SENECA
Family of Agencies

(A California Nonprofit Public Benefit Corporation)

Consolidated Financial Statements

June 30, 2016 and 2015

SENECA FAMILY OF AGENCIES

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June 30, 2016 and 2015

GILMORE & ASSOCIATES

Independent Auditors' Report

To the Audit Committee
Seneca Family of Agencies

Report on the Financial Statements

We have audited the accompanying financial statements of Seneca Family of Agencies (a California non-profit public benefit corporation), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seneca Family of Agencies as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and nonfederal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of Alameda County grants is presented for purposes of additional analysis and is 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 our report dated December 15, 2016, on our consideration of Seneca Family of Agencies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seneca Family of Agencies' internal control over financial reporting compliance.

Gilmore and Associates, CPA

San Mateo, CA
December 15, 2016

SENECA FAMILY OF AGENCIES

Consolidated Statements of Financial Position

June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 10,348,887	$ 6,633,077
Investments	11,167	1,360,085
Accounts receivable:		
Government agencies	17,742,185	16,365,927
Other	384,205	310,584
Pledges receivable	167,200	117,200
Loan receivable	-	1,395,000
Prepaid expenses	572,049	601,526
	29,225,693	26,783,399
Property and equipment - net	26,113,608	22,428,760
Other assets		
Restricted cash	261,473	261,196
Deposits	1,291,891	1,477,576
Bond issuance costs, net	177,344	189,436
Other	45,200	45,200
	1,775,908	1,973,408
	$ 57,115,209	$ 51,185,567
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	$ 1,459,481	$ 1,529,042
Accrued liabilities	8,673,114	6,608,898
Reserves	534,652	925,067
Overpayments	2,368,939	2,002,067
Deferred revenue	3,537,247	4,233,248
Notes payable	515,754	369,004
Bonds payable	95,000	95,000
	17,184,187	15,762,326
Long term liabilities		
Reserves, net of current portion	3,559,662	2,929,882
Notes payable, net of current portion	11,820,906	9,269,550
Bonds payable, net of current portion	1,985,000	2,080,000
	17,365,568	14,279,432
	34,549,755	30,041,758
Net assets		
Unrestricted	20,926,607	20,523,089
Temporarily restricted	1,573,672	1,085,545
Permanently restricted	65,175	65,175
	22,565,454	21,673,809
	$ 57,115,209	$ 51,715,567

See accompanying notes.

SENECA FAMILY OF AGENCIES

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions				
General	$ 745,002	$ 2,610,000	$ -	$ 3,355,002
In-kind	329,500	-	-	329,500
Government contracts	92,692,593	-	-	92,692,593
Program service fees	1,181,507	-	-	1,181,507
Special events (net of expenses of $65,742)	181,789	-	-	181,789
Other revenue	1,961,198	-	-	1,961,198
Investment return	19,290	-	-	19,290
Net assets released from restrictions	2,121,873	(2,121,873)	-	-
	99,232,752	488,127	-	99,720,879
Expenses				
Program services	86,091,173	-	-	86,091,173
Support services	12,065,410	-	-	12,065,410
	98,156,583	-	-	98,156,583
Changes in net assets	1,076,169	488,127	-	1,564,296
Net assets, beginning of year	19,993,089	1,085,545	65,175	21,143,809
Net deficit of affiliate as of October 8, 2016	(142,651)	-	-	(142,651)
Net assets, end of year	$ 20,926,607	$ 1,573,672	$ 65,175	$ 22,565,454

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions				
General	$ 772,985	$ 1,413,047	$ -	$ 2,186,032
In-kind	879,844	-	-	879,844
Government contracts	83,147,519	-	-	83,147,519
Program service fees	1,411,921	-	-	1,411,921
Special events (net of expenses of $94,926)	135,186	-	-	135,186
Other revenue	1,603,503	-	-	1,603,503
Investment return	(2,579)	-	-	(2,579)
Net assets released from restrictions	1,319,609	(1,319,609)	-	-
	89,267,988	93,438	-	89,361,426
Expenses				
Program services	75,485,541	-	-	75,485,541
Support services	11,624,269	-	-	11,624,269
	87,109,810	-	-	87,109,810
Changes in net assets	2,158,178	93,438	-	2,251,616
Net assets, beginning of year	18,364,911	992,107	65,175	19,422,193
Net assets, end of year	$ 20,523,089	$ 1,085,545	$ 65,175	$ 21,673,809

See accompanying notes.

SENECA FAMILY OF AGENCIES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	$ 29,122,698	$ 21,825,466	$ 2,453,964	$ 737,133	$ 54,139,261	$ 445,545	$ 4,930,299	$ 59,515,105
Employee benefits	4,189,426	3,139,688	353,013	106,040	7,788,167	64,094	752,560	8,604,821
Payroll taxes and workers' compensation	2,936,578	2,200,764	247,445	74,329	5,459,116	44,926	497,145	6,001,187
Total Payroll	36,248,702	27,165,918	3,054,422	917,502	67,386,544	554,565	6,180,004	74,121,113
Operations								
Advertisement and recruitment	178,178	106,762	48,799	4,721	338,460	5,253	-	343,713
Bank fee	-	-	-	-	-	-	55,798	55,798
Clothing	39	-	-	-	39	-	-	39
Conferences and training	157,926	212,433	31,601	91,116	493,076	8,829	141,774	643,679
Contract services	3,998,299	1,529,240	194,188	827,788	6,549,515	156,357	889,441	7,595,313
Equipment leases	70,498	37,921	13,618	-	122,037	448	15,649	138,134
Family service fees	1,796	-	1,932,039	-	1,933,835	-	-	1,933,835
Food	59,976	191,123	1,579	-	252,678	36	-	252,714
Fundraising	16	-	250	-	266	5,406	-	5,672
Government fees	(12,377)	23,024	11,934	-	22,581	(68)	81,701	104,214
Insurance	-	-	-	-	-	-	607,031	607,031
Interest	187,572	12,343	38,686	43,928	282,529	4,604	271,310	558,443
In-kind	-	-	-	-	0	329,500	-	329,500
Medical-Non Medi Cal	29,395	-	-	-	29,395	-	-	29,395
Occupancy	702,164	395,646	101,372	-	1,199,182	9,426	74,999	1,283,607
Printing	5,066	3,598	1,674	11	10,349	20,393	14,610	45,352
Repairs and maintenance	644,964	495,937	63,678	7,417	1,211,996	8,417	399,916	1,620,329
Special events	9,164	73,116	26,320	194	108,794	374	8,254	117,422
Subscription and dues	12,161	45,408	2,862	15,863	76,294	12,231	349,484	438,009
Supplies and postage	1,041,707	777,841	78,879	63,720	1,962,147	17,219	522,612	2,501,978
Telephone	572,160	219,406	93,095	13,583	898,244	4,774	298,019	1,201,037
Transportation	1,614,150	276,933	184,294	48,149	2,123,526	12,931	392,213	2,528,670
Utilities	214,656	189,560	26,165	-	430,381	2,110	225,185	657,676
Total Expenses Before Depreciation	45,736,212	31,756,209	5,905,455	2,033,992	85,431,868	1,152,805	10,528,001	97,112,674
Depreciation	412,967	175,041	50,179	21,118	659,305	4,346	380,258	1,043,909
Total Direct Expenses	46,149,179	31,931,250	5,955,634	2,055,110	86,091,173	1,157,151	$ 10,908,259	$ 98,156,583
Allocable Expense	5,769,821	3,992,218	744,606	256,941	10,763,585	144,673		
Total Expense	$ 51,919,000	$ 35,923,468	$ 6,700,240	$ 2,312,051	$ 96,854,758	$ 1,301,824		

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Functional Expenses

Year Ended June 30, 2015

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	$ 25,510,378	$ 18,725,074	$ 2,141,863	$ 712,452	$ 47,089,767	$ 353,652	$ 4,769,320	$ 52,212,739
Employee benefits	3,057,168	2,244,016	256,681	85,380	5,643,245	42,382	571,556	6,257,183
Payroll taxes and workers' compensation	2,834,050	2,080,244	237,948	79,149	5,231,391	39,289	529,843	5,800,523
Total Payroll	31,401,596	23,049,334	2,636,492	876,981	57,964,403	435,323	5,870,719	64,270,445
Operations								
Advertisement and recruitment	153,194	105,599	25,566	4,888	289,247	16,585	13,440	319,272
Bank fee	-	-	-	-	-	-	72,376	72,376
Clothing	-	-	704	-	704	-	-	704
Conferences and training	136,717	168,967	24,542	95,223	425,449	6,029	99,203	530,681
Contract services	3,820,948	1,480,595	150,133	808,916	6,260,592	198,407	931,118	7,390,117
Equipment leases	61,713	35,056	13,450	-	110,219	336	15,805	126,360
Family service fees	15,706	-	1,808,033	-	1,823,739	-	-	1,823,739
Food	46,434	224,013	4,089	-	274,536	20	-	274,556
Fundraising	-	-	-	-	-	17,415	579	17,994
Government fees	58,758	3,416	8,824	-	70,998	45	226,942	297,985
Insurance	-	-	-	-	-	-	512,533	512,533
Interest	144,386	11,396	43,347	45,582	244,711	4,835	133,783	383,329
In-kind	81,020	-	110,700	-	191,720	158,124	-	349,844
Medical-Non Medi Cal	19,527	550	-	-	20,077	-	60	20,137
Occupancy	746,942	395,712	96,564	-	1,239,218	-	39,840	1,279,058
Printing	4,134	3,924	1,525	-	9,583	25,585	16,455	51,623
Repairs and maintenance	824,161	625,542	84,757	12,863	1,547,323	6,428	588,034	2,141,785
Special child and family events	10,872	75,077	22,344	133	108,426	-	3,760	112,186
Subscription and dues	10,182	17,008	2,881	7,760	37,831	3,311	156,433	197,575
Supplies and postage	1,060,028	630,879	78,893	30,300	1,800,100	17,858	430,512	2,248,470
Telephone	412,657	180,320	37,816	15,005	645,798	1,899	241,982	889,679
Transportation	1,455,320	253,123	173,587	32,909	1,914,939	14,618	386,356	2,315,913
Utilities	165,541	181,547	19,106	-	366,194	1,210	121,428	488,832
Total Expenses Before Depreciation	40,629,836	27,442,058	5,343,353	1,930,560	75,345,807	908,028	9,861,358	86,115,193
Depreciation	92,256	12,309	13,015	22,154	139,734	98	854,785	994,617
Total Direct Expenses	40,722,092	27,454,367	5,356,368	1,952,714	75,485,541	908,126	$ 10,716,143	$ 87,109,810
Allocable Expense	5,712,303	3,851,169	751,366	273,918	10,588,755	127,388		
Total Expense	$ 46,434,395	$ 31,305,536	$ 6,107,734	$ 2,226,632	$ 86,074,296	$ 1,035,514		

See accompanying notes.

SENECA FAMILY OF AGENCIES

Consolidated Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Changes in net assets	$ 1,564,296	$ 1,721,616
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,056,000	1,006,708
Non-cash contribution of real estate	-	(530,000)
(Gain) loss on asset disposal	(862,054)	43,225
(Gain) loss, realized and unrealized, on investments	141,965	139,679
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - government agencies	(1,376,258)	(4,790,026)
Accounts receivable - other	(62,860)	(168,142)
Pledges receivable	(50,000)	50,000
Prepaid expenses	59,391	270,476
Deposits	186,135	(261,846)
Increase (decrease) in:		
Accounts payable	(219,167)	101,283
Accrued liabilities	1,834,628	912,414
Reserves	239,365	738,531
Overpayments	366,872	817,616
Deferred revenue	(696,001)	742,740
Net cash provided by operating activities	2,182,312	794,274
Cash flows from investing activities		
Proceeds from sale of equipment	2,095,400	-
Purchase of property and equipment	(3,834,906)	(6,686,212)
Loan to nonprofit organization	-	(1,395,000)
Loan repayments received from nonprofit	160,909	-
Proceeds from sale of investments	3,338,653	3,569,988
Purchase of investments	(2,131,700)	(1,582,698)
Net cash used in investing activities	(371,644)	(6,093,922)
Cash flows from financing activities		
Proceeds from financing of real property	2,879,002	6,195,850
Payments on notes payable	(932,501)	(2,081,137)
Payments on bonds payable	(95,000)	(95,000)
Net cash provided by financing activities	1,851,501	4,019,713
Net increase (decrease) in cash	3,662,169	(1,279,935)
Cash and cash equivalents, beginning of year	6,633,077	7,911,551
Cash held by affiliate as of October 8, 2015	53,918	-
Changes in restricted cash	(277)	1,461
Cash and cash equivalents, end of year	$ 10,348,887	$ 6,633,077
Supplemental disclosures		
Interest paid	$ 558,443	$ 383,329
In-kind support	329,500	879,844
Noncash transaction - elimination on consolidation of loan to nonprofit as of affiliation date	1,234,091	-

See accompanying notes.

Note 1 - The Organization

Seneca Family of Agencies (the Organization) was established in 1985 and serves 17 California counties in the Bay Area, Central Coast, and Southern California, and King County, Washington. The Organization is committed to treatment, care, education and permanent family solutions for children faced with the most profound challenges resulting from histories of trauma. In all areas of service, unconditional care is the standard to ensure the safety and stability of each child. The Organization's focus is to ensure that all children and youth are able to grow up in safe and loving families.

National leadership – A leader in the state and national dialogue on family based permanency, the National Institute for Permanent Family Connectedness was created. The NIFPC consults and trains child welfare agencies, court systems and community partners nationally.

Community Based Services - During the 2015-2016 fiscal year, Seneca's community-based services served 6,722 youth. Seneca's community-based services build upon and enhance the strengths of children and families, accelerating their progress toward attaining stability, self-sufficiency and long-term success in their home communities.

School based mental health and special education programs – Educational programs support the success of all children in classroom, community and family. In the 2015-2016 fiscal year Seneca served 1,313 youth in its educational programs. Special education and mental health care in an education environment begins with a prevention and early intervention model managed within a community school setting.

Foster Care and Permanency –The foster care and permanency programs serve about 848 children each year in adoption, relative care, post adoption, or mental health services.

Professional and parent education – A training institute headquartered in Oakland serves as the base of operations for statewide professional training for staff and community partners as well as providing specialized adoption and parent training curricula to expand the scope of evidence-based and evidence-informed learning.

National Accreditation - Seneca Family of Agencies has achieved Joint Commission Behavioral Health Care Accreditation to reinforce its dedication to meeting or exceeding the highest standards of behavioral health care delivery. We are one of the only agencies in the country that integrates juvenile justice, child welfare, education, mental health and training into its service network.

Note 1 - The Organization (continued)

Volunteer professional services and in-kind donor participation – During years ended June 30, 2016 and 2015, the Organization acknowledged $329,500 and $349,844, respectively, of in-kind donations for use in various programs, as well as a $530,000 donation of real estate in December 2014.

Affiliation - Effective October 8, 2015, the Organization entered into an affiliation agreement with Family Life Center (FLC), a California nonprofit corporation operating residential treatment and education programs for children and families in need in Petaluma, California . Under the agreement, the Organization controls the appointment of FLC's board of directors. Because of the level of control over operations and governance, the Organization has consolidated FLC's operations in its financial statements beginning as of the date of the affiliation.

Note 2 - Summary of Significant Accounting Policies

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Organization and Family Life Center, an affiliated organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting - The accrual method of accounting is used, which reflects revenue when earned and expenses as incurred.

Basis of presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations, which represent the expendable resources that are available for operations at management's discretion.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and cash equivalents - Cash and cash equivalents include cash, money market accounts, and demand deposits held by financial institutions, and other highly liquid investments with a maturity of three months or less.

Accounts receivable – Accounts receivable includes receivables from governmental agencies and private foundations, as well as receivables related to rents, service and consulting income. The Organization uses an allowance method in order to reserve for potential uncollectible accounts receivable.

Property and equipment - Property and equipment in excess of $1,000 are stated at cost if purchased or at fair market value at the date of donation if donated, with the exception of assets purchased for the group homes, which are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Contributions and pledges receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments - The Organization values its investments at fair value. Gains and losses (including investments bought, sold, and held during the year) are reflected in the statement of activities as investment return. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

Fair value measurements - Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices on active markets for identical assets

Level 2 inputs - quoted prices on active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Note 2 - Summary of Significant Accounting Policies (continued)

The Organization is required to measure three types of assets and the related revenues at fair value: unconditional promises to give (pledges receivable), certain investments, and in-kind contributions. The specific techniques used to measure fair value for each element are described in the notes that relate to each element.

Revenue recognition – The Organization reports cash contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

In-kind contributions - Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A number of unpaid volunteers have made significant contributions of their time and perform a variety of tasks that assist the Organization with its programs. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Functional allocation of expenses - The Organization has in place a cost allocation plan employed to allocate indirect expenses among programs and administrative services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

Use of 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.

Income taxes - The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d, and is considered by the IRS to be an organization other than a private foundation.

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Note 2 - Summary of Significant Accounting Policies (continued)

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in the Organization's federal and state exempt organization and business income returns are more likely than not to be sustained upon examination. The Organization's returns for years ended June 30, 2015, 2014, and 2013, are subject to examination by federal and state taxing authorities, generally for three years after they are filed

Reclassifications - Certain prior year revenue and expense amounts have been reclassified for comparative purposes.

Note 3 - Pledges Receivable

Pledges receivable are recorded as support when pledged, unless designated otherwise. All pledges are valued at estimated fair value at the date of the pledge. The total amount of pledges receivable at June 30, 2016 of $167,200 is expected to be collected within one year.

Note 4 - Property and Equipment

As of June 30, 2016 and 2015, property and equipment consist of the following:

	2016	2015
Land	$ 11,808,529	$ 10,624,914
Buildings	12,386,179	10,272,667
Leasehold improvements	5,221,144	4,214,868
Furniture and equipment	1,914,752	1,783,461
Vehicles	1,376,663	1,244,930
Portable buildings	265,925	265,925
Construction in progress	372,663	127,182
	33,345,855	28,533,947
Accumulated depreciation and amortization	(7,232,247)	(6,105,187)
	$ 26,113,608	$ 22,428,760

Note 4 - Property and Equipment (continued)

For the year ended June 30, 2016 and 2015, depreciation expense was $1,043,908 and $994,617, respectively.

The Organization leases its former group homes to unrelated third parties. Leases are for one-year terms. The Organization is still evaluating the sale or use of these former group homes, and accordingly, these real properties are still classified as held and used as of June 30, 2016. The Organization also leases commercial space in Solano and Santa Rosa, California, to other organizations, and leases land in Oakland, California to a communications company. Total lease income for the year ended June 30, 2016 and 2015, is $197,561 and $192,460, respectively, and is included in other revenue.

In December 2014 the Organization received an unrestricted in-kind contribution of real estate located in Fairfield, California, valued at $530,000. See Note 6 for information on the fair value measurement of this contribution.

In August 2015, the Organization purchased real property in Petaluma, California, for $1,574,625, from a nonprofit organization who later became an affiliate. The fair market value was determined using a third-party appraiser.

Note 5 - Investments

The fair values of securities have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs). The table below presents the balances of investment assets measured at fair value as of June 30, 2016 and 2015:

	2016	2015
Mutual funds	$ -	$ 717,018
Equities	-	558,512
Real estate fund	-	46,926
Money market funds	95	25,776
Pooled securities	11,072	11,853
	$ 11,167	$ 1,360,085

Investment return for the year ended June 30, 2016 and 2015, is summarized as follows:

Note 5 – Investments (continued)

	2016	2015
Interest and dividends, including interest on restricted cash	$ 179,056	$ 158,452
Net realized and unrealized gains (losses)	(141,965)	(139,679)
Investment fees	(17,801)	(21,352)
	$ 19,290	($ 2,579)

All investment return is classified as unrestricted in the statement of activities.

Note 6 - Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value on a recurring basis:

Level 1	June 30, 2016	June 30, 2015
Mutual funds	$ -	$ 717,018
Equities	-	558,512
Real estate fund	-	46,926
	$ -	$ 1,322,456
Level 2		
Pooled securities	$ 11,072	$ 11,853

The fair values of equities, real estate fund and mutual funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs). The fair value of pooled securities has been measured on a recurring basis using quoted prices in active markets for the same or similar assets (Level 2 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year:

	June 30, 2016	June 30, 2015
Contribution of real estate	$ -	$ 530,000
Other in-kind contributions	329,500	349,844

Note 6 - Fair Value Measurements

The fair value of contributed real estate is measured on a non-recurring basis at the time of contribution, based on a third party appraisal. The fair values of other in-kind contributions are measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs). The fair values of pledged contributions are measured on a non-recurring basis, based on the value provided by the donor at the date of the pledge (Level 3 inputs).

The following table provides detail activity for assets with Level 3 fair value measurements:

	June 30, 2016	June 30, 2015
Pledges receivable, beginning of year	$ 117,200	$ 167,200
Pledged contributions	50,000	-
Pledges collected	(-)	(50,000)
Pledges receivable, end of year	$ 167,200	$ 117,200

Note 7 - Restricted Cash

As of June 30, 2016 and 2015, cash has been restricted for the following purposes:

	2016	2015
Held in trust for payments on bonds payable – see Note 12	$ 261,473	$ 261,196

Note 8 - Accrued Liabilities

Accrued liabilities as of June 30, 2016 and 2015, consist of the following:

	2016	2015
Wages	$ 1,940,649	$ 1,685,023
Vacation	3,682,812	3,120,057
Payroll taxes and benefits	1,841,511	817,879
Private insurance offset	798,496	653,360
Real estate taxes	-	130,394
Lease obligations	-	4,492
Other liabilities	409,646	197,693
	$ 8,673,114	$ 6,608,898

Note 9 - Lines of Credit

The Organization has a line of credit with a bank for $2,000,000, which will expire in January 2017. Interest is computed at a floating rate per annum equal to the LIBOR rate. The line of credit is secured by real property. There was no balance outstanding at June 30, 2016 and 2015.

The Organization has an irrevocable letter of credit with a bank for $2,770,000, which will expire in January 2017. Interest is computed at the bank's prime rate plus 2.939%, up to the limit allowed by law. There was no balance outstanding as of June 30, 2016 and 2015.

Note 10 - Liability for Overpayments Received

Timing differences in recording terminations from the various programs result in receipts for services relating to children who have left the programs. These receipts may be refundable to the county agencies providing the funds. Accordingly, the Organization records these amounts as a liability. The Organization is contacted by county agencies on a child-by-child basis or a contract basis regarding the repayment process.

If no action or response to inquiries on overpayments is received by the Organization five years subsequent to receipt of funds, the funds are recognized as income. Under this policy, $96,327 and $189,190 of overpayments were taken into income in the years ended June 30, 2016 and 2015, and have been included in other revenue on the statement of activities.

Note 11 - Notes Payable

Notes payable as of June 30 consist of the following:

	2016	2015
Note payable to bank, secured by real property, payable in monthly installments of $14,159, including interest at 4.420%, due March 2032.	$ 1,908,980	$ 1,991,028
Note payable to bank, secured by real property, payable in monthly installments of $9,339, including interest at 3.520%, due March 2025.	1,529,666	1,585,614

Note 11 - Notes Payable (continued)

	2016	2015
Note payable to bank, secured by real property, payable in monthly installments of $6,863, including interest at 3.590%, due May 2025.	1,313,014	1,346,772
Note payable to bank, secured by real property, payable in monthly installments of $8,783, including interest at 4.570%, due September 2033.	1,253,088	1,299,678
Note payable to bank, secured by real property, payable in monthly installments of $6,609, including interest at 3.590%, due May 2025.	1,265,866	1,298,321
Note payable to bank, secured by real property, payable in monthly installments of $8,740, including interest at 4.220%, due June 2025.	1,211,619	1,240,000
Note payable to bank, secured by real property, payable in monthly installments of $2,571, including interest at 3.590%, due May 2025.	491,991	504,640
Note payable to bank, secured by real property, payable in monthly installments of $1,087, including interest at 4.220%, due June 2025.	195,422	200,000
Note payable to state agency, secured by real property, payable in monthly installments of $2,762, including interest at 3.0%, due May 2019.	92,461	122,347
Note payable to state agency, secured by real property, payable in monthly installments of $1,408.66, including interest at 3.00%, due September 2019.	38,918	50,154
Note payable to bank, secured by real property, payable in monthly installments of $3,347.30, including initial interest at 3.74%, due April 2026.	645,408	-

Note 11 - Notes Payable (continued)

	2016	2015
Note payable to bank, secured by real property, payable in monthly installments of $6,739.84, including initial interest at 4.76%, due August 2025.	1,235,218	-
Note payable to bank, secured by real property, payable in monthly installments of $4,138.67, including initial interest at 1.98%, due December 2025.	959,702	-
Note payable to bank, secured by real property, payable in monthly installments of $5,570.06, including initial interest at 4.25%, due July 2019.	195,307	-
Total notes payable	12,336,660	9,638,554
Current portion	(515,754)	(369,004)
	$ 11,820,906	$9,269,550

Debt maturities of notes payable are as follows:

Year ending June 30,	
2017	$ 515,754
2018	536,791
2019	555,937
2020	478,386
2021	486,273
Thereafter	9,763,519
	$ 12,336,660

Note 12 - Bonds Payable

On March 1, 2006, the Office of Statewide Health Planning and Development of the State of California issued bonds payable in the principal amount of $2,910,000 to Kinship Center. The Organization assumed this liability in the acquisition of Kinship Center as of July 1, 2011.

The bonds bear interest at a gradually increasing rate ranging from 3.35% in 2006 to 4.65% in 2031, with staggered maturities through March 1, 2031. The proceeds from the sale of the certificates were used to refinance an existing note payable on property in Monterey County. The balance outstanding on the bonds payable at June 30, 2016 and 2015 was $2,080,000 and $2,175,000, with current portions of $95,000 and $95,000, respectively.

Note 12 - Bonds Payable (continued)

As required by the terms of the bond's regulatory agreement, the Organization is required to satisfy certain restrictive covenants which, among other terms, requires the maintenance of certain financial ratios and operational levels, places limits on other indebtedness, and requires certain informational reports. The Organization substantially met its debt covenants at June 30, 2016 and 2015.

The Organization has pledged security interests in revenue and in certain real property, fixtures, and personal property.

Maturities for the bonds are as follows:

Year ending June 30,	
2017	$ 95,000
2018	95,000
2019	95,000
2020	95,000
2021	95,000
Thereafter	1,605,000
	$ 2,080,000

Cash held in trust at June 30, 2016 and 2015, related to the bonds payable, consists of the following:

	2016	2015
Bond reserve fund	$ 196,973	$ 196,973
Interest reserve fund	31,583	32,557
Principal reserve fund	32,917	31,666
Revenue fund	-	-
	$ 261,473	$ 261,196

Note 13 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015, are restricted as to timing and purpose, for use as follows:

	2016	2015
Gates Foundation	$ 422,352	$ -
NoCal South County Clinic	271,444	173,504
NoCal Placement	150,243	259,000
San Benito Placement	150,000	-
SoCal Placement	78,165	46,015
Education institute	78,109	113,698
Family Ties	69,021	-
Kaiser Trauma Grant	63,333	10,000
Recruitment	47,529	68,421
SoCal Family Funding	54,625	45,246
REACH Program	27,077	27,077
I Padrini Family Finding Fund	25,931	27,848
I3 Federal Grant	23,035	173,081
Education Fund	20,311	20,311
Pfeiffer Foundation	20,000	-
Ranch Mental Health Clinic	17,666	-
Friends Funds	17,189	16,388
Parent Child Interactive Therapy	13,409	25,977
Ranch Roof	-	30,000
Building Blocks	-	28,290
Funds and programs with less than $10,000 at year end	24,232	20,689
	$1,573,671	$1,085,545

Note 14 - Permanently Restricted Net Assets

Permanently restricted net assets represent contributions where the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends therefrom may be expended for unrestricted purposes. At June 30, 2016 and 2015, permanently restricted net assets were $65,175.

Generally accepted accounting principles provide guidance on the net asset classification of donor-restricted endowment fund for a nonprofit organization and also require additional disclosures about an organization's endowment funds.

Note 14 - Permanently Restricted Net Assets (continued)

The Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

The Organization has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets.

The Organization's endowment funds are held in its investment accounts. Changes to the endowment net assets are as follows:

Beginning balance July 1, 2014	$ 65,175
	-
Ending balance June 30, 2015	65,175
	-
Ending balance June 30, 2016	$ 65,175

All investment returns related to endowment assets were transferred to unrestricted net assets, as directed by the board spending policy.

Note 15 - Government Contract Revenues

Government contract revenues for the year ended June 30, 2016 and 2015, consist of the following:

	2016	2015
Community based programs	$50,648,747	$42,212,286
Education and school based programs	35,579,720	34,070,194
Foster care and permanency	6,388,564	6,281,807
Cost settlement and other contract adjustments	75,492	583,232
	$92,692,523	$83,147,519

Note 16 - Other Revenue

Other revenue for the year ended June 30, 2016 and 2015, consists of the following:

	2016	2015
Management services	$ 78,000	$ 681,619
Search services	234,811	269,670
Lease income	197,561	192,460
Overpayments recognized	96,327	189,190
Computer consulting	66,000	66,281
Gain on sale of fixed assets (affiliate)	862,054	-
Other	426,446	204,283
	$ 1,961,198	$1,603,503

Management services and other transactions with Family Life Center - In August 2014, the Organization began assisting with the management of operations of Family Life Center (FLC). Management duties include program operations, fiscal management and other consulting. Fees for these services are based on the salary and benefits for personnel providing the services, plus an 18.5% fee. The Organization signed an affiliation agreement with FLC effective October 8, 2015.

Revenues under the management agreement totaled $204,406 and $681,219 for the year ended June 30, 2016, and 2015, respectively, of which $126,406 was earned after the affiliation agreement was in effect. $66,023 was due to the Organization as of June 30, 2016, and has been eliminated in consolidation. $131,619 is due to the Organization as of June 30, 2015, and is included in other receivables on the balance sheet.

The Organization also has extended credit, not to exceed $1.5 million, for the operations of FLC. Interest is being charged at the Wall Street Journal prime rate, compounded daily. The line of credit is secured by real estate, and is due on demand. As of June 30, 2016, and 2015, the Organization has extended FLC $498,412 and $1,395,000, respectively, in credit. As of June 30, 2015, the amount due from FLC is shown as a note receivable. As of June 30, 2016, the receivable has been eliminated in consolidation.

In August 2015, the Organization purchased real property from FLC. See Note 4.

Note 17 - Operating Lease Commitments

The Organization leases facilities and equipment under operating leases expiring in various years through June 2019. A majority of these leases are on a month-to-month basis.

Lease expense was $1,624,105 for the year ended June 30, 2016 and $1,657,605 for the year ended June 30, 2015.

Minimum future rental payments under these leases are as follows:

Year ending June 30,	
2017	$ 285,794
2018	183,855
2019	125,918
	$ 595,567

Note 18 – Other Commitments, Reserves and Contingencies

Pursuant to county, state and federal requirements for funding community service centers, the Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations.

The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the organization has no provision for the possible disallowance of program costs on its financial statements.

The Organization is primarily funded through county, state and federal government contracts, which are subject to political, financial and operational risks which may affect the ongoing funding of contracts. To protect from any fiscal impact of changing contract terms potentially leading to sudden and unexpected loss of revenue, the Organization established a contracts contingency reserve. The reserve is based on a percentage of certain program revenues.

Note 18 – Other Commitments, Reserves and Contingencies (continued)

The Organization is fully self-insured through the state of California for its workers' compensation insurance costs. The Organization is liable for costs up to $500,000 per claim, with state and third-party insurance coverage for costs in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not yet reported.

In a prior year, the Organization converted from a self-insured employee health plan to a traditional plan with an insurance company, as a cost saving measure. Outstanding self-insurance costs have been accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not yet reported.

Total reserves on the statement of financial position as of June 30, 2016 and 2015 are as follows:

	2016	2015
Workers' compensation	$ 3,254,393	$ 3,005,028
Contracts contingency	820,000	830,000
Employee health insurance	19,921	19,921
	4,094,314	3,854,949
Current portion	(534,652)	(925,067)
	$ 3,559,662	$ 2,929,882

Note 19 - Concentration of Credit Risk

The Organization maintains cash balances and money market accounts at various financial institutions, which are FDIC insured up to the limits allowed by law. At times such balances may exceed the insurance limit. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant credit risk related to cash.

Note 20 – Retirement Plan

Effective October 1, 2015, all employees with over 1,000 hours of service are covered by a 403b tax deferred annuity plan; previous to this date, only certain personnel employed as a result of a merger with another nonprofit organization in 2011 were covered. Employees are eligible to participate in the plan immediately, and are eligible for employer discretionary contributions after 24 months of service. Participants may elect to defer a percentage of their salaries, up to the amounts allowed by law. Employer contributions are at the discretion of the board of directors. For the year ended June 30, 2016, $902,071 of employer contributions have been accrued as an expense.

Note 21 - Subsequent Events

Management has evaluated subsequent events through December 15, 2016, the date on which the financial statements were available to be issued.

Acquisitions:

Above the Line - Effective July 1, 2016, the Organization has acquired all of the assets and liabilities of Above the Line, a nonprofit organization providing foster care and adoption services in Aptos, California. The acquisition strengthened the continuum of services offered to children and families in Santa Cruz county. No consideration was transferred in the acquisition. The Organization acquired assets and assumed liabilities, recorded at their fair market values, as follows:

Cash	$144,230
Accounts receivable	54,763
Deposits and other assets	6,195
Fixed assets	808
Total assets acquired	$205,996
Accounts payable	$ 29,616
Accrued liabilities	26,063
Total liabilities assumed	$ 55,679

The fair market value of the receivables is equal to contract value, as all amounts at June 30, 2016 are considered collectible.

The Organization will record the excess value of the acquired assets over the liabilities assumed as contribution revenue on July 1, 2016.

Note 21 - Subsequent Events (continued)

Family Life Center - Effective January 1, 2017, the Organization will acquire all of the assets and liabilities of its affiliate Family Life Center. The Organization is in the process of valuing the assets and liabilities of Family Life Center.

Refinance of notes payable with bond financing: In November 2016 the board of directors approved refinancing the Organization's notes payable on up to 9 parcels of real estate with the use of California Infrastructure and Economic Development Bank Revenue Series 2016A Bonds issued through Wells Fargo Bank. The bond refinancing closed in December 2016. Bonds will be issued up to a total of $17,008,563, including closing costs of $271,497, and will be secured by real estate. As of December 15, 2016, $2,902,031 of existing debt has been refinanced into these revenue bonds. The Organization will have until December 14, 2018 to roll its existing debts into the bond issue, to mitigate potential prepayment penalties. Principal payments begin January 2019, including expected interest at 2.8%, with final payment due December 2036.

Supplementary Information

Seneca Family of Agencies

Schedule of Expenditures of Alameda County Grants

Year Ended June 30, 2016

Program Name	Behavioral Health Care Services
Procurement Contract Number	11649
Board P.O	7085
Exhibit Number (or Description)	900121
Contract Period	07/01/15-06/30/16
Contract Amount	$ 21,071,973
Expenses	
Salaries and PR benefits	$ 15,609,177
Operating Expenses	2,177,465
Admin Allocation	2,161,077
Total Expenses	$ 19,947,719
Amount reimbursed by county	$ 18,708,736

SENECA FAMILY OF AGENCIES

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2016

Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures Federal	Expenditures Nonfederal	Expenditures Total
Department of Health & Human Services:					
Foster Care Title IV-E	93.658		$ 1,251,899	$ 2,300,254	$ 3,552,153
Pass-through - San Francisco Community College District	93.658		527,000	-	527,000
Pass-through - Alameda County, California	93.658		580,000	-	580,000
Pass-through - Solano County, California	93.658		105,207	-	105,207
Pass-through - Monterey County, California	93.658		96,800	-	96,800
Pass-through - Santa Clara County, California	93.658		14,000	-	14,000
Subtotal - Foster Care Title IV-E			2,574,906	2,300,254	4,875,160
Adoption Assistance	93.659		948,241	1,255,298	2,203,539
Family Connections	93.605		180,528	-	180,528
Pass-through - California Department of Education Child Development Division, State Preschool	93.596	CSPP-5021	19,874	-	19,874
Pass-through - California Department of Education Child Development Division, State Preschool	93.575	CSPP-5021	6,816	-	6,816
Pass-through - King County, Washington Child Abuse and Neglect	93.670	90CA1825-01-01	5,619	-	5,619
Pass-through - Sonoma County, California Promoting Safe and Stable Families	93.556	FYC-SFA-PSSF-1416	89,688	-	89,688
			3,825,672	3,555,552	7,381,224
Department of Education:					
Investing in Innovation (i3) Fund	84.411		1,076,959	-	1,076,959
Department of Justice:					
Pass-through - City and County of San Francisco					
Second Chance Act Reentry Initiative	16.812	946000455	15,376	-	15,376
Criminal and Juvenile Justice and Mental Health Collaboration	16.745	946000455	123,284	-	123,284
Pass-through - Sonoma County, California					
Keeping Kids in School	16.738	BSCC 608-14	417,019	-	417,019
			555,679	-	555,679
Department of Agriculture:					
Pass-through - California State Department of Agriculture					
National Breakfast Program	10.553	161309703	7,944	-	7,944
National Lunch Program	10.555	161309703	24,575	-	24,575
			32,519	-	32,519
Pass-through - California Department of Education:					
Child Development Division					
State Preschool		CSPP - 5021	-	56,284	56,284
			-	56,284	56,284
			$ 5,490,829	$ 3,611,836	$ 9,102,665

See auditors' report.

See accompanying notes to schedule of expenditures of federal and nonfederal awards.

SENECA FAMILY OF AGENCIES

Notes to Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and nonfederal awards includes the federal grant activity of Seneca Family of Agencies under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Seneca Family of Agencies, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Seneca Family of Agencies.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Seneca Family of Agencies has elected to not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' 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 Audit Committee of
Seneca Family of Agencies

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 consolidated financial statements of Seneca Family of Agencies (a California non-profit public benefit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Seneca Family of Agencies' 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 Seneca Family of Agencies' internal control. Accordingly, we do not express an opinion on the effectiveness of the Seneca Family of Agencies' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged in governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Seneca Family of Agencies' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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.

Gilmore and Associates, CPA

San Mateo, CA
December 15, 2016

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Audit Committee of
Seneca Family of Agencies

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Seneca Family of Agencies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Seneca Family of Agencies' major federal programs for the year ended June 30, 2016. Seneca Family of Agencies' major federal programs are identified in the summary of auditors' 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 programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of Seneca Family of Agencies' 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 Seneca Family of Agencies' 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 Seneca Family of Agencies' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Seneca Family of Agencies complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Seneca Family of Agencies 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 Seneca Family of Agencies' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seneca Family of Agencies' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilmore and Associates, CPA
San Mateo, CA
December 15, 2016

SENECA FAMILY OF AGENCIES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Seneca Family of Agencies.

2. No significant deficiencies related to the audit of the financial statements are reported in the Independent Auditors' 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*.

3. No instances of non-compliance material to financial statements of Seneca Family of Agencies, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.

5. The auditors report on compliance for the major federal award programs for Seneca Family of Agencies expresses an unqualified auditors' report on all major programs.

6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) were identified.

7. The programs tested as major programs include:

CFDA #93.659 Adoption Assistance	$948,241
CFDA #16.738 Keeping Kids in School	$417,019

8. The dollar threshold used to distinguish between type A and type B programs is $750,000.

9. Seneca Family of Agencies was determined to be a low-risk auditee.

Financial Statement Findings

No matters were reported.

Findings and Questioned Costs – Major Federal Awards Program Audit

No matters were reported.