

*Financial Statements  
and Independent Auditor's Report*

DRAFT

# **Family Assessment Counseling and Education Services**

**(A California Nonprofit Corporation)**

*Years Ended December 31, 2012 and 2011*

*Report Date July 25, 2013*

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

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# Hanzich & Company

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Family Assessment Counseling and  
Education Services

We have audited the accompanying statement of financial position of Family Assessment Counseling and Education Services (a California nonprofit corporation) as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Assessment Counseling and Education Services (a California nonprofit corporation) as of December 31, 2012, and the changes in its net deficit and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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HANZICH & COMPANY

July 25, 2013

**FAMILY ASSESSMENT AND COUNSELING EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Statement of Financial Position**  
**December 31, 2012**  
*(With Comparative Amounts for December 31, 2011)*

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|   | <u>2012</u>           | <u>2011</u>          |
|---|-----------------------|----------------------|
| <b>ASSETS</b>                               |                       |                      |
| Cash and cash equivalents                   | \$ 38,011             | \$ 2,799             |
| Accounts receivable (Note 3)                | 49,660                | 15,035               |
| Prepaid expenses and other assets           | 12,239                | 10,173               |
| Property and equipment, net (Note 2 and 4)  | <u>708</u>            | <u>1,943</u>         |
| <br>Total assets                            | <br><u>\$ 100,618</u> | <br><u>\$ 29,950</u> |
| <b>LIABILITIES AND NET ASSETS (DEFICIT)</b> |                       |                      |
| <b>Liabilities</b>                          |                       |                      |
| Accounts payable                            | \$ 4,050              | \$ 4,477             |
| Accrued salaries and other expenses         | 30,172                | 16,765               |
| Revolving credit                            | -                     | 1,400                |
| Notes payable                               | <u>-</u>              | <u>8,577</u>         |
| <br>Total liabilities                       | <br><u>34,222</u>     | <br><u>31,219</u>    |
| <br>Commitments and contingencies (Notes 6) |                       |                      |
| <b>Net deficit</b>                          |                       |                      |
| Unrestricted net assets (deficit)           | <u>66,396</u>         | <u>(1,269)</u>       |
| <br>Total net assets (deficit)              | <br><u>66,396</u>     | <br><u>(1,269)</u>   |
| <br>Total liabilities and net assets        | <br><u>\$ 100,618</u> | <br><u>\$ 29,950</u> |

See accompanying notes to financial statements.

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Statement of Activities**  
**For the Year Ended December 31, 2012**  
*(With Comparative Amounts for the Year Ended December 31, 2011)*

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|   | 2012         |                           |            | 2011       |
|---|--------------|---------------------------|------------|------------|
|   | Unrestricted | Temporarily<br>Restricted | Total      | Total      |
| <b>Public Support, Revenues and Reclassifications</b>                             |              |                           |            |            |
| Public support  |              |                           |            |            |
| Contracts and grants  | \$ 166,440   | \$ 65,363                 | \$ 231,803 | \$ 134,994 |
| Donated facilities and services   | -            | -                         | -          | 286        |
| Contributions   | 69,690       | -                         | 69,690     | 18,288     |
| Special events  | 5,858        | -                         | 5,858      | 2,801      |
| Total public support  | 241,988      | 65,363                    | 307,351    | 156,369    |
| Net assets released from restrictions<br>for satisfaction of program restrictions | 65,363       | (65,363)                  | -          | -          |
|   | 307,351      | -                         | 307,351    | 156,369    |
| Revenue   |              |                           |            |            |
| Client revenue  | 254,755      | -                         | 254,755    | 228,398    |
| Miscellaneous   | 5,361        | -                         | 5,361      | 2,059      |
|   | 260,116      | -                         | 260,116    | 230,457    |
| Total public support and revenues   | 567,467      | -                         | 567,467    | 386,826    |
| <b>Expenses</b>   |              |                           |            |            |
| Program services  | 433,393      | -                         | 433,393    | 318,392    |
| Supporting services - management<br>and general                                   | 66,409       | -                         | 66,409     | 60,385     |
| Total expenses  | 499,802      | -                         | 499,802    | 378,777    |
| <b>Increase in net assets</b>   | 67,665       | -                         | 67,665     | 8,049      |
| <b>Net deficit – beginning of year</b>  | (1,269)      | -                         | (1,269)    | (9,318)    |
| <b>Net assets (deficit) - end of year</b>   | \$ 66,396    | -                         | \$ 66,396  | \$ (1,269) |

See accompanying notes to financial statements.

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Statement of Functional Expenses**  
**For the Year Ended December 31, 2012**  
*(With Comparative Amounts for the Year Ended December 31, 2011)*

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|  | 2012                |                        |                   | 2011              |
|--|---------------------|------------------------|-------------------|-------------------|
|  | Program<br>Services | Supporting<br>Services | Total             | Total             |
| <b>Salaries and Related Expenses</b>             |                     |                        |                   |                   |
| Salaries and wages                               | \$ 191,267          | \$ 56,602              | \$ 247,869        | \$ 186,378        |
| Accounting                                       | 3,600               | 400                    | 4,000             | 4,000             |
| Advertising                                      | 1,361               | -                      | 1,361             | 623               |
| Bank charges                                     | 5,167               | 574                    | 5,741             | 3,663             |
| Computer maintenance                             | 729                 | 81                     | 810               | 1,249             |
| Program expense                                  | 65                  | -                      | 65                | 660               |
| Event expense                                    | 1,544               | 171                    | 1,715             | 889               |
| Fund raising                                     | 1,465               | 163                    | 1,628             | -                 |
| Insurance  | 11,724              | 1,303                  | 13,027            | 8,969             |
| Interest   | 431                 | 48                     | 479               | 1,090             |
| License and permits                              | 209                 | 23                     | 232               | 185               |
| Miscellaneous                                    | 2,957               | 329                    | 3,286             | 742               |
| Office expense                                   | 14,984              | 1,665                  | 16,649            | 16,693            |
| Payroll processing                               | 2,477               | 275                    | 2,752             | 3,959             |
| Printing   | -                   | -                      | -                 | 2,355             |
| Rent   | 59,988              | 6,665                  | 66,653            | 63,909            |
| Repairs and maintenance                          | 2,908               | 323                    | 3,231             | 1,287             |
| Taxes payroll and other                          | 96,102              | 12,155                 | 108,257           | 57,306            |
| Telephone and utilities                          | 14,605              | 1,623                  | 16,228            | 20,109            |
| Travel, conferences and dues                     | 4,126               | 458                    | 4,584             | 2,210             |
| Allocation of management and<br>general expenses | 16,572              | (16,572)               | -                 | -                 |
| Total expenses before depreciation               | 432,281             | 66,286                 | 498,567           | 376,276           |
| Depreciation                                     | 1,112               | 123                    | 1,235             | 2,501             |
| <b>Total expenses</b>                            | <b>\$ 433,393</b>   | <b>\$ 66,409</b>       | <b>\$ 499,802</b> | <b>\$ 378,777</b> |

See accompanying notes to financial statements.

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Statement of Cash Flows**  
**For the Year Ended December 31, 2012** **DRAFT**  
*(With Comparative Amounts for the Year Ended December 31, 2011)*

|   | <u>2012</u>      | <u>2011</u>     |
|---|------------------|-----------------|
| <b>Cash Flows from Operating Activities</b>   |                  |                 |
| Increase in net assets  | \$ 67,665        | \$ 8,049        |
| Adjustments to reconcile (increase) decrease in net assets to net cash and cash equivalents provided by operating activities: |                  |                 |
| Depreciation  | 1,235            | 2,501           |
| Increase (decrease) in cash from changes in operating assets and liabilities:   |                  |                 |
| Accounts receivable   | (34,625)         | 13,602          |
| Prepaid expenses and deposits   | (2,066)          | (1,366)         |
| Accounts payable  | (427)            | 1,176           |
| Accrued salaries and other expenses   | 13,407           | (11,532)        |
| <b>Net cash provided by operating activities</b>  | <u>45,189</u>    | <u>12,430</u>   |
| <b>Cash Flows from Investing Activities</b>   |                  |                 |
| <b>Net cash provided (used) by investing activities</b>   | <u>-</u>         | <u>-</u>        |
| <b>Cash Flows from Financing Activities</b>   |                  |                 |
| Net cash (paid) from/on revolving credit  | (1,400)          | (4,301)         |
| Principal payments on note payable  | (8,577)          | (8,669)         |
| <b>Net cash (used) by financing activities</b>  | <u>(9,977)</u>   | <u>(12,970)</u> |
| <b>Net Increase in Cash and Cash Equivalents</b>  | <b>35,212</b>    | <b>(540)</b>    |
| <b>Cash and Cash Equivalents – beginning of year</b>  | <u>2,799</u>     | <u>3,339</u>    |
| <b>Cash and Cash Equivalents – end of year</b>  | <u>\$ 38,011</u> | <u>\$ 2,799</u> |
| <i>Supplemental disclosure of cash flow information:</i>  |                  |                 |
| Cash paid for interest  | <u>\$ 479</u>    | <u>\$ 1,090</u> |

See accompanying notes to financial statements.

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Notes to Financial Statements**  
**Year Ended December 31, 2012**

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**1. Description of the Organization**

Family Assessment Counseling and Education Services (F.A.C.E.S.) (the "Organization") was founded in 1982 and provides counseling programs for children and families that are economically disadvantaged within the greater Orange County Area. The Organization receives a majority of its funding from county governmental agencies, public donations and program service fees.

The Organization is organized as a nonprofit, tax-exempt, charitable corporation under Section 501(c)(3) of the Internal Revenue Code and was formed pursuant to the general nonprofit corporation laws of the State of California.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The financial statements of the Organization have been prepared on the "accrual" basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

*Use of Estimates*

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

*Cash and Cash Equivalents*

The Organization considers highly liquid investment instruments purchased with a maturity of three months or less to be "cash equivalents." At year-end, cash and cash equivalents include demand deposit accounts, savings accounts, and certificates of deposit.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of uninsured cash balances. At year-end, the Organization did not have cash balances in excess of the Federal Deposit Insurance Corporation ("FDIC") guaranteed limit of \$250,000.



**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**2. Summary of Significant Accounting Policies (Continued)**

*Allowance for Doubtful Accounts*

An allowance for doubtful accounts has not been provided, as management has determined accounts receivable to be fully collectible.

*Property and Equipment*

The Organization capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to ten years.

Leasehold improvements are depreciated on the straight-line method over the lesser of the term of the related lease or estimated useful life, whichever is less.

*Impairment of Long-Lived Assets*

The Organization reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flow, or external appraisals, as applicable. The Organization reviews long-lived assets for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

*Website Development Costs*

The Organization expenses, as incurred, the costs of maintenance and minor enhancements to the features and functionality of its website.

*Reclassifications*

Certain reclassifications have been made to the 2011 financial statements in order to conform to the 2012 presentation.

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**2. Summary of Significant Accounting Policies (Continued)**

*Promises to Give*

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

*Contract and Grant Revenue*

Revenue from various contracts and grants are considered temporarily restricted and are recognized when related services are performed.

*Public Support and Revenue*

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recognized as revenues in the period received and recognized as revenue at their fair values.

The Organization collects fees for services provided which are recognized as revenues in the period received.

*Contributed Services*

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fund raising activities, but these services do not meet the criteria for recognition as contributed services. The Organization receives more than 500 volunteer hours per year.

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**2. Summary of Significant Accounting Policies (Continued)**

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*Functional Expenses*

The cost of providing services to the Organization has been summarized on a “functional” basis in the statement of functional expenses. Accordingly, certain costs have been allocated to the appropriate programs and services.

*Comparative Data*

The financial statements include 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 December 31, 2011, from which the summarized information was derived.

*Income Taxes*

The Organization is exempt from federal income under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been made.

**3. Accounts Receivable**

Accounts receivable consist of the following as of December 31, 2012:

|                              |                  |
|------------------------------|------------------|
| Program contracts and grants | <u>\$ 49,660</u> |
|------------------------------|------------------|

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**4. Property and Equipment**

Property and equipment consists of the following at December 31, 2012:

|                               |    |                 |
|-------------------------------|----|-----------------|
| Leasehold improvements        | \$ | 22,102          |
| Office equipment              |    | 14,210          |
| Play equipment                |    | <u>2,508</u>    |
|                               |    | 38,820          |
| Less accumulated depreciation |    | <u>(38,112)</u> |
| Total                         | \$ | <u>708</u>      |

Total depreciation expense charged to operations was \$1,235 for the year ended December 31, 2012.

**5. Temporarily Restricted Net Assets**

The change to temporarily restricted net assets by program contract is summarized below:

| <u>Programs</u>      | <u>Balance at<br/>December<br/>31, 2011</u> | <u>Additions<br/>to Public<br/>Support</u> | <u>Net assets<br/>released<br/>from<br/>Restriction</u> | <u>Balance at<br/>December<br/>31, 2012</u> |
|----------------------|---|--|---|---|
| Contracts and Grants | \$ -  | \$ 65,363                                  | \$ (65,363)   | \$ -  |
|                      | <u>\$ -</u>                                 | <u>\$ 65,363</u>                           | <u>\$ (65,363)</u>                                      | <u>\$ -</u>                                 |

Net assets were released from donor/grantor restrictions by incurring program expenses satisfying donor/grantor restriction totaling \$65,363.

**FAMILY ASSESSMENT COUNSELING AND EDUCATION SERVICES**  
*(A California Nonprofit Corporation)*

**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**6. Commitments and Contingencies**

*Leases*

The Organization leases its facility under a non-cancelable operating leases expiring in various years through 2017, and is committed to minimum rental payments (exclusive of real estate taxes, maintenance, etc.) as follows:

| <u>Years<br/>Ending</u>         | <u>Operating Lease (Offices)</u> |                  |                     | <u>Total</u>     |
|---------------------------------|----------------------------------|------------------|---------------------|------------------|
|                                 | <u>Santa Ana</u>                 | <u>Placentia</u> | <u>Laguna Nigel</u> |                  |
| 2013                            | \$ 7,980                         | \$ 23,112        | \$ -                | \$ 31,092        |
| 2014                            | -                                | -                | -                   | -                |
| 2015                            | -                                | -                | -                   | -                |
| 2016                            | -                                | -                | -                   | -                |
| 2017                            | -                                | -                | -                   | -                |
| Total minimum<br>lease payments | \$ <u>7,980</u>                  | \$ <u>23,112</u> | \$ <u>-</u>         | \$ <u>31,092</u> |

Rent expense charged to operations was \$66,653 for the year ended December 31, 2012.

*Litigation*

There is no existing or pending litigation involving the Organization as a defendant at this time.

**7. Subsequent Events**

The Organization's management has evaluated subsequent events through July 25, 2013 with no events requiring disclosure noted.