FAMILY SUPPORT NETWORK
(A Nonprofit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2018

With Summarized Comparative Information
as of and for the Year Ended June. 30, 2017
With Independent Auditors' Report Thereon

CONTENTS

GTL, LLP Certified Public Accountants and Business Consultants
Member of American Institute of Certified Public Accountants and California Society of Public Accountants
Participant in Quality Review Program of AICPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
To Management of
Family Support Network
Orange, California

We have audited the accompanying financial statements of Family Support Network (the "Organization") (a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, 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.

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. 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.

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INDEPENDENT AUDITORS' 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, 2018, 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.

Report on Summarized Comparative Information

The financial statements of Family Support Network as of June 30, 2017 were audited by other auditors whose report dated October 9, 2017, expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

GTL, LLP

Sherman Oaks, California
October 25, 2018

FAMILY SUPPORT NETWORK

Statement of Financial Position

June 30, 2018
(With comparative totals for 2017)

	Total	
ASSETS	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 415,557	$ 553,342
Investments (Note 2)	199,204	50,251
Grants and accounts receivable (Note 3)	147,768	96,855
Prepaid expenses	9,595	8,973
Other current assets	3,434	3,434
TOTAL CURRENT ASSETS	775,558	712,855
PROPERTY AND EQUIPMENT, net (Note 4)	7,193	8,802
TOTAL ASSETS	**$ 782,751**	**$ 721,657**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 30,769	$ 25,627
Accrued expenses (Note 5)	15,290	19,717
Unearned revenue	25,000	-
TOTAL CURRENT LIABILITIES	71,059	45,344
COMMITMENTS (Note 6)		
NET ASSETS		
Unrestricted:		
Undesignated	132,487	165,507
Board designated	180,000	180,000
	312,487	345,507
Temporarily restricted	399,205	330,806
TOTAL NET ASSETS	711,692	676,313
TOTAL LIABILITIES AND NET ASSETS	**$ 782,751**	**$ 721,657**

The accompanying notes are an integral part of the financial statements

FAMILY SUPPORT NETWORK

Statement of Activities

Year ended June 30, 2018
(With comparative totals for 2017)

	Total 2018	Total 2017
REVENUES AND OTHER SUPPORT		
Contributions	$ 56,059	$ 53,356
Grants	569,618	607,512
Interest income	1,518	1,112
Other income	3,513	7,068
Net assets released from restrictions	98,584	82,846
TOTAL REVENUE AND OTHER SUPPORT	**729,292**	**751,894**
EXPENSES		
Program services	633,535	670,855
General and administrative	120,421	113,965
Fundraising	19,046	6,506
TOTAL EXPENSES	**773,002**	**791,326**
(DECREASE) IN UNRESTRICTED NET ASSETS	(43,710)	(39,432)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions received	177,673	132,833
Contributions released from restrictions	(98,584)	(82,846)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	79,089	49,987
CHANGE IN NET ASSETS	35,379	10,555
NET ASSETS, BEGINNING OF YEAR	676,313	665,758
NET ASSETS, END OF YEAR	**$ 711,692**	**$ 676,313**

The accompanying notes are an integral part of the financial statements

FAMILY SUPPORT NETWORK

Statement of Functional Expenses

Year ended June 30, 2018
(With comparative totals for 2017)

	Program Services	General and Administrative	Fundraising	Total 2018	Total 2017
Salaries	$ 392,445	$ 32,211	$ -	$ 424,655	$ 414,139
Payroll taxes	35,251	3,533	-	38,784	42,072
Insurance - W/C	3,178	527	-	3,705	3,539
Insurance - medical	11,797	2,329	-	14,126	11,985
Mileage	5,262	2,243	-	7,505	10,183
Director's salary and benefits	40,263	38,850	-	79,112	66,560
Subcontractor	58,350	-	-	58,350	57,900
Program specific	4,749	-	626	5,375	43,183
Gift cards	1,400	-	-	1,400	2,634
Advertising and marketing	35	35	-	70	280
Computer	-	2,209	-	2,209	-
Training	9,513	429	-	9,942	8,074
Liability insurance	8,465	1,484	-	9,950	9,847
Legal and accounting	13,355	4,539	-	17,893	18,973
Office	590	10,363	-	10,953	9,617
Office supplies	5,392	802	-	6,194	5,509
Postage and delivery	558	114	-	672	741
Rent	27,036	13,666	-	40,702	40,362
Utilities	5,256	915	-	6,171	8,645
Janitorial	3,639	701	-	4,340	3,600
Waste removal	-	2,118	-	2,118	1,654
Telephone	7,003	470	-	7,473	5,600
Licenses and fees	-	62	-	62	11
Property taxes	-	-	-	-	225
Depreciation	-	2,820	-	2,820	1,874
Grant writing	-	-	3,770	3,770	6,506
VISTA - volunteer	-	-	14,650	14,650	17,613
TOTAL EXPENSES	**$ 633,535**	**$ 120,421**	**$ 19,046**	**$ 773,002**	**$ 791,326**

The accompanying notes are an integral part of the financial statements

FAMILY SUPPORT NETWORK

Statement of Cash Flows

Year ended June 30, 2018
(With comparative totals for 2017)

	Total	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 35,379	$ 10,555
Adjustments to reconcile changes in net assets to net cash provided-by (used-in) operating activities:		
Depreciation	2,820	1,874
Interest income	-	(126)
Changes in assets and liabilities:		
Grants and accounts receivable	(50,913)	47,100
Prepaid expenses	(622)	(1,303)
Other current assets	(4,427)	6,382
Accounts payable	5,139	8,253
Accrued expenses	-	(3,832)
Unearned revenue	25,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**12,376**	**68,903**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(148,950)	-
Purchase of furniture and equipment	(1,211)	(4,635)
NET CASH (USED-IN) INVESTING ACTIVITIES	**(150,161)**	**(4,635)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(137,785)	64,268
CASH AND CASH EQUIVALENTS, beginning of year	553,342	489,074
CASH AND CASH EQUIVALENTS, end of year	**$ 415,557**	**$ 553,342**

The accompanying notes are an integral part of the financial statements

FAMILY SUPPORT NETWORK
Notes to Financial Statements
Year Ended June 30, 2018

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, 2018 and 2017.

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

Comparative Data - These financial statements include prior-year summarized comparative information. 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 financial statements for the year ended June 30, 2017 from which the summarized information was derived.

FAMILY SUPPORT NETWORK
Notes to Financial Statements
Year Ended June 30, 2018

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 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. At June 30, 2018, the Organization had cash balances in excess of the FDIC limit by $88,624.

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 - 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, 2018 and 2017, approximately 91 and 135 nonspecialized volunteers contributed a total of 2,208 and 7,036 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 volunteers, and numerous other volunteers who assist with monthly food drives and the Organization's Christmas program. Camp TLC took place in 2017 but not in 2018, thus the reduction in volunteer hours. 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 U.S. treasury bills and certificates of deposit. Investments in U.S. treasury bills and 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 U.S. treasury bills and certificates of deposit.

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, 2018 and 2017 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 $1,000.

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.

FAMILY SUPPORT NETWORK
Notes to Financial Statements
Year Ended June 30, 2018

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, 2018 and 2017.

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.

Recent Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update is meant to simplify and improve how a not-for-profit organization classifies its net assets, presents its cash flows, and reports its investment returns. In addition, the update provides for enhanced disclosures about the liquidity and availability of an organization's assets, the classification of its expenses by both nature and function, and the methodology of allocating such expenses to programs and supporting services. The new standard will be effective for reporting periods beginning after December 15, 2017, with early adoption permitted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and

- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of these standards.

In June 2018 the FASB released Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* in an attempt to make it easier for charities, foundations, and other not-for-profit organizations to determine how to record the proceeds from grants and donations that have conditions attached to them. The new guidance also aims to help distinguish between contributions with conditions attached to them versus those that do not. The amendments in this update should be applied on a modified prospective basis and retrospective basis is also permitted.

Subsequent Events - The Organization evaluated subsequent events through October 25, 2018, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2 - INVESTMENTS

Investments at June 30, 2018 and 2017 consisted of the following:

	2018	2017
U.S. Treasury Bills /Certificates of Deposit	$ 199,204	$ 50,251

Investment income at June 30, 2018 and 2017 is summarized as follows:

	2018	2017
Interest income	$ 1,047	$ 126

NOTE 2 – INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018 and 2017:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Bills	$ 199,204	$ -	$ -	$ 199,204
Total assets at fair value	$ 199,204	$ -	$ -	$ 199,204

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ 50,251	$ -	$ -	$ 50,251
Total assets at fair value	$ 50,251	$ -	$ -	$ 50,251

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, 2018 and 2017 are expected to be received as follows:

	2018	**2017**
Amounts due	$ 147,768	$ 96,855
	$ 147,768	$ 96,855

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018 and 2017:

		2018		2017
Computers and equipment	$	15,211	$	15,558
Less accumulated depreciation		(8,018)		(6,756)
Property and equipment, net	$	7,193	$	8,802

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to $2,820 and $1,874, respectively.

NOTE 5 - ACCRUED EXPENSES

Accrued expenses at June 30, 2018 and 2017 are summarized as follows:

		2018		2017
Payroll	$	1,391	$	7,485
Payroll taxes		451		2,511
Vacation		13,448		9,721
	$	15,290	$	19,717

NOTE 6 - COMMITMENTS

The Organization conducts its operations from a facility that is leased under a non-cancelable (with an option to terminate after 24 months upon loss of over 50% of funding) operating lease that is set to expire in October 2021, with one option to extend for an additional three-year term, with monthly payments starting at $3,034, with annual scheduled increases. Total rent expense for the years ended June 30, 2018 and 2017 was $40,702 and $40,362, respectively. The Organization's previous office lease ended October 2018.

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

Year ending June 30,		
2019	$	24,272
2020		37,136
2021		38,252
2022		12,876
	$	112,536

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets as of June 30, 2018 and 2017 are available for the following

	2018	2017
Development screenings - Provides increased access to early screening assessment and intervention for development, behavioral, emotional, social, or other at-risk issues.	$ 350,526	$ 317,714
Other programs	48,679	13,092
	$ 399,205	$ 330,806

Temporarily Restricted Net Assets were released during the years ended June 30, 2017 and 2016 for the following purposes:

	2018	2017
Camp TLC	$ -	$ 55,405
Developmental screenings	52,559	14,941
Other programs	46,025	12,500
	$ 98,584	$ 82,846

NOTE 8 - BOARD DESIGNATED RESERVE

As of June 30, 2018 and 2017, the Board of Directors designated $180,000 of the Unrestricted Net Assets to be set aside as an operating contingency reserve.