

***COMMUNITY SERVICE PROGRAMS, INC.***

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**WITH INDEPENDENT AUDITORS' REPORT**

**COMMUNITY SERVICE PROGRAMS, INC.**

**SINGLE AUDIT OF FEDERAL AND SELECTED STATE ASSISTED  
GRANT PROGRAMS**

**JUNE 30, 2014**

COMMUNITY SERVICE PROGRAMS, INC.

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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*

Board of Directors  
Community Service Programs, Inc.  
Santa Ana, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Community Service Programs, Inc. (a nonprofit organization)(the "Organization"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated December 12, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-01, which we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

We noted certain other matters that we have reported to management and the Board of Directors in a separate letter dated December 12, 2014.

## **Response to Findings**

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

*White Nelson Dick Evans LLP*

Irvine, California  
December 12, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL AND SELECTED STATE PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL, SELECTED STATE, AND OTHER AWARDS

Board of Directors  
Community Service Programs, Inc.  
Santa Ana, California

**Report on Compliance for Each Major Federal and Selected State Program**

We have audited the Community Service Programs, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal and selected state programs for the year ended June 30, 2014. The Organization's major federal and selected state 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 the requirements of laws, regulations, contracts and grants applicable to its federal and selected state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and selected state 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 or selected state program occurred. An audit includes examining, on a test basis, evidence about the Organization's 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 and selected state program. However, our audit does not provide a legal determination of the Organization's compliance.

## **Opinion on Each Major Federal and Selected State Program**

In our opinion, the Organization 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 and selected state programs for the year ended June 30, 2014.

## **Report on Internal Control over Compliance**

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or selected state 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 and selected state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Organization's 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 or selected state 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 or selected state 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 or selected state 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding numbers 2014-02 through 2014-04, that we consider to be significant deficiencies.

The Organization's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Organization as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements. We issued our report thereon dated December 12, 2014, which contained unmodified opinions on those financial statements. 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, selected state, and other awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. The supplemental schedules are also presented for purposes of additional analysis and are not a required part of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

*White Nelson Diehl Evans LLP*

Irvine, California  
December 12, 2014

**SCHEDULE OF EXPENDITURES OF FEDERAL,  
SELECTED STATE, AND OTHER AWARDS**

**AND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, SELECTED STATE,  
AND OTHER AWARDS

For the year ended June 30, 2014

Federal Grantor/Pass - Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grant Identification Number	Federal Expenditures
<u>United States Department of Health and Human Services</u>			
Direct Assistance:			
Runaway and Homeless Youth Program	93.623	90CY2578-02-01	\$ 55,528
Runaway and Homeless Youth Program	93.623	90CY2578-03-00	142,072
Faith Coalition	93.276	5H79SP014793-05	24,367
Faith Coalition	93.276	5H79SP014793-06	82,576
Passed-through the County of Orange:			
Substance Abuse Prevention and Treatment Block Grant:			
Faith Based Project	93.959	N/A	86,670
Prevention Project Services - Prescriptions and OCT Drug Abuse - SAPT	93.959	N/A	359,897
Prevention Project Services - AOD Impaired Driving - SAPT	93.959	N/A	367,471
Passed-through the State of California:			
California Governor's Office of Emergency Services (Cal OES)			
Promoting Safe and Stable Families			
Victims of Abuse	93.556	AT12090300	24,508
Victims of Abuse - sub recipient payments	93.556	AT12090300	61,656
Victims of Abuse	93.556	AT13100300	51,187
Victims of Abuse - sub recipient payments	93.556	AT13100300	149,832
Preventative Health and Health Services Block Grant			
Sexual Assault Services Program - North County	93.991	RC12321039	10,437
Sexual Assault Services Program - North County	93.991	RC13331039	51,914
Sexual Assault Services Program - South County	93.991	RC12181039	7,899
Sexual Assault Services Program - South County	93.991	RC13191039	32,421
Children's Justice Act			
Human Trafficking of Minors, Law Enforcement and First Responder Training	96.643	HM12041039	78,105
Human Trafficking of Minors, Law Enforcement and First Responder Training - subrecipient payments	96.643	HM12041039	34,664
Human Trafficking of Minors, Law Enforcement and First Responder Training	96.643	HM13051039	161,807
Human Trafficking of Minors, Law Enforcement and First Responder Training - subrecipient payments	96.643	HM13051039	68,914
Department of Alcohol and Drug Programs			
California Strategic Prevention Framework State Incentive Grant (SPF SIG) - Huntington Beach	93.243	SPF SIG 12-11	21,498
California Strategic Prevention Framework State Incentive Grant (SPF SIG) - Huntington Beach	93.243	N/A	97,642
Total U.S. Department of Health and Health Services			1,971,065
<u>United States Department of Justice</u>			
Direct Assistance:			
Services for Trafficking Victims	16.320	2010-VT-BX-K003	34,417
Services for Trafficking Victims	16.320	2012-VT-BX-K017	186,322

See Accompanying Independent Auditors' Report on Compliance for Each Major Federal and Selected State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 3 to 5) and Notes to Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 9 to 10).

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, SELECTED STATE,  
AND OTHER AWARDS (CONTINUED)

For the year ended June 30, 2014

Federal Grantor/Pass - Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grant Identification Number	Federal Expenditures
<u>United States Department of Health and Human Services</u>			
Passed-through the County of Orange:			
Domestic Violence Victim Services	16.588	N1000009934	\$ 47,929
Domestic Violence Victim Services	16.588	N1000009934	7,584
Passed through the State of California:			
California Emergency Management Agency (Cal EMA)			
Crime Victim Assistance:			
Victim/Witness Assistance Program	16.575	VW13320300	544,445
Sexual Assault Services Program - North County	16.575	RC12321039	39,869
Sexual Assault Services Program - North County	16.575	RC13331039	194,246
Sexual Assault Services Program - South County	16.575	RC12181039	26,213
Sexual Assault Services Program - South County	16.575	RC13191039	121,561
Gang Victim Services Program	16.575	UV12030300	27,197
Gang Victim Services Program	16.575	UV13041039	93,651
Gang Victim Services Program	16.575	UV12031039	28,321
Comprehensive Treatment Services to Children:			
Victims of Abuse	16.575	FSD1411	6,148
Victims of Abuse - subrecipient payments	16.575	FSD1411	7,251
Victims of Abuse	16.575	FSD1411	20,474
Victims of Abuse - subrecipient payments	16.575	FSD1411	24,452
Unserved/Underserved Victims Advocacy & Outreach Program - South County	16.575	UV13040300	92,555
Emergency Management:			
Department of Emergency Management - Violence against Women Vertical Prosecution Program	16.588	VV10020300	17,174
Passed through the City of Huntington Beach and the Children's Bureau:			
Violence Against Women Formula Grants			
Domestic Violence Victim Services	16.588	N/A	40,958
Domestic Violence Victim Services	16.588	N/A	39,473
Total U.S. Department of Justice			<u>1,600,240</u>
<u>United States Department of Housing and Urban Development</u>			
Passed through the State of California:			
Community Development Block Grant	14.218	N/A	5,153
Passed through the City of Huntington Beach:			
Community Development Block Grant	14.218	N/A	3,425
Total U.S. Department of Housing and Urban Development			<u>8,578</u>
TOTAL FEDERAL AWARDS			<u>3,579,883</u>

See Accompanying Independent Auditors' Report on Compliance for Each Major Federal and Selected State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 3 to 5) and Notes to Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 9 to 10).

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL, SELECTED STATE,  
AND OTHER AWARDS (CONTINUED)

For the year ended June 30, 2014

Federal Grantor/Pass - Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grant Identification Number	Federal Expenditures
<u>Selected State Awards</u>			
Passed through the State of California:			
County of Orange Health Care Agency			
Collaborative Counts Full Service Partnership	N/A	N/A	\$ 2,146,967
Youthful Offenders	N/A	N/A	1,969,558
CRP	N/A	N/A	1,362,279
California Emergency Management Agency	N/A	VW13320300	499,419
Passed through the City of Santa Ana:			
Fullerton CalGRIP - Anit Gang (Cal EMA)	N/A	N/A	74,266
<u>Other</u>			
County of Orange:			
Dispute Resolution Program	N/A	N/A	284,975
Families First	N/A	N/A	589,988
TOTAL SELECTED STATE AWARDS			6,927,452
TOTAL FEDERAL AND SELECTED STATE AWARDS			10,507,335

See Accompanying Independent Auditors' Report on Compliance for Each Major Federal and Selected State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 3 to 5) and Notes to Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 9 to 10).

COMMUNITY SERVICE PROGRAMS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, SELECTED  
STATE, AND OTHER AWARDS

For the year ended June 30, 2014

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal, Selected State, and Other Awards only presents the activity of federal and applicable state award programs of Community Service Programs, Inc. (the Organization) and, therefore, does not present the financial position or results of operations of the Organization. The information in this schedule is presented under the accrual basis of accounting in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

2. RELATIONSHIP TO FINANCIAL STATEMENTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal, Selected State, and Other Awards agree to amounts reported within the Organization's Financial Statements.

3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal Selected State, and Other Awards agree with amounts reported in federal and state financial reports.

4. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

See Accompanying Independent Auditors' Report on Compliance for Each Major Federal and Selected State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 3-5) and Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 6-8).

COMMUNITY SERVICE PROGRAMS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, SELECTED  
STATE, AND OTHER AWARDS (CONTINUED)

For the year ended June 30, 2014

5. SUBRECIPIENTS:

During the fiscal year ended June 30, 2014, the Organization disbursed Federal Funds of \$31,719 to subrecipients under the United States Department of Justice Grant Program (CFDA #16.575), \$208,472 under the United States Department of Health and Human Services Grant Program (CFDA #93.556), and \$103,578 under the United States Department of Health and Human Services Grant Program (CFDA #96.643).

See Accompanying Independent Auditors' Report on Compliance for Each Major Federal and Selected State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 3-5) and Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 6-8).

## COMMUNITY SERVICE PROGRAMS, INC.

**Victim/Witness Assistance, Gang Victim Services and Unserved/  
Underserved Victims Advocacy and Outreach Programs  
Funded by the California Emergency Management Agency (Cal OES)**

**Statement of Costs Claimed and Accepted**

Year ended June 30, 2014

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>VW13320300</u>			
<u>July 1, 2013 through June 30, 2014</u>			
Personal services	\$ 942,430	942,430	-
Operating expenses	<u>101,434</u>	<u>101,434</u>	<u>-</u>
Total	<u>\$ 1,043,864</u>	<u>1,043,864</u>	<u>-</u>
	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>UV13041039</u>			
<u>October 1, 2013 through September 30, 2014</u>			
Personal services	\$ 89,436	\$ 89,436	-
Personal services (match in-kind)	18,180	18,180	-
Operating expenses	3,884	3,884	-
Operating expenses (match in-kind)	<u>6,897</u>	<u>6,897</u>	<u>-</u>
Total	<u>\$ 118,397</u>	<u>118,397</u>	<u>-</u>
	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>UV12031039</u>			
<u>October 1, 2012 through September 30, 2013</u>			
Personal services	\$ 27,786	\$ 27,786	-
Personal services (match in-kind)	2,303	2,303	-
Operating expenses	1,017	1,017	-
Operating expenses (match in-kind)	<u>4,888</u>	<u>4,888</u>	<u>-</u>
Total	<u>\$ 35,994</u>	<u>35,994</u>	<u>-</u>

## COMMUNITY SERVICE PROGRAMS, INC.

**Gang Victim Services and Sexual Assault Services Programs  
Funded by the California Emergency Management Agency (Cal OES)**

**Statement of Costs Claimed and Accepted**

Year ended June 30, 2014

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>UV13040300</u>			
<u>October 1, 2013 through September 30, 2014</u>			
Personal services	\$ 85,137	\$ 85,137	-
Personal services (match in-kind)	22,358	22,358	-
Operating expenses	7,428	7,428	-
Operating expenses (match in-kind)	<u>3,554</u>	<u>3,554</u>	<u>-</u>
Total	<u>\$ 118,477</u>	<u>118,477</u>	<u>-</u>

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>UV12030300</u>			
<u>October 1, 2012 through September 30, 2013</u>			
Personal services	\$ 27,526	\$ 27,526	-
Personal services (match in-kind)	6,984	6,984	-
Operating expenses	618	618	-
Operating expenses (match in-kind)	<u>53</u>	<u>53</u>	<u>-</u>
Total	<u>\$ 35,181</u>	<u>35,181</u>	<u>-</u>

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>RC13331039</u>			
<u>September 1, 2013 through August 31, 2014</u>			
Personal services	\$ 215,815	\$ 215,815	-
Personal services (match in-kind)	59,672	59,672	-
Operating expenses	<u>28,193</u>	<u>28,193</u>	<u>-</u>
Total	<u>\$ 303,680</u>	<u>303,680</u>	<u>-</u>

COMMUNITY SERVICE PROGRAMS, INC.

Sexual Assault Victim Services Program  
 Funded by the California Emergency Management Agency (Cal OES)

Statement of Costs Claimed and Accepted

Year ended June 30, 2014

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>RC12321039</u>			
<u>September 1, 2012 through August 31, 2013</u>			
Personal services	\$ 45,905	\$ 45,905	-
Personal services (match in-kind)	-	-	-
Operating expenses	5,309	5,309	-
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 51,214</u>	<u>51,214</u>	<u>-</u>

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>RC13191039</u>			
<u>September 1, 2013 through August 31, 2014</u>			
Personal services	\$ 133,144	\$ 133,144	-
Personal services (match in-kind)	38,197	38,197	-
Operating expenses	19,641	19,641	-
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 190,982</u>	<u>190,982</u>	<u>-</u>

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>RC12181039</u>			
<u>September 1, 2012 through August 31, 2013</u>			
Personal services	\$ 30,141	\$ 30,141	-
Personal services (match in-kind)	-	-	-
Operating expenses	4,398	4,398	-
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 34,539</u>	<u>34,539</u>	<u>-</u>

## COMMUNITY SERVICE PROGRAMS, INC.

**Victims of Abuse and Gang Victim Services - Special Victim Programs  
Funded by the California Emergency Management Agency (Cal OES)**

**Statement of Costs Claimed and Accepted**

Year ended June 30, 2014

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>AT11080300</u>			
<u>October 1, 2011 thru September 30, 2012</u>			
Promoting Safe and Stable Families - CSP	27,873	27,873	-
Promoting Safe and Stable Families - Passed-thru	<u>87,536</u>	<u>87,536</u>	<u>-</u>
Total	<u>\$ 115,409</u>	<u>115,409</u>	<u>-</u>

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>AT12090300</u>			
<u>October 1, 2012 thru September 30, 2013</u>			
Promoting Safe and Stable Families - CSP	78,723	78,723	-
Promoting Safe and Stable Families - Passed-thru	<u>151,279</u>	<u>151,279</u>	<u>-</u>
Total	<u>\$ 230,002</u>	<u>230,002</u>	<u>-</u>

## COMMUNITY SERVICE PROGRAMS, INC.

**Human Trafficking of Minors, Law Enforcement and First Responder Training  
Funded by the California Emergency Management Agency (Cal OES)**

**Statement of Costs Claimed and Accepted**

Year ended June 30, 2014

	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>HM11031039</u>			
<u>January 1, 2012 through December 31, 2012</u>			
Personal services	\$ 33,449	33,449	-
Operating expenses	<u>134,192</u>	<u>134,192</u>	<u>-</u>
Total	<u>\$ 167,641</u>	<u>167,641</u>	<u>-</u>
	<u>Costs per Claims</u>	<u>Costs Accepted</u>	<u>Costs Questioned</u>
<u>HM12041039</u>			
<u>October 1, 2012 through September 30, 2013</u>			
Personal services	\$ 102,853	102,853	-
Operating expenses	<u>163,217</u>	<u>163,217</u>	<u>-</u>
Total	<u>\$ 266,070</u>	<u>266,070</u>	<u>-</u>

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2014

1. SUMMARY OF AUDITORS' RESULTS:

*Financial Statements*

Type of auditor report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified?  yes  no
- Significant deficiency identified?  yes  none reported

Noncompliance material to financial statements noted:  yes  no

*Federal Awards:*

Internal control over major programs:

- Material weakness identified?  yes  no
- Significant deficiency identified?  yes  none reported

Type of auditor report issued on compliance for major programs:

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

yes  no

Identification of major programs:

CFDA Number

16.575

Name of Federal Program or Cluster

United States Department of Justice, Passed Through the State of California, Crime Victim Assistance Grants

CFDA Number

93.959

Name of Federal Program or Cluster

United States Department of Health and Health Services, Passed Through the County of Orange, Substance Abuse Prevention and Treatment Block Grants

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF AUDITORS' RESULTS (CONTINUED):

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
96.643	United States Department of Health and Human Service, Passed Through the State of California, Children Justice Act Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? x yes      \_\_\_ no

2. FINDINGS - FINANCIAL STATEMENT AUDIT:

Finding Number 2014-01: Material Audit Adjustments

Criteria

An important element of control over financial reporting is for management to identify adjustments necessary for financial statements to be fairly stated. Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit. However, when this is not possible, management should ensure that the auditors are made aware of potential areas where adjustments may be needed.

Condition

During the audit for the year ended June 30, 2014, there were auditor identified adjustments affecting cash, accounts payable, accrued expenses, deferred rent, fixed assets, revenues, and expenses.

Cause

The Organization's internal controls over the financial reporting did not allow for the identification and correction of cash, accounts payable, accrued expenses, deferred rent, fixed assets, revenues, and expenses.

Effect

Audit adjustments were required to correct cash, accounts payable, accrued expenses, deferred rent, fixed assets, revenues, and expenses.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2014

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED):

Finding Number 2014-01: Material Audit Adjustments (continued)

Recommendation

We recommended the Organization develop a formal year-end closing schedule to ensure all necessary accrual adjustments are posted to properly state the fiscal year-end financial statements in accordance with Generally Accepted Accounting Principles.

Management Response

Management will work to ensure that adjustments are posted to the general ledger prior to the start of the audit.

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT:

Finding Number 2014-02: Substance Abuse Prevention and Treatment Block Grant - CFDA 93.959

Criteria

OMB Circular A-122 Section (8)(m) provides that where employees time is charged to Federal awards, distribution of salaries and wages to award must be supported by personnel activity reports. The reports must be prepared on a monthly basis and reflect an after-the-fact determination of the actual activity of each employee must account for the total activity for which employees are compensated and is required in fulfillment of their obligations to the organization, and must be signed by the individual employee or supervisor. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

Condition

We tested a sample of payroll employees whose time was charged to the grant program to determine the Organization's compliance with the proper reporting and documentation of after-the-fact determination of actual activity. We found that for the fiscal year ended June 30, 2014, the Organization did not prepare reports that reflected an after-the-fact determination of the actual activity of each employee whose time was charged to a Federal award.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2014

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT  
(CONTINUED):

Finding Number 2014-02: Substance Abuse Prevention and Treatment Block Grant - CFDA  
93.959 (continued)

Cause

The Organization has not established a process of tracking time spent on this program based on an after-the-fact determination of actual activity of each employee.

Effect

A portion of the time charged to the program was based on a budgeted allocation of employees time spent.

Recommendation

We recommend the Organization improve their controls over distribution of salaries and wages. At the end of each grant period, the Organization should prepare a report to determination the actual amount of employee's time spent on the grant their time is charged to.

Management Response

The Organization will develop and implement a spreadsheet-based procedure to periodically check and review the administrative salaries charged to federal grants to ensure charges are accurate and reasonable.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2014

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT  
(CONTINUED):

Finding Number 2014-03: Children's Justice Act - Human Trafficking of Minors, Law Enforcement and First Responder Training Grants - CFDA 96.643 (Agreement HM12041039 and HM13051039)

Criteria

OMB Circular A-122 Section (8)(m) provides that where employees time is charged to Federal awards, distribution of salaries and wages to award must be supported by personnel activity reports. The reports must be prepared on a monthly basis and reflect an after-the-fact determination of the actual activity of each employee must account for the total activity for which employees are compensated and is required in fulfillment of their obligations to the organization, and must be signed by the individual employee or supervisor. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

Condition

We tested a sample of payroll employees whose time was charged to the grant program to determine the Organization's compliance with the proper reporting and documentation of after-the-fact determination of actual activity. We found that for the fiscal year ended June 30, 2014, the Organization did not prepare reports that reflected an after-the-fact determination of the actual activity of each employee whose time was charged to a Federal award.

Cause

The Organization has not established a process of tracking time spent on this program based on an after-the-fact determination of actual activity of each employee.

Effect

A portion of the time charged to the program was based on a budgeted allocation of employees time spent.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2014

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT  
(CONTINUED):

Finding Number 2014-03: Children's Justice Act - Human Trafficking of Minors, Law Enforcement and First Responder Training Grants - CFDA 96.643 (Agreement HM12041039 and HM13051039) (continued)

Recommendation

We recommend the Organization improve their controls over distribution of salaries and wages. At the end of each grant period, the Organization should prepare a report to determination the actual amount of employee's time spent on the grant their time is charged to.

Management Response

The Organization will develop and implement a spreadsheet-based procedure to periodically check and review the administrative salaries charged to federal grants to ensure charges are accurate and reasonable.

Finding Number 2014-04: Crime Victim Assistance Grants - CFDA 16.575 (Agreement VW13320300, RC12321039, RC13331039, RC12181039, RC13191039, UV12030300, UV13041039, UV12031039, UV13040300, and FSD1411)

Criteria

OMB Circular A-122 Section (8)(m) provides that where employees time is charged to Federal awards, distribution of salaries and wages to award must be supported by personnel activity reports. The reports must be prepared on a monthly basis and reflect an after-the-fact determination of the actual activity of each employee must account for the total activity for which employees are compensated and is required in fulfillment of their obligations to the organization, and must be signed by the individual employee or supervisor. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2014

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT  
(CONTINUED):

Finding Number 2014-04: Crime Victim Assistance Grants - CFDA 16.575 (Agreement VW13320300, RC12321039, RC13331039, RC12181039, RC13191039, UV12030300, UV13041039, UV12031039, UV13040300, and FSD1411) (continued)

Condition

We tested a sample of payroll employees whose time was charged to the grant program to determine the Organization's compliance with the proper reporting and documentation of after-the-fact determination of actual activity. We found that for the fiscal year ended June 30, 2014, the Organization did not prepare reports that reflected an after-the-fact determination of the actual activity of each employee whose time was charged to a Federal award.

Cause

The Organization has not established a process of tracking time spent on this program based on an after-the-fact determination of actual activity of each employee.

Effect

A portion of the time charged to the program was based on a budgeted allocation of employees time spent.

Recommendation

We recommend the Organization improve their controls over distribution of salaries and wages. At the end of each grant period, the Organization should prepare a report to determination the actual amount of employee's time spent on the grant their time is charged to.

Management Response

The Organization will develop and implement a spreadsheet-based procedure to periodically check and review the administrative salaries charged to federal grants to ensure charges are accurate and reasonable.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2014

FINANCIAL STATEMENT AUDIT

Finding Number 2013-01: Material Audit Adjustments

Condition

An important element of control over financial reporting is for management to identify adjustments necessary for financial statements to be fairly stated. Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit. However, when this is not possible, management should ensure that the auditors are made aware of potential areas where adjustments may be needed. During the audit for the year ended June 30, 2013, there were auditor identified adjustments affecting cash and investments, deferred rent, fixed assets, revenues, and expenses.

Recommendation

Prior auditors recommended that the Organization develop a formal year-end closing schedule to ensure all necessary accrual adjustments are posted to properly state the fiscal year-end financial statements in accordance with Generally Accepted Accounting Principles. Management concurred with our recommendation.

Current Status

This finding is repeated in fiscal year 2013-2014. See finding number 2014-01.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

For the year ended June 30, 2014

MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding Number 2013-02: Preventative Health and Health Services Block Grant CFDA 93.991 (Agreement RC12321039, RC11311039, RC12181039, and RC11171039)

Condition

OMB Circular A-122 Section (8)(m) provides that where employees time is charged to Federal awards, distribution of salaries and wages to award must be supported by personnel activity reports. The reports must be prepared on a monthly basis and reflect an after-the-fact determination of the actual activity of each employee must account for the total activity for which employees are compensated and is required in fulfillment of their obligations to the organization, and must be signed by the individual employee or supervisor. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

Prior Auditors tested a sample of payroll employees whose time was charged to the grant program to determine the Organization's compliance with the proper reporting and documentation of after-the-fact determination of actual activity. We found that for the fiscal year ended June 30, 2013, the Organization did not prepare reports that reflected an after-the-fact determination of the actual activity of each employee whose time was charged to a Federal award.

Recommendation

Prior auditors recommended that the Organization improve their controls over distribution of salaries and wages. At the end of each grant period, the Organization should prepare a report to determination the actual amount of employee's time spent on the grant their time is charged to.

Current Status

This finding is repeated in fiscal year 2013-2014. See finding number 2014-02.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

For the year ended June 30, 2014

Finding Number 2013-03: Crime Victim Assistance Program - CFDA 16.575 (Agreement VW13320300, RC12321039, RC13331039, RC12181039, RC13191039, UV12030300, UV13041039, UV12031039, UV13040300, and FSD1411)

Condition

OMB Circular A-122 Section (8)(m) provides that where employees time is charged to Federal awards, distribution of salaries and wages to award must be supported by personnel activity reports. The reports must be prepared on a monthly basis and reflect an after-the-fact determination of the actual activity of each employee must account for the total activity for which employees are compensated and is required in fulfillment of their obligations to the organization, and must be signed by the individual employee or supervisor. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

A sample payroll employees whose time was charged to the grant program was tested to determine the Organization's compliance with the proper reporting and documentation of after-the-fact determination of actual activity. For the fiscal year ended June 30, 2013, the Organization did not prepare reports that reflected an after-the-fact determination of the actual activity of each employee whose time was charged to a Federal award.

Recommendation

It was recommend that the Organization improve their controls over distribution of salaries and wages. At the end of each grant period, the Organization should prepare a report to determination the actual amount of employee's time spent on the grant their time is charged to.

Current Status

The finding was repeated in the fiscal year 2013-2014. See finding number 2014-03.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

COMMUNITY SERVICE PROGRAMS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

For the year ended June 30, 2014

Finding Number 2013-04: Children's Justice Act - CFDA 96.643 (Agreement HM11031039 and HM12041039)

Condition

OMB Circular A-122 Section (8)(m) provides that where employees time is charged to Federal awards, distribution of salaries and wages to award must be supported by personnel activity reports. The reports must be prepared on a monthly basis and reflect an after-the-fact determination of the actual activity of each employee must account for the total activity for which employees are compensated and is required in fulfillment of their obligations to the organization, and must be signed by the individual employee or supervisor. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

A sample of payroll employees whose time was charged to the grant program was tested to determine the Organization's compliance with the proper reporting and documentation of after-the-fact determination of actual activity. For the fiscal year ended June 30, 2013, the Organization did not prepare reports that reflected an after-the-fact determination of the actual activity of each employee whose time was charged to a Federal award.

Recommendation

Prior auditors recommended that the Organization improve their controls over distribution of salaries and wages. At the end of each grant period, the Organization should prepare a report to determination the actual amount of employee's time spent on the grant their time is charged to.

Current Status

This finding is repeated in fiscal year 2013-2014. See finding number 2014-04.

See Accompanying 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* and Independent Auditors' Report on Compliance for Each Major Federal, Selected State, and Other Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal, Selected State, and Other Awards (pages 1-5).

**COMMUNITY SERVICE PROGRAMS, INC.**  
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**JUNE 30, 2014**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Community Service Programs, Inc.  
Santa Ana, California

We have audited the accompanying financial statements of Community Service Programs, Inc., (a nonprofit organization) ("the Organization") which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, cash flows, and functional expenses, for the year 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 audit. We conducted our audit 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 auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Community Service Programs, Inc. as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the Organization's 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 the Organization's internal control over financial reporting and compliance.

*White Nelson Diehl Evans LLP*  
Irvine, California  
December 12, 2014

**COMMUNITY SERVICE PROGRAMS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

**ASSETS**

	2014
Current Assets:	
Cash and cash equivalents	\$ 1,510,178
Investments	268,577
Accounts and grants receivable	1,874,032
Prepaid expenses	90,974
Total Current Assets	3,743,761
Property, plant, and equipment, at Net Book Value	278,643
Noncurrent Assets:	
Deposits	76,453
Total Assets	\$ 4,098,857

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 280,694
Accrued salaries and vacation	718,852
Deferred rent	50,716
Advances from funding sources	7,250
Total Current Liabilities	1,057,512
Net Assets:	
Unrestricted	2,334,718
Temporarily restricted	529,964
Permanently restricted	176,663
Total Net Assets	3,041,345
Total Liabilities and Net Assets	\$ 4,098,857

The accompanying notes are an integral part of these financial statements

**COMMUNITY SERVICE PROGRAMS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2014**

Changes In Unrestricted Net Assets

Unrestricted Support and Revenues:

Contributions:

United Way	\$	66,050
Foundations		181,826
Corporations		59,266
Individuals		24,868
Court directed victim assistance programs		884,916
Other		85,476

Total Contributions		1,302,402
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Special Events:

Golf tournament revenue		70,348
Direct expenses		(26,074)

Net Support from Golf Tournament		44,274
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Light a light of love event		98,418
Direct expenses		(9,639)

Net Support from Light a Light of Love Event		88,779
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Wine tasting		62,520
Direct expenses		(6,397)

Net Support from Wine Tasting		56,123
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Total Special Events		189,176
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Other Revenues:

Grants from federal and state agencies		10,994,245
Grants from other agencies		2,613,439
Client fees		77,676
Investment income		8,814
Other		(4,008)

Total Other Revenues		13,690,166
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Subtotal Support and Revenues		15,181,744
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Net Assets Released from Restriction		4,568
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Total Unrestricted Support and Revenues		15,186,312
---	--	------------

The accompanying notes are an integral part of these financial statements

**COMMUNITY SERVICE PROGRAMS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2014**

Changes In Unrestricted Net Assets (Continued):

Expenses:

Program Services:

Victim/witness assistance	\$ 5,354,638
Youth development services	5,925,932
Huntington Beach shelter and gang prevention	706,644
Crisis residential	1,241,877
Outpatient	524,807
Dispute resolution	275,194

Total Program Services	14,029,092
------------------------	------------

Supporting Services:

Management and general	1,239,827
Fundraising and development	54,034

Total Supporting Services	1,293,861
---------------------------	-----------

Total Expenses	15,322,953
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Decrease in Unrestricted Net Assets	(136,641)
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Changes In Temporarily Restricted Support:

Support and Revenues:

Investment income	35,715
Other contributions	193,663

Total Support and Revenues	229,378
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Net Assets Released from Restrictions	(4,568)
---------------------------------------	---------

Increase in Temporarily Restricted Net Assets	224,810
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Increase in Total Net Assets	88,169
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Total Net Assets at Beginning of Year - As Restated	2,953,176
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Total Net Assets at End of Year	\$ 3,041,345
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The accompanying notes are an integral part of these financial statements

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**COMMUNITY SERVICE PROGRAMS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2014**

	2014
Cash Flows from Operating Activities:	
Increase in Total Net Assets	\$ 88,169
Non-cash Items Included in Increase in Total Net Assets:	
Depreciation and amortization	21,125
Unrealized gain on investments	(26,314)
Changes in:	
Accounts and grants receivable	287,892
Other receivable	71,965
Prepaid expenses	(62,759)
Deposits	(78)
Accounts payable	(123,570)
Accrued salaries and vacation	(6,354)
Deferred rent	(21,241)
Advances from funding sources	(8,453)
Net Cash Provided By Operating Activities	220,382
Cash Flows from Investing Activities:	
Purchase of property and equipment	(3,325)
Investment Income, net	(7,360)
Net Cash Used in Investing Activities	(10,685)
Net Increase in Cash and Cash Equivalents	209,697
Cash and Cash Equivalents at Beginning of Year	1,300,481
Cash and Cash Equivalents at End of Year	\$ 1,510,178

The accompanying notes are an integral part of these financial statements

**COMMUNITY SERVICE PROGRAMS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

	Program Services			
	Victim/ Witness Assistance	Youth Development Services	Huntington Beach Shelter and Gang Prevention	Crisis Residential
Salaries and Related Expenses:				
Salaries	\$ 3,519,137	\$ 3,339,118	\$ 487,801	\$ 813,573
Payroll taxes	300,339	288,794	45,128	71,275
Employee benefits	699,054	523,302	101,892	195,896
 Total Salaries and Related Expenses	 4,518,530	 4,151,214	 634,821	 1,080,744
Other Expenses:				
Community education/public relations	40	80	230	-
Consultants and contractors	82,309	477,263	5,981	4,577
Copier leases	2,460	6,633	2,290	2,758
Donated expense - community education	4,000	-	-	-
Equipment maintenance	25,591	10,814	1,839	7,043
Flex funds	-	432,899	-	-
Food/water/household	7,963	8,619	15,587	33,625
Fundraising	-	-	-	-
Insurance	19,940	22,192	3,599	5,373
IT support	11,808	49,947	3,834	8,731
OC's trafficking victims expenses	20,255	-	-	-
Office supplies/postage	88,026	60,499	5,378	9,725
Other expenses	280,268	29,068	4,999	9,228
Personnel hiring/development	10,198	9,719	1,230	3,187
Postage meter lease program	458	509	86	124
Program supplies	30,785	161,861	1,349	5,762
Rent	90,762	258,156	116	302
Resident outings	-	-	-	1,044
Rewards and incentives	32	10,585	1,067	154
Space maintenance	121	15,547	1,477	8,039
Start up cost	-	-	-	37,656
Telephone	61,644	57,389	8,825	10,964
Travel-local/out of community	98,386	151,624	2,774	6,303
Utilities	1,062	11,314	10,724	6,538
Youth development activities	-	-	438	-
 Total Other Expenses	 836,108	 1,774,718	 71,823	 161,133
 Expenses Before Depreciation	 5,354,638	 5,925,932	 706,644	 1,241,877
Depreciation of Property, Plant and Equipment	-	-	-	-
 Total Functional Expenses	 \$ 5,354,638	 \$ 5,925,932	 \$ 706,644	 \$ 1,241,877

The accompanying notes are an integral part of these financial statements

Outpatient	Dispute Resolution	Total Program Services	Supporting Services			Total
			Management and General	Fundraising and Development	Total Supporting Services	
\$ 336,416	\$ 177,772	\$ 8,673,817	\$ 893,781	\$ -	\$ 893,781	\$ 9,567,598
28,634	15,739	749,909	67,841	-	67,841	817,750
60,785	36,302	1,617,231	134,867	-	134,867	1,752,098
<u>425,835</u>	<u>229,813</u>	<u>11,040,957</u>	<u>1,096,489</u>	<u>-</u>	<u>1,096,489</u>	<u>12,137,446</u>
-	25	375	5,630	40,000	45,630	46,005
15,409	792	586,331	13,408	-	13,408	599,739
323	125	14,589	5	-	5	14,594
-	-	4,000	-	-	-	4,000
8,969	348	54,604	3	-	3	54,607
-	-	432,899	-	-	-	432,899
5,235	1,390	72,419	3,473	-	3,473	75,892
-	-	-	-	5,328	5,328	5,328
2,594	1,001	54,699	40	-	40	54,739
9,336	1,539	85,195	67	-	67	85,262
-	-	20,255	-	-	-	20,255
5,444	4,448	173,520	734	272	1,006	174,526
3,001	11,172	337,736	2,795	8,319	11,114	348,850
1,617	1,319	27,270	-	-	-	27,270
61	24	1,262	1	-	1	1,263
1,374	2,300	203,431	3,163	25	3,188	206,619
22,411	13,105	384,852	90,919	-	90,919	475,771
2,169	-	3,213	1,031	-	1,031	4,244
1,323	678	13,839	432	-	432	14,271
1,714	12	26,910	996	-	996	27,906
-	-	37,656	-	-	-	37,656
6,003	1,738	146,563	139	-	139	146,702
11,547	3,837	274,471	212	90	302	274,773
442	418	30,498	-	-	-	30,498
-	-	438	275	-	275	713
<u>98,972</u>	<u>44,271</u>	<u>2,987,025</u>	<u>123,323</u>	<u>54,034</u>	<u>177,357</u>	<u>3,164,382</u>
524,807	274,084	14,027,982	1,219,812	54,034	1,273,846	15,301,828
<u>-</u>	<u>1,110</u>	<u>1,110</u>	<u>20,015</u>	<u>-</u>	<u>20,015</u>	<u>21,125</u>
<u>\$ 524,807</u>	<u>\$ 275,194</u>	<u>\$ 14,029,092</u>	<u>\$ 1,239,827</u>	<u>\$ 54,034</u>	<u>\$ 1,293,861</u>	<u>\$ 15,322,953</u>

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**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Community Service Programs, Inc. (“the Organization”), is a not-for-profit, human services organization managing assistance programs in the County of Orange, California in the areas of victim/witness assistance, youth services, wraparound, crisis residential, youth shelter, gang prevention, outpatient, and dispute resolution services. The Organization was originally incorporated on September 14, 1977 and is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization operates the following programs.

Victim Witness Assistance Programs

Provides crisis intervention, assistance in obtaining needed resources, and support counseling to victims of crime and their family members in order to mitigate the trauma and devastating effects of crime. Working in collaboration with the criminal justice system, the staff and volunteers provide support which encourages cooperation in the investigation of the case and the prosecution of the offender. Prevention education and self-defense programs are provided throughout the community to reduce the incidence of crime.

Youth Development Services and Wraparound Programs

Youth services provides prevention and intervention services for high-risk youth through police departments, schools, and community collaboratives including family counseling, parent education and youth enrichment. Also, Project PATH provides alcohol, tobacco and drug prevention services through education, community mobilization and environmental strategies.

Youthful Offender Wraparound (YOW) Orange County Program has been providing services to Orange County since 2008. What makes Youthful Offender Wraparound (YOW) unique is the team-driven treatment planning that prioritizes family voice and choice, uses a flexible approach and provides strength based services across all life domains 24 hours a day/7 days a week.

YOW coordinates the service delivery for youth and families who have complex needs and are involved with multiple service providers. Youth and their families meet regularly with experienced clinicians and case managers to resolve and overcome the problems, challenges and difficulties which prompted the referral. Services are provided in English and Spanish.

Collaborative Courts Full Service Partnership (CCFSP) provides culturally competent in-home and community based intensive mental health rehabilitation and case management services for consumers, dependents and/or wards ages 0-25 struggling with mental illness, truancy and substance abuse issues. CCFSP addresses the needs of youth and their families across all life domains to promote alternative positive activities that empower, improve self-efficacy, and build social competence. The services provided to consumers include but are not limited to counseling, mental health rehabilitation, case management, housing assistance, career readiness skills, individualized education plans, vocational/trade school information and life skills training.

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Nature of Operations (Continued)**

Youth Development Services and Wraparound Programs (Continued)

Using a strength-based approach in the Recovery Model and a wraparound philosophy, a full service team assists youth and their families with positive youth development by reducing juvenile crime, truancy, substance use, emotional distress and impairments resulting from unmanaged mental illness. CCFSP follows a three phase continuum-Initial Assessment, Intervention Implementation and Stability for Self-Sufficiency. The initial assessment addresses the underlying reasons for the consumer's behavior. A treatment plan is developed and the team assists the consumer in implementing strategies to reach short-term goals identified by the youth. CCFSP coordinates the service delivery for consumers and families who have complex needs and are involved with multiple service providers. Consumers and their families meet regularly with experienced clinicians and case managers to resolve and overcome the problems, challenges and difficulties which prompted the referral to achieve self-sufficiency. Services are provided in English and Spanish.

Huntington Beach Shelter and Gang Prevention

The youth shelter provides emergency, temporary residential services for runaway, abused and troubled teens in crisis, and related family counseling, The Gang Prevention program provides prevention and intervention services to at-risk youth, their families and the community, Working in cooperation with parents, schools, churches, law enforcement, probation, courts and recreational programs the program offers alternatives to gang involvement.

Crisis Residential

The CSP Children's Crisis Residential Program is a 6-bed (additional 6-beds as of May 2014) short-term crisis intervention program for youth ages 13-17 referred by Orange County Health Care Organization Children and Youth Services. The Program provides a "safe respite" and immediate services to teens and their families. This is a voluntary program and parent participation in counseling sessions, parenting group, and visits with the child are required. The CSP Children's Crisis Residential Program's goals are to stabilize the youth and facilitate family reunification. In May 2014, the existing 6-bed Crisis Residential Program contract was amended for an additional 6-beds to extend services at a second location in an already existing Group Home also run by CSP. The program components are the same.

Outpatient

The outpatient program provides individual and group therapeutic treatment to youth who present high-risk behaviors. This program is tailored to meet the needs and abilities of each individual client, while establishing limits and consistency for these youth. The program helps youth develop social and life skills, and practice anger management and distress tolerance.

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Nature of Operations (Continued)**

Dispute Resolution Services

Provides mediation for interpersonal and community conflicts and trains community volunteers to become certified mediators. Offering impartial and supportive expertise, mediators assist disputing parties to resolve their conflicts.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Contributions are recognized as revenues in the period received. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as prescribed for not-for-profit organizations by the Financial Accounting Standards Board (“FASB”). Accordingly, the net assets of the Organization are classified and reported as follows:

- Unrestricted net assets – consist of resources that generally result from revenue generated from providing services, interest on investments, and receiving contributions without donor restriction, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.
- Temporarily restricted net assets – consists of gifts of cash and other assets that were 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 the purpose of the 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 program or capital restrictions.
- Permanently restricted net assets – consists of net assets that are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets.

**Support and Revenue**

The Organization receives a substantial portion of its operating funds from federal, California State, and County of Orange grants which for the most part are awarded annually. These funds are deemed to be earned as reimbursable expenses incurred. Revenues from City governments are received for juvenile diversion, gang prevention and care programs and are recognized when received.

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Accounts and Grants Receivable**

The Organization's accounts and grants receivables are primarily reimbursements and fees from governmental agencies. They are based on services performed by the Organization as written under contractual agreements. Management believes the receivables are collectible, and thus they do not use the allowance method to record doubtful amounts. The use of the allowance method does not differ materially from the direct write-off method.

**Program Service Expenses**

Program service expenses represent direct costs incurred by the Organization to provide services under the respective assistance programs which are generally reimbursable under the related grant agreements.

**Donated Services and Materials**

Donated materials and other noncash contributions are reflected in the accompanying statements at their estimated fair market value at the date of receipt in accordance with FASB Accounting Standards Codification ("ASC") 820-900, *"Auditing Fair Value Measurements and Disclosures."* Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

The Organization received donated services from a substantial number of volunteers who donated their time to the Organization's program and fundraising activities. None of the volunteer services provided to the Organization in these reporting periods met the criteria for recognition.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, less accumulated depreciation if purchased or estimated fair value if donated. Maintenance and repairs are expensed as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from three to thirty years. Leasehold improvements are capitalized at cost and are amortized over the shorter of the lease term or the estimated useful life of the related asset. For the year ended June 30, 2014, depreciation and amortization expense totaled \$21,125.

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Long-Lived Assets and Asset Impairment**

The Organization accounts for impairment and disposition of long-lived assets in accordance with FASB Accounting Standards Codification (“ASC”) 360-10, “*Property, Plant, and Equipment*.” FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets’ carrying amount. There was no impairment of the value of such assets for the years ended June 30, 2014.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include petty cash funds and bank checking accounts used for operating purposes, and highly-liquid investments with maturities of three months or less.

**Investments**

Investments of the Organization are carried at market value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-320, “*Accounting for Certain Investments Held by Not-for-Profit Organizations*.” Net appreciation (depreciation) in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is shown as a component of investment income in the statements of activities and changes in net assets.

**Functional Allocation of Expenses**

The costs of providing the various programs and support services have been summarized on a functional basis in the statements of activities and changes in net assets and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Use of Estimates**

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

The Organization is recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code and the corresponding state code and is classified as an organization other than private foundations. Accordingly, there is no provision for income taxes in the accompanying financial statements.

The Organization accounts for the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*") ("FIN 48"), whereby an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties. The Organization's 2011 to 2013 tax years are open to review for federal tax purposes and 2010 to 2013 tax years are open to review for state income tax purposes.

**Investment Valuation and Income Recognition**

The Organization's investments are stated at fair value at June 30, 2014 and quoted market prices are used when applicable. Shares of mutual funds are valued at the net asset value of shares held by the Organization at year-end.

Purchases and sales of investments are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gains and/or losses are reported the day after the trade date.

Net realized and unrealized activity appreciation (depreciation) is recorded in the accompanying statement of activities in other revenues. Brokerage fees are added to the acquisition costs of assets purchased and subtracted from the proceeds of assets sold.

**Note 2: Concentrations, Risks and Uncertainties**

The Organization maintains cash balances at multiple financial institutions. At June 30, 2014, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2014, the Organization had approximately \$1,376,422 in uninsured cash at these institutions.

The Organization receives a substantial portion of its revenue from two contracting entities. During 2014, revenue from County of Orange Health Care Agency (HCA) and the California Governor's Office of Emergency Services (Cal OES) aggregated \$7,267,778. At June 30, 2014, amounts due from that entity reflected in accounts receivable totaled \$422,497.

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 3: Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2014 comprised of the following:

	2014
Demand Deposits	\$ 1,172,530
Money Market Accounts	337,648
Total Cash and Cash Equivalents	\$ 1,510,178

**Note 4: Property, Plant, and Equipment**

Property, plant, and equipment consist of the following at June 30, 2014:

	2014
Land	\$ 209,000
Buildings	51,000
Building improvements	144,638
Equipment	38,822
Total property, plant, and equipment, at cost	443,460
Less: Accumulated depreciation and amortization	(164,817)
Property, plant, and Equipment, at Net Book Value	\$ 278,643

**Note 5: Commitments and Contingencies**

**Line of Credit**

The Organization has an unsecured line of credit agreement with a financial institution providing for borrowings of up to \$750,000, expiring December 2015. The interest rate on the line of credit was 3.25 percent as of June 30, 2014. As of June 30, 2014, there were no outstanding amounts borrowed against the line of credit.

**Operating Leases**

The Organization leases office space, equipment, and vehicles under non-cancelable operating leases expiring in March 2019. Minimum future rental payments under these non-cancelable operating leases for subsequent years ending June 30 are as follows:

Years ended June 30	Facilities	Equipment	Vehicles	Total
2015	\$ 457,205	\$ 6,997	\$ 5,292	469,494
2016	433,985	2,957	3,528	440,470
2017	413,735	1,400	-	415,135
2018	314,954	583	-	315,537
2019	72,505	-	-	72,505
	\$1,692,384	\$ 11,937	\$ 8,820	\$1,713,141

Rent expense under these operating leases, for the year ended June 30, 2014 was approximately \$461,999.

**COMMUNITY SERVICE PROGRAMS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 5: Commitments and Contingencies (Continued)**

**Financial Assistance**

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits as the amounts, if any, cannot be determined as of June 30, 2014.

**Note 6: Employee Benefit Plan**

The Organization offers all employees who have completed at least twelve months of service the opportunity to participate in the defined contribution plan under Internal Revenue Code Section 401(k). Under the provisions of the plan, employees may elect to defer any amount of their pretax annual compensation within IRS limits, as defined in the plan. All eligible employees are given 3 percent of their salary to their 401(k) account, and employees contributing 1 percent or more will be matched with 1 percent, with a total contribution by the Organization up to 4 percent of each eligible employee's salary. For the year ended June 30, 2014, the Organization made contributions to the plan of \$313,026.

**Note 7: Net Assets Released from Restriction**

The following net assets that were released from restriction for the year ended June 30, 2014 are:

	2014
Satisfaction of program restrictions:	
Gang Victim Program	\$ 1,352
Sexual Assault Program	3,216
Total net assets released from restriction	\$ 4,568

**Note 8: Net Assets**

	2014
Unrestricted Net Assets	
Land, building, and equipment, Net	\$ 278,643
Court directed Victim Assistance Programs	1,270,758
Undesignated - available for programs	785,317
Total Unrestricted Net Assets	2,334,718
Temporarily Restricted Net Assets	
Endowment fund	93,504
Shelter building fund	59,873
Shelter program	132,882
Sexual assault program	21,838
Gang victim program	9,367
ACT Anaheim	175,000
Contributions timing restrictions	37,500
Total Temporarily Restricted Net Assets	529,964

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 8: Net Assets (Continued)**

Permanently Restricted Net Assets:	
Endowment Fund	<u>176,663</u>
Total Permanently Restricted Net Assets	<u>176,663</u>
Total Net Assets	<u>\$ 3,041,345</u>

**Note 9: Endowment Fund**

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including unrestricted investment funds designated by the Board of Directors to be included in the endowment funds, are classified and reported based

on existence or absence of donor-imposed restrictions. Through December 31, 2007, the Organization's management and investment of donor-restricted endowment funds were subject to the provision of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which serves as a guideline to state the use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the donor-restricted endowment fund in favor of a more robust set of guidelines about what constitutes prudent spending.

In 2008, the State of California enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts with donor-imposed restrictions that such funds be retained as a permanent endowment. 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 by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In achieving the objectives, the Organization's primary investment mission is to preserve principal and to provide income to help sustain the Organization's programs in future years.

The following is the endowment net asset composition as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 93,504</u>	<u>\$ 176,663</u>	<u>\$ 270,167</u>

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 9: Endowment Fund (Continued)**

The following are the changes in the endowment net assets for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 57,789	\$ 176,663	\$ 234,452
Investment Return: Net appreciation	<u>-</u>	<u>35,715</u>	<u>-</u>	<u>35,715</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 93,504</u>	<u>\$ 176,663</u>	<u>\$ 270,167</u>

**Note 10: Fair Value Measurements**

The Organization follows the requirement for the disclosure of fair value measurements in accordance with a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date. The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

Fair value as of June 30, 2014 was determined as follows:

	<u>Quoted Prices in Active Markets</u>	<u>Based On Other Observable Inputs</u>	<u>Unobservable Inputs</u>
Mutual Funds	<u>\$ 268,577</u>	<u>\$ -</u>	<u>\$ -</u>

Unrealized gains and losses of \$26,314 for June 30, 2014 included in earnings are reported in the income statement as a component of other income.

**COMMUNITY SERVICE PROGRAMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 11: Prior-Period Adjustment**

The accompanying financial statements for the year ended June 30, 2014 have been restated to correct an error made in prior years relating to transactions for the court directed victim assistance program which were reported as a court advance liability in the statement of financial position. For the year ended June 30, 2014, the transactions for the court directed victim assistance program have been included in the accompanying statement of activities and changes in net assets. Net assets as of the beginning of the year have been adjusted for the effects of the restatement of balances reported for the prior years. The adjustment for prior years totaled \$1,411,581, and as a result, increased unrestricted net assets.

**Note 12: Subsequent Events**

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of December 12, 2014, which is the date the financial statements were available to be issued.