER RC 13 27 1043
GRANT PERIOD SEPTEMBER 1, 2013 THROUGH AUGUST 31, 2014
AUDIT PERIOD JULY 1, 2014 THROUGH AUGUST 31, 2014

	<u>EXPENDITURES BY REVENUE SOURCE</u>				TOTAL EXPENDITURES
	BUDGET	FEDERAL VOCA	STATE	IN-KIND MATCH	
PERSONAL SERVICES	\$ 139,334	\$ 20,371	\$ 4,443	\$ 171	\$ 24,985
OPERATING EXPENSES	<u>29,587</u>	<u>752</u>	<u>2,477</u>	<u>-</u>	<u>3,229</u>
TOTALS	<u>\$ 168,921</u>	<u>\$ 21,123</u>	<u>\$ 6,920</u>	<u>\$ 171</u>	<u>\$ 28,214</u>

PROJECT TITLE LA ISLA PACIFICA DOMESTIC VIOLENCE SHELTER AND SERVICE
GRANT AWARD NUMBER DV 14 06 1043
GRANT PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015
AUDIT PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

	<u>EXPENDITURES BY REVENUE SOURCE</u>						TOTAL EXPENDITURES
	BUDGET	FEDERAL FVPS	FEDERAL VOCA	STATE	CASH MATCH	IN-KIND MATCH	
PERSONAL SERVICES	\$ 193,772	\$ 8,077	\$ 32,043	\$ 138,742	\$ -	\$ 14,910	\$ 193,772
OPERATING EXPENSES	<u>66,369</u>	<u>-</u>	<u>-</u>	<u>61,277</u>	<u>5,092</u>	<u>-</u>	<u>66,369</u>
TOTALS	<u>\$ 260,141</u>	<u>\$ 8,077</u>	<u>\$ 32,043</u>	<u>\$ 200,019</u>	<u>\$ 5,092</u>	<u>\$ 14,910</u>	<u>\$ 260,141</u>

PROJECT TITLE DOMESTIC VIOLENCE RESPONSE TEAM
GRANT AWARD NUMBER VA 14 01 1043
GRANT PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015
AUDIT PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

	<u>EXPENDITURES BY REVENUE SOURCE</u>				TOTAL EXPENDITURES
	BUDGET	FEDERAL 13 VAWA	FEDERAL 14 VAWA	STATE	
PERSONAL SERVICES	\$ 49,670	\$ 49,670	\$ -	\$ -	\$ 49,670
OPERATING EXPENSES	<u>75,330</u>	<u>21,007</u>	<u>54,323</u>	<u>-</u>	<u>75,330</u>
TOTALS	<u>\$ 125,000</u>	<u>\$ 70,677</u>	<u>\$ 54,323</u>	<u>\$ -</u>	<u>\$ 125,000</u>

PROJECT TITLE RAPE CRISIS RECOVERY ACT PROGRAM (SAN BENITO COUNTY)
GRANT AWARD NUMBER RC 14 17 1043
GRANT PERIOD SEPTEMBER 1, 2014 THROUGH AUGUST 31, 2015
AUDIT PERIOD SEPTEMBER 1, 2014 THROUGH JUNE 30, 2015

	<u>EXPENDITURES BY REVENUE SOURCE</u>				TOTAL EXPENDITURES
	BUDGET	FEDERAL VOCA	FEDERAL VAWA	STATE	
PERSONAL SERVICES	\$ 101,846	\$ 50,770	\$ 1,790	\$ 16,315	\$ 68,875
OPERATING EXPENSES	<u>24,771</u>	<u>15,284</u>	<u>1,892</u>	<u>6,932</u>	<u>24,108</u>
TOTALS	<u>\$ 126,617</u>	<u>\$ 66,054</u>	<u>\$ 3,682</u>	<u>\$ 23,247</u>	<u>\$ 92,983</u>

PROJECT TITLE RAPE CRISIS RECOVERY ACT PROGRAM (SAN BENITO COUNTY)
GRANT AWARD NUMBER RC 13 16 1043
GRANT PERIOD SEPTEMBER 1, 2013 THROUGH AUGUST 31, 2014
AUDIT PERIOD JULY 1, 2014 THROUGH AUGUST 31, 2014

	<u>EXPENDITURES BY REVENUE SOURCE</u>				TOTAL EXPENDITURES
	BUDGET	FEDERAL VOCA	STATE	IN-KIND MATCH	
PERSONAL SERVICES	\$ 125,800	\$ 8,041	\$ 2,507	\$ 1,350	\$ 11,898
OPERATING EXPENSES	<u>18,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 144,223</u>	<u>\$ 8,041</u>	<u>\$ 2,507</u>	<u>\$ 1,350</u>	<u>\$ 11,898</u>