



FAMILY SUPPORT NETWORK

Financial Statements

Year Ended June 30, 2016

(With Summarized Comparative Information as of and for the Year Ended June 30, 2015)

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family Support Network
(A nonprofit organization)

We have audited the accompanying financial statements of Family Support Network, a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in their net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Organization for the year ended June 30, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on September 21, 2015. The summarized comparative information provided herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kushner Smith Yonan ; Oregon, LLP

October 3, 2016

FAMILY SUPPORT NETWORK

**Statements of Financial Position
June 30, 2016 and 2015**

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	\$ 489,074	\$ 500,856
Investments (Note 2)	50,125	50,000
Grants and accounts receivable (Note 3)	143,955	141,574
Prepaid expenses	7,670	8,201
Other current assets	9,816	6,407
Total current assets	700,640	707,038
Office equipment, net of accumulated depreciation of \$4,882 and \$21,271, respectively	6,044	7,917
Total assets	\$ 706,684	\$ 714,955

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 17,374	\$ 22,769
Accrued liabilities (Note 4)	23,552	36,612
Total liabilities	40,926	59,381
Commitments (Note 5)		
Net assets:		
Unrestricted:		
Undesignated	204,939	235,374
Board designated (Note 8)	180,000	180,000
Total unrestricted	384,939	415,374
Temporarily restricted (Note 6)	280,819	240,200
	665,758	655,574
Total liabilities and net assets	\$ 706,684	\$ 714,955

See accompanying notes to financial statements

FAMILY SUPPORT NETWORK

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2016**

(With summarized comparative information for the year ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
Revenues and support:				
Contributions	\$ 43,204	\$ 74,606	\$ 117,810	\$ 53,277
Grants	641,532	53,476	695,008	794,146
Interest income	125	--	125	25
Other income	2,091	--	2,091	--
Net assets released from restrictions (Note 6)	87,463	(87,463)	--	--
Total revenues and support	<u>774,415</u>	<u>40,619</u>	<u>815,034</u>	<u>847,448</u>
Expenses:				
Program services	688,621	--	688,621	730,550
General and administrative	116,229	--	116,229	112,617
Total expenses	<u>804,850</u>	<u>--</u>	<u>804,850</u>	<u>843,167</u>
Change in net assets	(30,435)	40,619	10,184	4,281
Net assets, beginning of year	<u>415,374</u>	<u>240,200</u>	<u>655,574</u>	<u>651,293</u>
Net assets, end of year	<u>\$ 384,939</u>	<u>\$ 280,819</u>	<u>\$ 665,758</u>	<u>\$ 655,574</u>

See accompanying notes to financial statements

FAMILY SUPPORT NETWORK

**Statements of Functional Expenses
Year Ended June 30, 2016**

(With summarized comparative information for the year ended June 30, 2015)

	Program Services											General and Administrative	Total	
	Camp TLC	Prop. 10 - Development Screenings	Wraparound	Individual Grant Program	Parent Leadership	ENF	Cal Optima	Parent to Parent	Startegies	Fun for Life	Subtotal		2016	2015
Salaries	\$ 576	\$ 118,434	\$ 86,254	\$ --	\$ 150,130	\$ --	\$ 7,655	\$ 25,876	\$ 2,978	\$ 1,814	\$ 393,717	\$ 42,772	\$ 436,489	\$ 445,448
Payroll taxes	50	11,046	8,318	--	13,369	--	704	2,913	290	193	36,883	5,393	42,276	45,468
Insurance - W/C	4	1,025	829	--	1,280	--	63	256	24	15	3,496	847	4,343	5,352
Insurance - Medical	--	3,207	7,598	--	1,046	--	--	254	--	--	12,105	2,285	14,390	13,168
Mileage	16	2,298	1,950	--	2,780	--	--	--	--	158	7,202	5,753	12,955	12,592
Director's salary and benefits	--	6,630	13,794	--	15,747	--	--	3,315	--	--	39,486	27,073	66,559	66,560
Subcontractor	--	66,130	--	--	--	--	--	--	--	--	66,130	--	66,130	104,060
Program specific	27,440	--	--	5,000	--	10,330	--	--	--	1,088	43,858	--	43,858	48,796
Gift cards	--	--	2,500	--	--	--	--	--	--	--	2,500	76	2,576	2,000
Advertising and marketing	--	--	730	--	--	--	--	--	--	--	730	70	800	300
Computer	--	--	--	--	--	--	--	--	--	--	--	2,130	2,130	96
Training	--	--	8,664	--	--	--	--	--	--	--	8,664	--	8,664	8,950
Liability insurance	--	2,270	1,790	--	2,779	--	--	525	--	--	7,364	2,231	9,595	7,715
Legal and accounting	--	4,624	3,696	--	5,725	--	--	1,104	--	--	15,149	3,402	18,551	12,652
Office	277	228	--	--	--	--	--	65	136	--	706	8,706	9,412	7,400
Office supplies	211	1,843	961	--	2,974	--	--	--	--	--	5,989	954	6,943	6,123
Postage and delivery	50	433	263	--	319	--	--	--	--	--	1,065	79	1,144	1,480
Rent	2,880	8,419	6,594	--	10,296	--	--	--	--	--	28,189	7,882	36,071	34,136
Utilities	251	2,176	1,701	--	2,665	--	--	--	--	--	6,793	1,546	8,339	6,886
Janitorial	--	969	758	--	1,185	--	--	--	--	--	2,912	687	3,599	3,600
Waste removal	--	--	--	--	--	--	--	--	--	--	--	1,618	1,618	1,278
Telephone	--	1,019	670	--	3,354	--	--	640	--	--	5,683	624	6,307	7,122
Licenses and fees	--	--	--	--	--	--	--	--	--	--	--	101	101	126
Property taxes	--	--	--	--	--	--	--	--	--	--	--	127	127	35
Depreciation	--	--	--	--	--	--	--	--	--	--	--	1,873	1,873	1,364
Grant writing	--	--	--	--	--	--	--	--	--	--	--	--	--	460
Total expenses	\$ 31,755	\$ 230,751	\$ 147,070	\$ 5,000	\$ 213,649	\$ 10,330	\$ 8,422	\$ 34,948	\$ 3,428	\$ 3,268	\$ 688,621	\$ 116,229	\$ 804,850	\$ 843,167

FAMILY SUPPORT NETWORK

**Statements of Cash Flows
Year Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,184	\$ 4,281
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,873	1,364
Interest income	(125)	(25)
(Increase) decrease in:		
Grants and accounts receivable	(2,381)	26,586
Prepaid expenses	531	5,010
Other current assets	(3,409)	(3,823)
(Decrease) in:		
Accounts payable	(5,395)	2,874
Accrued liabilities	(13,060)	(3,315)
Net cash (applied to) provided by operating activities	<u>(11,782)</u>	<u>32,952</u>
Cash flows from investing activities:		
Purchase of office equipment	--	(6,275)
Purchase of investments	--	(50,000)
Net cash (applied to) investing activities	<u>--</u>	<u>(56,275)</u>
Net (decrease) in cash and cash equivalents	(11,782)	(23,323)
Cash and cash equivalents:		
Beginning of year	<u>500,856</u>	<u>524,179</u>
End of year	<u>\$ 489,074</u>	<u>\$ 500,856</u>

See accompanying notes to financial statements

FAMILY SUPPORT NETWORK

Notes to Financial Statements June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Family Support Network (the “Organization”) is organized as a nonprofit voluntary health and welfare organization under Section 501(c)(3) of the Internal Revenue Code. The Organization provides services and resources that help children with special needs and their families reach their full potential. The Organization is supported primarily through donor contributions and grants.

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Organization summarizes the costs of providing its various programs and other activities on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs are allocated among program and supporting services based on specific identification or allocation methodologies.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

- Unrestricted net assets are not subject to donor-imposed stipulations and include amounts designated for a specific purpose by the Board of Directors.
- Temporarily restricted net assets are classified as such based on donor stipulations that they be used in a later period, be used for a specific purpose, or both. As donor restrictions are satisfied, amounts are reclassified to the unrestricted class as net assets released from restrictions.
- Permanently restricted net assets represent an endowment to be held in perpetuity. Investment income earned on this endowment is generally unrestricted. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

The Organization’s policy is to record temporarily restricted gifts that are received and spent in the same year as unrestricted support.

Comparative Data - The combined financial statements include prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s combined financial statements for the year ended June 30, 2015 from which the summarized information was derived.

(Note 1 continued on the following page)

FAMILY SUPPORT NETWORK**Notes to Financial Statements
(Continued)
June 30, 2016 and 2015****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Functional Allocation of Expenses - The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets based on estimates made by the Organization's management.

The Organization allocates fixed overhead at a rate of 10% of total expenditures to each program that contractually accepts this policy. If the Organization obtains more programs than originally expected where an overhead allocation exists, the existing programs may pay the Organization more overhead than the Organization actually incurred. Amounts billed to the programs for overhead charges are included in grants revenue and actual overhead expenses incurred by the Organization are included in general and administrative services expense in the accompanying statements of activities and changes in net assets.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and is exempt from state income taxes under the comparable state tax code, as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

The Organization has adopted the provisions of the accounting standard relating to accounting and reporting for uncertainty in income taxes. For the Organization, these provisions could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because of the Organization's general tax-exempt status, the adopted standard does not have a material impact on the Organization's financial statements.

Concentrations of Credit Risks - The Organization maintains bank accounts with a major banking institution in which the deposits are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, throughout the year, the Organization may maintain bank account balances in excess of the FDIC insurance limits.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Note 1 continued on the following page)

FAMILY SUPPORT NETWORK**Notes to Financial Statements****(Continued)****June 30, 2016 and 2015****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed Services and Gifts In-Kind - Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2016 and 2015, approximately 130 and 127 nonspecialized volunteers contributed a total of 7,680 and 4,638 hours, respectively, the value of which has not been recorded in the accompanying financial statements. Such volunteers include board members who support the vision and mission of the Organization, Camp TLC and Camp Hope volunteers, and numerous other volunteers who assist with monthly food drives and the Organization's Christmas program. Only amounts that meet the criteria above are recorded in the accompanying financial statements.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with maturity dates of three months or less to be cash equivalents.

Investments - Investments represent monies invested in certificates of deposit. Investments in all certificates of deposit are reported at fair market value with realized and unrealized gains and losses being reported in the statements of activities and changes in net assets.

Fair Value Measurements - The carrying value of financial instruments in the financial statements approximates fair value.

For fair value measurements of financial assets and financial liabilities (Note 2), and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis, the Organization has adopted the provisions of the Accounting Standards Codification that define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

GAAP establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

- Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. The Organization's Level 1 assets include certificates of deposit.

(Note 1 continued on the following page)

FAMILY SUPPORT NETWORK**Notes to Financial Statements
(Continued)
June 30, 2016 and 2015****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Organization does not currently hold any Level 2 assets.
- Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Organization does not currently hold any Level 3 assets.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Grants and Accounts Receivable - The Organization does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the grants and accounts receivable and charged to uncollectible fees. No accounts have been deemed uncollectible at June 30, 2016 and 2015 due to historical and projected collections.

Office Equipment - Office equipment is stated at cost. Depreciation expense is calculated on the straight-line method. The depreciation method is designed to amortize the cost of the assets over their estimated useful lives, which range from 3 to 5 years. Leasehold improvements are amortized over the life of the lease or the estimated life of the asset, whichever is shorter. The Organization capitalizes all purchases of equipment with a cost basis that exceeds \$500.

Maintenance and repairs are charged to expense as incurred. Renewals and improvements of a major nature are capitalized. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in income.

(Note 1 continued on the following page)

FAMILY SUPPORT NETWORK**Notes to Financial Statements
(Continued)
June 30, 2016 and 2015****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-Lived Assets - The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less costs to sell. No impairments were identified during the years ended June 30, 2016 and 2015.

Contributions - Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor for a specific time or purpose are reported as temporarily or permanently restricted contributions based on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities and changes in net assets.

Unconditional promises to give are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

Vacation Expense - Hourly and salary employees earn credits during the year for future vacation benefits. The expense and corresponding liability are accrued when vacations are earned rather than when vacations are paid.

Reclassifications - The summarized financial statements for the year ended June 30, 2015 reflect certain reclassifications, which have no effect on total net assets or changes in net assets, to conform to classifications adopted at June 30, 2016.

Subsequent Events - The Organization evaluated subsequent events through October 3, 2016, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

FAMILY SUPPORT NETWORK

**Notes to Financial Statements
(Continued)
June 30, 2016 and 2015**

NOTE 2 - INVESTMENTS

Investments at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ <u>50,125</u>	\$ <u>50,000</u>

Investment income at June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Interest income	\$ <u>125</u>	\$ <u>25</u>

The following table sets forth by level, within the fair value hierarchy, TIEE's assets at fair value as of June 30, 2016 and 2015:

	<u>Assets at Fair Value as of June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ <u>50,125</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>50,125</u>
Total assets at fair value	\$ <u>50,125</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>50,125</u>
	<u>Assets at Fair Value as of June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ <u>50,000</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>50,000</u>
Total assets at fair value	\$ <u>50,000</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>50,000</u>

FAMILY SUPPORT NETWORK

Notes to Financial Statements (Continued) June 30, 2016 and 2015

NOTE 3 - GRANTS AND ACCOUNTS RECEIVABLE

The Organization has secured funding through various private and public grants that support the programs administered by the Organization. Grants and accounts receivable as of June 30, 2016 and 2015 are expected to be received as follows:

	2016	2015
Amounts due in less than one year	\$ 143,955	\$ 141,574

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 and 2015 are summarized as follows:

	2016	2015
Payroll	\$ 7,726	\$ 21,710
Payroll taxes	5,343	6,019
Vacation	10,483	8,883
	\$ 23,552	\$ 36,612

NOTE 5 - COMMITMENTS

The Organization conducts its operations from a facility that is leased under a non-cancelable operating lease that is set to expire in October 2018. Total rent expense for the aforementioned lease was \$36,071 and \$31,008 for the years ended June 30, 2016 and 2015, respectively.

The expected future minimum lease payments for the aforementioned leases are as follows:

Years ending June 30:	
2017	\$ 40,328
2018	40,736
2019	13,624
	\$ 94,688

FAMILY SUPPORT NETWORK

Notes to Financial Statements (Continued) June 30, 2016 and 2015

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets as of June 30, 2016 and 2015 are available for the following purposes:

	2016	2015
Camp TLC - Weekend support camp for parents with children having severe disabilities.	\$ 55,405	\$ 25,556
ENF - Provides assistance to families who may have difficulty meeting their child's basic needs such as food, clothing, furniture, and supplies.	--	5,534
MAA development screenings - Provides increased access to early screening assessment and intervention for development, behavioral, emotional, social, or other at-risk issues.	212,914	170,616
Other programs	12,500	38,494
	\$ 280,819	\$ 240,200

Temporarily Restricted Net Assets were released during the years ended June 30, 2016 and 2015 for the following purposes:

	2016	2015
Camp TLC	\$ 31,755	\$ --
ENF	12,736	153,791
Development screenings	3,478	300,001
Parent leadership	39,494	221,909
Other programs	--	81,450
	\$ 87,463	\$ 757,151

FAMILY SUPPORT NETWORK**Notes to Financial Statements
(Continued)
June 30, 2016 and 2015****NOTE 7 - RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2016 and 2015, the Organization paid a total of \$611 and \$8,853, respectively, to family members of the Executive Director to write grants, provide IT services, and perform educational services on behalf of the Organization. The Organization's management believes that the compensation paid to the individuals was based upon market rates for similar work charged in the industry. All payments to these individuals were authorized and approved by the Board of Directors.

NOTE 8 - BOARD DESIGNATED RESERVE

As of June 30, 2016 and 2015, the Board of Directors designated \$180,000 of the Unrestricted Net Assets to be set aside as an operating contingency reserve.