

COMMUNITY SERVICE PROGRAMS, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

WITH INDEPENDENT AUDITORS' REPORT

COMMUNITY SERVICE PROGRAMS, INC.
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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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2018, 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 Dick Evans LLP

Irvine, California
April 2, 2018

COMMUNITY SERVICE PROGRAMS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Current Assets:		
Cash and cash equivalents	\$ 668,164	\$ 1,275,388
Investments	305,987	240,719
Accounts and grants receivable	4,672,759	3,162,256
Prepaid expenses	101,050	99,848
Total Current Assets	5,747,960	4,778,211
Property, Plant, and Equipment, at Net Book Value	225,362	241,989
Noncurrent Assets:		
Deposits	85,914	77,453
Total Assets	\$ 6,059,236	\$ 5,097,653

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 523,918	\$ 739,137
Accrued salaries and vacation	944,517	760,546
Deferred rent	41,759	59,194
Total Current Liabilities	1,510,194	1,558,877
Long-Term Liabilities:		
Line of credit	400,000	-
Total Liabilities	1,910,194	1,558,877
Net Assets:		
Unrestricted	3,350,907	2,766,086
Temporarily restricted	621,472	596,027
Permanently restricted	176,663	176,663
Total Net Assets	4,149,042	3,538,776
Total Liabilities and Net Assets	\$ 6,059,236	\$ 5,097,653

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

COMMUNITY SERVICE PROGRAMS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<u>Changes in Unrestricted Net Assets</u>		
Unrestricted Support and Revenues:		
Contributions:		
United Way	\$ 25,000	\$ 29,614
Foundations	265,091	142,708
Corporations	68,253	47,321
Individuals	31,192	12,580
Court-directed victim assistance programs	636,960	642,420
Other	110,585	134,363
	1,137,081	1,009,006
Special Events:		
Golf tournament revenue	106,593	102,400
Direct expenses	(33,333)	(35,314)
	73,260	67,086
Net Support from Golf Tournament		
Light a Light of Love Event	144,926	118,828
Direct expenses	(9,112)	(12,619)
	135,814	106,209
Net Support from Light a Light of Love Event		
Love Grows by Giving	118,887	121,175
Direct expenses	(7,585)	(6,839)
	111,302	114,336
Net Support from Wine Tasting		
Total Special Events	320,376	287,631
Other Revenues:		
Grants from federal and state agencies	15,333,832	13,090,304
Grants from other agencies	2,726,076	2,490,721
Client fees	55,125	63,640
Investment and dividend income	296	734
Other	625	3,592
	18,115,954	15,648,991
Total Other Revenues		
Subtotal Support and Revenues	19,573,411	16,945,628
Net Assets Released from Restrictions	280,682	412,224
Total Unrestricted Support and Revenues	19,854,093	17,357,852

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

COMMUNITY SERVICE PROGRAMS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<u>Changes in Unrestricted Net Assets (Continued)</u>		
Expenses:		
Program Services:		
Victim/Witness Assistance	\$ 7,298,214	\$ 5,848,403
Youth Development Services	5,909,470	6,247,589
Huntington Beach Shelter and Gang Prevention	578,951	505,996
Children's Crisis Residential Services	2,880,351	2,362,158
Mental Health Outpatient	693,339	620,162
Dispute Resolution Services	236,991	255,615
Total Program Services	17,597,316	15,839,923
Supporting Services:		
Management and general	1,590,645	1,197,172
Fundraising and development	81,310	46,619
Total Supporting Services	1,671,955	1,243,791
Total Expenses	19,269,271	17,083,714
Change in Unrestricted Net Assets	584,822	274,138
<u>Changes in Temporality Restricted Support</u>		
Support and Revenues:		
Investment income (loss)	39,766	(8,238)
Other contributions	266,360	361,705
Total Support and Revenues	306,126	353,467
Net Assets Released from Restrictions	(280,682)	(412,224)
Increase (Decrease) in Temporarily Restricted Net Assets	25,444	(58,757)
Increase in Total Net Assets	610,266	215,381
Total Net Assets, Beginning of Year	3,538,776	3,323,395
Total Net Assets, End of Year	\$ 4,149,042	\$ 3,538,776

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

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COMMUNITY SERVICE PROGRAMS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Increase in Total Net Assets	\$ 610,266	\$ 215,381
Noncash Items Included in Increase in Total Net Assets:		
Depreciation and amortization	16,627	18,327
Unrealized (gain) loss on investments	(41,646)	17,860
Changes in:		
Accounts and grants receivable	(1,510,503)	(1,018,521)
Prepaid expenses	(1,202)	(2,609)
Deposits	(8,461)	(5,000)
Accounts payable	(215,219)	337,809
Accrued salaries and vacation	183,971	29,054
Deferred rent	(17,435)	(17,661)
Advances from funding sources	-	(11,834)
Net Cash and Cash Equivalents Used in Operating Activities	(983,602)	(437,194)
Cash Flows from Investing Activities:		
Investment income, net	(23,622)	1,938
Net Cash and Cash Equivalents Provided by (Used in) Investing Activities	(23,622)	1,938
Cash Flows from Financing Activities:		
Proceeds from borrowing on line of credit	400,000	-
Net Cash and Cash Equivalents Provided by Financing Activities	400,000	-
Net Decrease in Cash and Cash Equivalents	(607,224)	(435,256)
Cash and Cash Equivalents, Beginning of Year	1,275,388	1,710,644
Cash and Cash Equivalents, End of Year	\$ 668,164	\$ 1,275,388
Supplemental Disclosure:		
Interest paid	\$ 15,322	\$ -

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

COMMUNITY SERVICE PROGRAMS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services				
	Victim/ Witness Assistance	Youth Development Services	Huntington Beach Shelter and Gang Prevention	Children's Crisis Residential Services	Mental Health Outpatient
Salaries and Related Expenses:					
Salaries	\$ 4,180,329	\$ 3,442,634	\$ 380,296	\$ 1,893,307	\$ 428,013
Payroll taxes	344,022	285,392	31,593	162,357	35,475
Employee benefits	743,225	550,737	86,477	363,520	58,296
 Total Salaries and Related Expenses	 <u>5,267,576</u>	 <u>4,278,763</u>	 <u>498,366</u>	 <u>2,419,184</u>	 <u>521,784</u>
Other Expenses:					
Consultants and contractors	271,497	114,503	-	28,435	60,601
Copier leases	2,881	6,464	1,104	4,370	1,769
Correctional incentives programs/art club	-	47,628	1,649	148	-
Equipment maintenance	18,697	4,585	599	25,958	237
Flex funds	-	401,611	1,889	-	-
Food/water/household	7,774	22,758	26,265	96,975	4,211
Fundraising	-	-	-	-	-
Insurance	30,367	25,699	2,775	15,151	3,106
IT support	15,699	47,046	2,455	20,049	7,083
Orange County's trafficking victims expenses	6,133	-	-	-	-
Office supplies/postage	374,772	80,789	5,035	28,182	21,124
Other expenses/DMV fees	21,985	25,397	14,064	12,715	2,007
Other expenses	387,458	42,274	1,434	7,984	12,745
Personnel hiring/development	97,320	18,406	1,362	4,619	831
Postage meter lease program	211	57	5	14	3
Program supplies	120,274	238,503	3,512	18,028	16,235
Rent	137,610	317,622	65	61,500	23,220
Resident outings	-	-	34	323	2,337
Rewards and incentives	916	11,909	235	142	189
Space maintenance	11,736	15,140	7,821	82,650	1,680
Start-up cost	-	-	-	1,119	-
Telephone	79,089	58,798	6,303	18,615	6,009
Travel - local/out of community	440,244	142,177	3,205	8,920	7,716
Utilities	5,975	9,341	774	25,270	452
 Total Other Expenses	 <u>2,030,638</u>	 <u>1,630,707</u>	 <u>80,585</u>	 <u>461,167</u>	 <u>171,555</u>
 Expenses Before Depreciation	 <u>7,298,214</u>	 <u>5,909,470</u>	 <u>578,951</u>	 <u>2,880,351</u>	 <u>693,339</u>
Depreciation of Property, Plant, and Equipment	-	-	-	-	-
 Total Functional Expenses	 <u>\$ 7,298,214</u>	 <u>\$ 5,909,470</u>	 <u>\$ 578,951</u>	 <u>\$ 2,880,351</u>	 <u>\$ 693,339</u>

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

Program Services (Continued)		Supporting Services			
Dispute Resolution Services	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	Total
\$ 162,613	\$ 10,487,192	\$ 914,304	\$ 7,706	\$ 922,010	\$ 11,409,202
13,492	872,331	73,014	633	73,647	945,978
28,385	1,830,640	194,182	1,688	195,870	2,026,510
204,490	13,190,163	1,181,500	10,027	1,191,527	14,381,690
-	475,036	92,051	-	92,051	567,087
409	16,997	3,343	7	3,350	20,347
-	49,425	-	5,474	5,474	54,899
500	50,576	914	7	921	51,497
-	403,500	-	-	-	403,500
1,014	158,997	1,999	348	2,347	161,344
-	-	6,300	8,163	14,463	14,463
1,238	78,336	5,651	21	5,672	84,008
1,244	93,576	11,619	40	11,659	105,235
-	6,133	-	-	-	6,133
2,509	512,411	61,033	90	61,123	573,534
1,619	77,787	24,981	874	25,855	103,642
686	452,581	87,434	49,503	136,937	589,518
2,223	124,761	772	943	1,715	126,476
28	318	1,046	-	1,046	1,364
772	397,324	1,512	249	1,761	399,085
12,234	552,251	85,581	488	86,069	638,320
-	2,694	-	-	-	2,694
1,101	14,492	-	-	-	14,492
-	119,027	-	-	-	119,027
-	1,119	-	-	-	1,119
1,341	170,155	9,905	21	9,926	180,081
5,570	607,832	780	95	875	608,707
13	41,825	57	2,500	2,557	44,382
32,501	4,407,153	394,978	68,823	463,801	4,870,954
236,991	17,597,316	1,576,478	78,850	1,655,328	19,252,644
-	-	14,167	2,460	16,627	16,627
\$ 236,991	\$ 17,597,316	\$ 1,590,645	\$ 81,310	\$ 1,671,955	\$ 19,269,271

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

COMMUNITY SERVICE PROGRAMS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services				
	Victim/ Witness Assistance	Youth Development Services	Huntington Beach Shelter and Gang Prevention	Children's Crisis Residential Services	Mental Health Outpatient
Salaries and Related Expenses:					
Salaries	\$ 3,687,442	\$ 3,580,555	\$ 326,256	\$ 1,425,479	\$ 405,800
Payroll taxes	306,892	298,201	28,159	123,553	34,308
Employee benefits	700,165	547,190	72,767	338,389	54,629
Total Salaries and Related Expenses	4,694,499	4,425,946	427,182	1,887,421	494,737
Other Expenses:					
Community education/public relations	-	-	-	-	-
Consultants and contractors	199,281	334,883	2,303	35,784	40,781
Copier leases	2,172	7,190	1,087	3,717	867
Correctional incentives programs/art club	-	1,658	3,007	318	-
Equipment maintenance	24,595	7,285	550	15,640	646
Flex funds	-	510,352	1,649	-	-
Food/water/household	6,895	17,238	24,070	57,547	4,935
Fundraising	-	-	-	-	-
Insurance	24,881	24,941	2,043	11,868	2,869
IT support	-	-	-	-	-
Orange County's trafficking victims expense	5,571	-	-	-	-
Office supplies/postage	148,766	97,888	10,425	36,253	5,452
Other expenses	307,095	102,405	9,390	34,955	28,485
Personnel hiring/development	59,045	13,158	1,646	6,507	311
Postage meter lease program	430	443	36	193	51
Program supplies	28,490	162,577	5,231	14,299	2,122
Rent	104,975	292,220	79	17,921	22,876
Resident outings	-	-	-	151	1,378
Rewards and incentives	-	16,456	197	229	359
Space maintenance	135	16,139	1,154	18,992	1,697
Start-up cost	-	-	-	183,784	-
Telephone	74,312	58,027	7,379	17,899	4,900
Travel - local/out of community	167,092	148,308	2,906	6,232	7,255
Utilities	169	10,475	5,662	12,448	441
Total Other Expenses	1,153,904	1,821,643	78,814	474,737	125,425
Expenses Before Depreciation	5,848,403	6,247,589	505,996	2,362,158	620,162
Depreciation of Property, Plant and Equipment	-	-	-	-	-
Total Functional Expenses	\$ 5,848,403	\$ 6,247,589	\$ 505,996	\$ 2,362,158	\$ 620,162

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

Program Services (Continued)		Supporting Services			
Dispute Resolution Services	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	Total
\$ 166,008	\$ 9,591,540	\$ 850,811	\$ -	\$ 850,811	\$ 10,442,351
14,651	805,764	68,633	-	68,633	874,397
25,301	1,738,441	142,042	-	142,042	1,880,483
205,960	12,135,745	1,061,486	-	1,061,486	13,197,231
-	-	-	36,000	36,000	36,000
1,656	614,688	6,188	-	6,188	620,876
106	15,139	7	-	7	15,146
-	4,983	-	-	-	4,983
-	-	-	-	-	-
332	49,048	1,905	-	1,905	50,953
-	512,001	-	-	-	512,001
1,549	112,234	1,644	-	1,644	113,878
-	-	455	5,784	6,239	6,239
1,189	67,791	84	-	84	67,875
-	-	-	-	-	-
-	5,571	-	-	-	5,571
4,149	302,933	575	23	598	303,531
7,266	489,596	16,855	4,422	21,277	510,873
5,296	85,963	113	-	113	86,076
21	1,174	2	-	2	1,176
1,810	214,529	6,862	116	6,978	221,507
14,019	452,090	78,627	-	78,627	530,717
-	1,529	218	-	218	1,747
3,724	20,965	3,203	-	3,203	24,168
8	38,125	-	-	-	38,125
-	183,784	-	-	-	183,784
1,424	163,941	95	-	95	164,036
9	29,204	-	-	-	29,204
49,655	3,704,178	117,359	46,619	163,978	3,868,156
255,615	15,839,923	1,178,845	46,619	1,225,464	17,065,387
-	-	18,327	-	18,327	18,327
\$ 255,615	\$ 15,839,923	\$ 1,197,172	\$ 46,619	\$ 1,243,791	\$ 17,083,714

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

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**COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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

Nature of Operations

Community Service Programs, Inc. (the “Organization” or “CSP”) is a not-for-profit, human services organization that manages assistance programs in the County of Orange, California, in the areas of victim/witness assistance, youth devolvement services, youth shelter and gang prevention, children’s crisis residential services, mental health, 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

The aftereffects of a crime can be traumatic and devastating. The *Victim/Witness Assistance Programs* provide comfort, support, and resources in the aftermath of crime. From initial crisis intervention through follow-up support services, dedicated staff and volunteers meet the needs of more than 50,000 victims, their families, witnesses of crime, and community members in Orange County each year. The primary goals of the programs are to advocate for victims’ rights, provide emergency assistance in the immediate aftermath of crime, provide ongoing support to alleviate the trauma associated with crime, and ease the process of participation in the criminal justice system.

Victim Advocates are available at each Orange County Justice Center to provide crisis intervention services, emergency financial and resource assistance, support counseling, referrals to and help in accessing community resources, support during criminal justice proceedings, and other services as required by individual circumstances.

Sexual Assault Counselor Training is a 48-hour training session for community members to increase their understanding of sexual assault. This state-certified training is a prerequisite for program volunteers.

Youth Development Services

Youth development is a process that prepares a young person to meet the challenges of adolescence and adulthood and achieve his or her full potential. CSP’s *Youth Development Programs* provide individual and comprehensive treatment and support services to strengthen family, peer, school, and community relations for children and youth experiencing behavioral and emotional difficulties. Services are provided to specialized populations in Orange County involved with or at risk of involvement with the child welfare, juvenile justice, probation, and children’s mental health systems.

Juvenile Diversion provides individual or family counseling and psychoeducational groups to build communication, coping, and decision-making skills to increase positive family interactions and to promote responsible law-abiding behavior for youth who have had or are at risk of having contact with the juvenile justice system.

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Youth Development Services (Continued)

Youthful Offender Wraparound Full Service Partnership provides culturally competent, in-home and community-based intensive case management, mental health rehabilitation, counseling, career and education coordination, housing resources, independent living skills training, crisis intervention, and psychoeducational support to youthful offenders who struggle with mental illness.

Collaborative Courts Full Service Partnership provides individual and specialized support to juvenile court involved youth struggling with mental illness, truancy, and substance abuse issues. These services teach and promote skills to improve self-efficacy and social competence for youth to be successful in school, employment, the community, wellness, and recovery.

Gang Reduction Intervention Partnership (GRIP) provides specialized case management services to this law enforcement–led partnership whose mission is to implement an evidence-based, collaborative approach to gang prevention, education, community building, and intervention and suppression activities to children and their families who are at risk of gang involvement, truancy, school dropout, and juvenile delinquency. CSP provides school-based violence reduction programming and community safety training that encourages character and leadership development and engages parents to access resources with regard to overcoming barriers, reducing gang involvement, and establishing communication networks with other parents, schools, and the police.

Project PATH (Positive Action Toward Health) aims to create a safe and healthy Orange County by eliminating problems associated with tobacco use, underage drinking, prescription and over-the-counter drug abuse, impaired driving, and marijuana and methamphetamine abuse. Goals are achieved by collaborating with various community organizations to develop and implement prevention campaigns and incorporating alcohol, tobacco, and drug prevention strategies in businesses, schools, colleges and universities, faith and community-based organizations, and health-care sites.

Youth Shelter Programs

While growing up is challenging in the best of circumstances and can seem overwhelming when situations are adverse, the Organization offers *Youth Shelter Programs*. Some children coming through the shelter doors may simply be going through the normal process of striving for independence - pushing boundaries and making errors in judgment. Others are facing abuse in their homes or are families undergoing severe emotional or financial stress. Still others have fallen into abuse of drugs or alcohol, become involved in gangs, or have serious emotional or behavioral problems. These are Orange County children and every year many run away or are displaced from their homes by families who simply cannot cope with the problems they present.

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Huntington Beach Youth Shelter and Gang Prevention

The *Huntington Beach Youth Shelter* provides a safe haven for runaway, homeless, and at-risk youth ages 11-17. The shelter provides a caring and healing home for children where they receive the support they need and work on their future with the goal of reuniting with their family. Children struggling with homelessness are given emergency shelter, meals, 24-hour supervision, individual, group, and family counseling, academic tutoring, prevention education, and life skills development activities, as well as aftercare services.

Gang Prevention and Youth Development provides alternatives to violence and gang involvement for youth and families in at-risk environments. A leader in preventative approaches, CSP equips young people with positive behavioral responses to threatening interactions, tools to resist gangs, conflict resolution techniques, and life skills that will help them develop their potential.

Children's Crisis Residential Services

Children's Crisis Residential Services is an innovative shelter program providing immediate care to teens struggling with mental health issues as an alternative to hospitalization. Youth are provided a caring and healing environment in order to recover from crisis situations, not just to survive, but to thrive after a suicide attempt or threat. A structured daily schedule of activities introduces problem-solving techniques that they can utilize in family therapy. Parent education and positive communication are important pieces of the program.

Mental Health Outpatient Program

Families First Mental Health Outpatient Program provides individual, family, and group therapy services to low-income children, adolescents, and young adults suffering with mental health issues that impair their ability to function in their homes, schools, and communities.

Dispute Resolution Services

Dispute Resolution Services provides an effective, efficient, and voluntary process of conflict resolution in which a trained mediator guides disputants to a mutually satisfactory agreement. Mediators provide an alternative to formal small claims or civil harassment court procedures and can be helpful in conflict situations where individuals are unable to come to a resolution on their own. Mediations frequently deal with conflicts between neighbors, issues of dissatisfaction involving a consumer and a merchant, disputes between a landlord and a tenant, or other kinds of unresolved concerns involving parties that have a continuing business or personal relationship.

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Dispute Resolution Services (Continued)

Dispute Resolution Services Mediation Training is a mediation training program that helps professionals increase their conflict resolution skills. CSP offers a 40-hour training for community members to increase their understanding of conflict resolution. This training is a prerequisite for program volunteers.

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 and 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 - 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 - Temporarily restricted net assets consist 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 statements of activities and changes in net assets as net assets released from program or capital restrictions.
- Permanently Restricted Net Assets - Permanently restricted net assets consist 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. The Organization has permanently restricted net assets of \$176,663 as of June 30, 2017 and 2016.

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 are incurred. Program fund contributions 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, 2017 AND 2016

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 no allowance has been recorded.

Program Service Expenses

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

Donated Services and Materials

In-kind donations are contributions of donated noncash assets and services measured on a nonrecurring basis and recorded at fair value in the period received. In-kind donations were \$11,850 and \$0 for the years ended June 30, 2017 and 2016, respectively, and are included in other unrestricted support and revenues in the accompanying statements of activities and changes in net assets.

Donated materials and other noncash contributions are reflected in the accompanying statements at their estimated fair value at the date of receipt. 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 at 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 3 to 30 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 years ended June 30, 2017 and 2016, depreciation and amortization expense totaled \$16,627 and \$18,327, respectively.

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016.

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 FASB 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 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 statement 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, 2017 AND 2016

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 foundation. 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*), 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 tax years from 2014 to 2016 are open to review for federal tax purposes and tax years from 2013 to 2016 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, 2017 and 2016, 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 statements of activities and changes in net assets. Brokerage fees are added to the acquisition costs of assets purchased and subtracted from the proceeds of assets sold.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes new revenue recognition guidance ("ASC 606"), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 is effective for nonpublic companies for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted, but no earlier than periods beginning after December 15, 2016. The Organization is currently evaluating the impact of the provisions of ASC 606 on the presentation of its financial statements.

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

New Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize lease assets and liabilities for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

On August 18, 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which finalizes proposed ASU 2015-230 and simplifies and improves the manner in which a not-for-profit entity classifies its net assets, as well as the information that it presents in the financial statements and notes concerning liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted prospectively as of the beginning of an interim or annual reporting period. The Organization is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

Note 2: Concentrations, Risks, and Uncertainties

The Organization maintains cash balances at multiple financial institutions. At June 30, 2017 and 2016, accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2017 and 2016, the Organization had \$716,357 and \$1,022,367, respectively, in uninsured cash at these institutions.

The Organization receives a substantial portion of its revenue from two contracting entities. During 2017 and 2016, revenue from these entities totaled \$5,105,809 and \$6,455,483, respectively. At June 30, 2017 and 2016, amounts due from these entities reflected in accounts receivable totaled \$476,674 and \$1,301,464, respectively.

Note 3: Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2017 and 2016, are composed of the following:

	<u>2017</u>	<u>2016</u>
Demand deposits	\$ 413,249	\$ 989,028
Money market accounts	<u>254,915</u>	<u>286,360</u>
Total Cash and Cash Equivalents	<u>\$ 668,164</u>	<u>\$ 1,275,388</u>

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 4: Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2017 and 2016:

	2017	2016
Land	\$ 209,000	\$ 209,000
Buildings	51,000	51,000
Building improvements	144,638	144,638
Equipment	38,822	38,822
Total property, plant, and equipment, at cost	443,460	443,460
Less: Accumulated depreciation and amortization	(218,098)	(201,471)
Property, Plant, and Equipment, at Net Book Value	\$ 225,362	\$ 241,989

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 \$1,500,000, expiring June 2018. The interest rate on the line of credit was 4.25 percent as of June 30, 2017. The balance at June 30, 2017, totaled \$400,000. As of June 30, 2016, there was no balance outstanding.

Operating Leases

The Organization leases office space, equipment, and vehicles under noncancelable operating leases expiring in March 2023. Minimum future rental payments under these noncancelable operating leases for subsequent years ending June 30 are as follows:

Years Ending	Facilities	Equipment	Vehicles	Total
2018	\$ 617,858	\$ 10,958	\$ 6,072	\$ 634,888
2019	619,935	5,527	6,072	631,534
2020	570,554	1,179	506	572,239
2021	531,227	688	-	531,915
2022	478,436	-	-	478,436
Thereafter	312,883	-	-	312,883
	\$ 3,130,893	\$ 18,352	\$ 12,650	\$ 3,161,895

Rent expense under these operating leases for the years ended June 30, 2017 and 2016, totaled \$681,505 and \$575,271, respectively.

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 5: Commitments and Contingencies (Continued)

Financial Assistance

Financial assistance from federal, state, and local governmental entities in the form of grants is 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, 2017 or 2016.

Note 6: Employee Benefit Plan

The Organization offers all employees who have completed at least 12 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 Internal Revenue Service limits, as defined in the plan. All eligible employees are given 3 percent of their salary toward 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 years ended June 30, 2017 and 2016, the Organization made matching contributions to the plan of \$380,847 and \$304,096, respectively.

Note 7: Net Assets Released from Restrictions

The following net assets that were released from restriction for the years ended June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Satisfaction of Program Restrictions:		
Gang Victim Program	\$ -	\$ 100
Capital Campaign	461	-
Weingart Foundation	17,989	-
ACT - OCCF	99,283	175,045
Health and Domestic Violence	95,894	139,706
Sexual Assault Program	-	7,280
OCCF - Mock Foundation	-	10,331
Contribution Timing Restrictions	-	29,607
St. Joseph Healthcare System	24,727	46,345
In-N-Out Burger Foundation	2,607	-
O.L. Halsell Foundation	31,937	-
Hyatt Community Grant Funds	3,462	-
Endowment Fund	<u>4,322</u>	<u>3,810</u>
Total Net Assets Released from Restrictions	<u>\$ 280,682</u>	<u>\$ 412,224</u>

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 8: Net Assets

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets:		
Land, building, and equipment, net	\$ 225,362	\$ 241,989
Court-directed victim assistance programs	1,665,938	1,488,973
Undesignated - available for programs	<u>1,459,607</u>	<u>1,035,124</u>
Total unrestricted net assets	<u>3,350,907</u>	<u>2,766,086</u>
Temporarily Restricted Net Assets:		
ACT Anaheim	29,084	23,366
Capital Campaign	78,149	-
Endowment fund	116,104	80,659
Gang Victim Program	9,267	9,267
Health and domestic violence	11,882	107,775
Hyatt Community Grant Funds	-	3,462
In-N-Out Burger Foundation	2,649	1,257
O.L. Halsell Foundation	16,237	13,175
Shelter Building Fund	59,873	59,873
Shelter Program	132,882	132,882
Sexual Assault Program	30,301	30,301
St. Joseph Healthcare System	28,033	9,010
Weingart Foundation	<u>107,011</u>	<u>125,000</u>
Total temporarily restricted net assets	<u>621,472</u>	<u>596,027</u>
Permanently Restricted Net Assets:		
Endowment fund	<u>176,663</u>	<u>176,663</u>
Total permanently restricted net assets	<u>176,663</u>	<u>176,663</u>
Total Net Assets	<u>\$ 4,149,042</u>	<u>\$ 3,538,776</u>

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 cannot 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 and that such funds be retained as a permanent endowment. The remaining portion of the donor-restricted endowment fund not classified as 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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 116,104	\$ 176,663	\$ 292,767

The following is the endowment net asset composition as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 80,659	\$ 176,663	\$ 257,322

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 measurement considered from the perspective of a market participant rather than an entity-specific measurement. 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, 2017, was determined as follows:

	Based On		
	Quoted Prices In Active Markets	Other Observable Inputs	Unobservable Inputs
Bond funds	\$ 89,589	\$ -	\$ -
Equity funds	193,844	-	-
Mutual funds	22,554	-	-
Total	\$ 305,987	\$ -	\$ -

Fair value as of June 30, 2016, was determined as follows:

	Based On		
	Quoted Prices In Active Markets	Other Observable Inputs	Unobservable Inputs
Bond funds	\$ 28,998	\$ -	\$ -
Equity funds	151,469	-	-
Mutual funds	60,252	-	-
Total	\$ 240,719	\$ -	\$ -

COMMUNITY SERVICE PROGRAMS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 10: Fair Value Measurements (Continued)

The change in unrealized gain of \$41,646 and change in unrealized loss of \$17,860 for the years ended June 30, 2017 and 2016, respectively, included in earnings is reported in the statements of activities and changes in net assets.

Note 11: Subsequent Events

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of April 2, 2018, which is the date the financial statements were available to be issued.