

FAMILY SERVICE OF THE NORTH BAY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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Brenda W. Perry, CPA

Independent Auditor's Report

Board of Directors
Family Service of the North Bay
Napa, California

I have audited the accompanying statements of financial position of FAMILY SERVICE OF THE NORTH BAY (a nonprofit corporation) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FAMILY SERVICE OF THE NORTH BAY as of June 30, 2008 and 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Brenda W. Perry, CPA
Napa, California
January 6, 2009

FAMILY SERVICE OF THE NORTH BAY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

(Summarized Totals for 2007)

ASSETS	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and cash equivalents	\$ 239,096	\$ 159,700
Contracts and grants receivable	14,516	33,292
Prepaid expenses and other	<u>9,973</u>	<u>9,942</u>
Total Current Assets	<u>263,585</u>	<u>202,934</u>
Property And Equipment		
Land	239,760	239,760
Buildings	402,172	402,172
Leasehold improvements	3,198	3,198
Automobiles	10,533	10,533
Furniture, fixtures, and equipment	<u>17,308</u>	<u>12,257</u>
	672,971	667,920
Less accumulated depreciation	<u>228,198</u>	<u>208,117</u>
	<u>444,773</u>	<u>459,803</u>
	<u>\$ 708,358</u>	<u>\$ 662,737</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 10,687	\$ 9,421
Accrued expenses	<u>17,782</u>	<u>20,358</u>
Total Current Liabilities	<u>28,469</u>	<u>29,779</u>
Long Term Liabilities		
Notes payable, City of Napa	<u>450,000</u>	<u>450,000</u>
Net Assets		
Unrestricted	(32,408)	43,472
Temporarily restricted	<u>262,297</u>	<u>139,486</u>
Total Net Assets	<u>229,889</u>	<u>182,958</u>
	<u>\$ 708,358</u>	<u>\$ 662,737</u>

The accompanying notes are an integral part of these financial statements.

FAMILY SERVICE OF THE NORTH BAY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (Summarized Totals for 2007)

	Unrestricted	Temporarily Restricted	2008 Total	2007 Total
Revenue And Support				
Grants	\$ 265,438	\$ 241,863	\$ 507,301	\$ 333,498
Government agency contracts	285,417		285,417	320,091
Client rental fees	57,314		57,314	54,643
Donations	1,144		1,144	5,880
Program service fees and other	9,742		9,742	4,676
Special event revenues				
net of expenses	25,941		25,941	20,090
Interest income	8,932		8,932	4,728
Funds released from restrictions	119,052	(119,052)		
Total Revenue And Support	772,980	122,811	895,791	743,606
Expenses				
Program expenses	738,988		738,988	616,606
Management and general	95,233		95,233	73,319
Fundraising	14,639		14,639	22,211
Total Expenses	848,860		848,860	712,137
Change In Net Assets	(75,880)	122,811	46,931	31,469
Net assets, beginning of the year, as previously stated	43,472	139,486	182,958	72,416
Prior period adjustment				79,073
Net Assets, beginning of year, restated	43,472	139,486	182,958	151,489
Net Assets, End Of The Year	\$ (32,408)	\$ 262,297	\$ 229,889	\$ 182,958

The accompanying notes are an integral part of these financial statements.

FAMILY SERVICE OF THE NORTH BAY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2008

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses				
Salaries	\$ 522,513	\$ 44,650	\$ 9,331	\$ 576,494
Payroll taxes	39,456	3,372	705	43,532
Employee benefits	31,726	6,698	1,400	39,824
Workers' compensation	6,119	523	109	6,751
	<u>599,814</u>	<u>55,242</u>	<u>11,545</u>	<u>666,601</u>
Cleaning and maintenance	6,373			6,373
Contract services	21,651			21,651
Depreciation	20,081			20,081
Dues and subscriptions	3,169	85	85	3,339
Equipment maintenance	2,140			2,140
Insurance	8,082	2,100	1,900	12,082
Leasing	2,741			2,741
Postage and printing	2,185	960	1,109	4,254
Professional fees	2,554	21,628		24,182
Rent	26,625	10,200		36,825
Resident bills	9,358			9,358
Staff training	1,840	980		2,820
Supplies and other	8,397	1,225		9,622
Telephone and internet	12,265	2,126		14,391
Travel and conferences	6,096	687		6,783
Utilities	5,617			5,617
	<u>\$ 738,988</u>	<u>\$ 95,233</u>	<u>\$ 14,639</u>	<u>\$ 848,860</u>

The accompanying notes are an integral part of these financial statements.

FAMILY SERVICE OF THE NORTH BAY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2007

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses				
Salaries	\$ 443,122	\$ 28,500	\$ 7,500	\$ 479,122
Payroll taxes	33,571	2,159	568	36,298
Employee benefits	28,053	4,560	519	33,132
Workers' compensation	6,876	442	116	7,435
	<u>511,622</u>	<u>35,661</u>	<u>8,703</u>	<u>555,987</u>
Cleaning and maintenance	7,215			7,215
Contract services	15,113			15,113
Depreciation	19,340			19,340
Dues and subscriptions	1,938	85	50	2,073
Equipment maintenance	1,369			1,369
Fundraising			499	499
Insurance	9,678		1,800	11,478
Leasing	2,782			2,782
Postage and printing	2,175	886	410	3,471
Professional fees	433	23,597		24,030
Rent	16,873	9,720		26,593
Resident bills	9,812			9,812
Respite care	1,389			1,389
Staff training	1,648			1,648
Supplies and other	5,720	1,335	1,705	8,760
Telephone and internet			9,044	9,044
Travel and conferences	5,384	410		5,794
Utilities	4,115	1,625		5,740
	<u>\$ 616,606</u>	<u>\$ 73,319</u>	<u>\$ 22,211</u>	<u>\$ 712,137</u>

The accompanying notes are an integral part of these financial statements.

FAMILY SERVICE OF THE NORTH BAY

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (Summarized Totals for 2007)

Cash Flows From Operating Activities	2008	2007
Change in Net Assets	\$ 46,931	\$ 31,469
Adjustments To Reconcile Change in Net Assets To Net Cash Provided By Operating Activities:		
Depreciation expense	20,081	19,340
(Increase) Decrease in		
Contracts and grants receivable	18,776	(21,534)
Prepaid and other expenses	(31)	(2,624)
Increase (Decrease) in		
Accounts payable	1,266	2,830
Accrued expenses	(2,576)	3,764
Deferred revenue		(27,295)
Net Cash Provided By Operating Activities	84,447	5,950
 Cash Flows From Investing Activities		
Purchase of equipment	(5,051)	(1,280)
 Net Increase In Cash And Cash Equivalents	79,396	4,670
Cash And Cash Equivalents, Beginning Of The Year	159,700	155,030
 Cash And Cash Equivalents, End Of The Year	\$ 239,096	\$ 159,700
 Supplemental Disclosures Of Cash Flow Information		
Cash paid during the year for interest	\$ 0	\$ 0
Cash paid during the year for income taxes	\$ 0	\$ 0

The accompanying notes are an integral part of these financial statements.

FAMILY SERVICE OF THE NORTH BAY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Purpose

Family Service of the North Bay (the Organization), a nonprofit corporation doing business as Family Service of Napa Valley, was organized in 1950 under the laws of the State of California. The organization is committed to enhancing the mental health of the community through advocacy for issues of emotional health and wellness that concern families and individuals in Napa County.

Family Service sponsors a variety of programs to provide therapy and housing to their clients in Napa County. The Organization maintains a professional counseling center that provides therapy tailored to each person and family. The housing programs provide permanent housing and support services for eight to ten homeless individuals with disabilities and satellite housing for twenty adults who have mental disabilities. The Animal Assisted Therapy is used as a modality throughout Organization programs to provide additional psychological and social support to individuals and groups through meetings with trained animals, a certified handler and a canine therapist.

The Organization maintains a high-quality working and learning environment and a learning Organization for aspiring mental health practitioners. The Organization works to constantly improve its capabilities, collaborating with other agencies appropriately, to maintain its financial viability, and to be responsible and accountable for all that it does.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

GAAP requires that the Organization present information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. When a donor-imposed restriction expires, that is, when the time restriction ends or the purpose restriction is accomplished, then temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Any restricted revenues whose restrictions are met in the same reporting period are shown as unrestricted support.

FAMILY SERVICE OF THE NORTH BAY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from those estimates.

Cash and Cash Equivalents

The Organization treats highly liquid debt instruments including bank certificates of deposit with a due date of twelve months or less as cash equivalents.

Contracts and Grants Receivable

Contracts receivable includes amounts due from government agencies and private sources for services performed and grants awarded. The balance at June 30, 2008 was \$14,516. All receivables are expected to be received during the year ending June 30, 2009. Management considers all of the contracts and grants receivable to be collectible; therefore, no allowance for bad debts is provided.

Property and Equipment

Property and equipment are stated at cost, and assets with a cost of \$500 or more are capitalized. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to thirty years. Depreciation expense was \$20,081 for the year ended June 30, 2008.

Income Taxes

The Organization was accepted as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code classified as other than a private foundation. Therefore, these financial statements contain no provision for Federal Income Tax.

FAMILY SERVICE OF THE NORTH BAY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized in the Schedule of Operating Expenses. Expenses that are not directly allocable to programs are allocated based on specific identification where possible to program, management and general, and fund-raising expenses. For some expenses, allocations are based on estimates by management.

2. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2008 and 2007 respectively consist of the following:

	<u>2008</u>	<u>2007</u>
Cash	\$ 162,148	\$ 86,871
Certificates of deposit	<u>76,948</u>	<u>72,829</u>
	<u>\$ 239,096</u>	<u>\$ 159,700</u>

3. Concentration of Cash

The Organization maintains cash accounts in two financial institutions. The balances at times have exceeded federally insured limits.

4. Long Term Liabilities

The Organization has three secured three long term notes with the City of Napa for \$150,000 each as of June 30, 2008 and 2007. Each note is secured by a property owned by the Organization with the stipulation that their use is restricted to mental health outpatient clinic and satellite housing programs. No payments and no interest on the note are required. Upon sale of the properties, the City of Napa is owed the principal plus an equity percentage of the remaining proceeds as follows:

<u>Property</u>	<u>Equity Percent</u> <u>City of Napa</u>	<u>Equity Percent</u> <u>Family Services</u>
713 Carolina Street	96.77%	3.23%
709 Franklin Street	73.17%	26.83%
2445 Yajome Street	81.10%	18.90%

FAMILY SERVICE OF THE NORTH BAY

NOTES TO FINANCIAL STATEMENTS

4. Long Term Liabilities – continued

The notes further stipulate that if the market value of the properties decreases below the note amounts, the City of Napa will accept the total consideration as payment in full. Donated interest contribution revenue from the City and the corresponding interest expense have not been recorded due to the equity nature of the City's interest in the properties.

5. Economic Dependence

The Organization is dependent on contract and grant revenue from local government and several other sources. A total of 90% and 94% of revenue came from three funding sources for the years ended June 30, 2008 and 2007, respectively.

6. Retirement Plan

The Organization offers a 403(b) tax shelter annuity plan and deferred compensation plan to its employees. The Organization contributed a total of \$1,500 and \$1,923 during the years ended June 30, 2008 and 2007 respectively.

7. Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted net assets were released from donor restrictions during the year ended June 30, 2008 when expenses were incurred to satisfy the restricted purposes specified by donors. A total of \$119,052 was released from temporarily restricted net assets during 2008. A total of \$262,297 and \$139,486 in temporarily restricted net assets were held by the Organization at June 30, 2008 and 2007 respectively; all funds are restricted as to purpose.

8. Prior Period Adjustment

The Organization's previously stated June 30, 2006 total net assets of \$72,416 was adjusted in the June 30, 2007 year end in order to correct an error. The effect of this correction was to decrease deferred revenue by \$79,073, to increase unrestricted net assets by \$28,382 and to increase temporarily restricted net assets by \$50,691. The net assets balance previously reported for June 30, 2006 was increased by \$79,073.

FAMILY SERVICE OF THE NORTH BAY

NOTES TO FINANCIAL STATEMENTS

9. Prior Period Totals

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 Organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

10. Minimum Future Lease Payments

During the year ended June 30, 2007, the Organization initiated three noncancelable leases for commercial office space and for residential apartments for use by clients, all of which are classified as operating leases. Rent expense under these noncancelable leases was \$36,825 and \$26,593 during the years ended June 30, 2008 and 2007 respectively.

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of June 30, 2008 are:

2009	\$ 26,400
2010	<u>10,000</u>
Total	<u>\$ 36,400</u>

11. Reclassifications

Certain amounts in the June 30, 2007 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the change in net assets of the prior year.