

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FAMILY SERVICE CENTER OF SANGAMON COUNTY

June 30, 2014 and 2013

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Independent Auditors' Report

Board of Directors
Family Service Center of Sangamon County

Report on the Financial Statements

We have audited the accompanying financial statements of Family Service Center of Sangamon County (the "Center") (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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.

Other Locations

Belleville, IL • Carbondale, IL • Litchfield, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service Center of Sangamon County as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity 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 February 11, 2015, on our consideration of Family Service Center of Sangamon County'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 the 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 Family Service Center of Sangamon County's internal control over financial reporting and compliance.

Kuhn, Eck & Brueckel LLP

Springfield, Illinois
February 11, 2015

Family Service Center of Sangamon County

STATEMENTS OF FINANCIAL POSITION

June 30

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 159,141	\$ 264,360
Accounts receivable	-	846
Due from granting agencies	95,943	92,573
Contributions receivable	100,000	80,000
Prepaid expenses and other assets	<u>24,197</u>	<u>16,680</u>
Total current assets	379,281	454,459
INVESTMENTS	32,128	6,289
PROPERTY AND EQUIPMENT		
Building and leasehold improvements	382,025	382,025
Equipment and vehicles	<u>54,462</u>	<u>3,787</u>
	436,487	385,812
Less accumulated depreciation	<u>(111,941)</u>	<u>(89,743)</u>
	324,546	296,069
Idle property	39,144	39,144
Land	<u>8,000</u>	<u>8,000</u>
	371,690	343,213
OTHER ASSETS		
Beneficial interest in perpetual trusts	<u>130,556</u>	<u>126,519</u>
Total assets	<u>\$ 913,655</u>	<u>\$ 930,480</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 311,945	\$ 11,908
Accounts payable	56,440	40,345
Accrued compensation	20,532	12,066
Accrued vacation	15,844	28,324
Refundable grant advances	<u>63,005</u>	<u>61,731</u>
Total current liabilities	467,766	154,374
LONG-TERM DEBT, less current maturities	16,652	313,478
NET ASSETS		
Unrestricted	142,457	200,953
Temporarily restricted	156,224	135,156
Permanently restricted	<u>130,556</u>	<u>126,519</u>
	429,237	462,628
Total liabilities and net assets	<u>\$ 913,655</u>	<u>\$ 930,480</u>

The accompanying notes are an integral part of these statements.

Family Service Center of Sangamon County

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30

	2014			2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support								
State grant revenue	\$ 1,255,414	-	\$ -	\$ 1,255,414	\$ 964,507	-	\$ -	\$ 964,507
Program service fees	17,195	-	-	17,195	7,322	-	-	7,322
United Way	-	105,680	-	105,680	-	83,829	-	83,829
Contributions and special events	48,237	70,615	-	118,852	38,463	55,404	-	93,867
Investment income	5,856	-	-	5,856	10,020	-	-	10,020
Loss on disposal of equipment	-	-	-	-	(81,542)	-	-	(81,542)
Change in value of beneficial interest in perpetual trusts	-	-	4,037	4,037	-	-	(73)	(73)
Other	1,958	-	-	1,958	1,369	-	-	1,369
Net assets released from restrictions	155,227	(155,227)	-	-	99,322	(99,322)	-	-
Total revenues and other support	1,483,887	21,068	4,037	1,508,992	1,039,461	39,911	(73)	1,079,299
Expenses								
Program services								
Family substitute services	1,475,875	-	-	1,475,875	1,143,802	-	-	1,143,802
Total program services expenses	1,475,875	-	-	1,475,875	1,143,802	-	-	1,143,802
Supporting services								
Management and general	19,722	-	-	19,722	36,566	-	-	36,566
Fundraising	46,786	-	-	46,786	30,907	-	-	30,907
Total supporting services expenses	66,508	-	-	66,508	67,473	-	-	67,473
Total expenses	1,542,383	-	-	1,542,383	1,211,275	-	-	1,211,275
Change in net assets	(58,496)	21,068	4,037	(33,391)	(171,814)	39,911	(73)	(131,976)
Net assets at beginning of year	200,953	135,156	126,519	462,628	372,767	95,245	126,592	594,604
Net assets at end of year	\$ 142,457	\$ 156,224	\$ 130,556	\$ 429,237	\$ 200,953	\$ 135,156	\$ 126,519	\$ 462,628

The accompanying notes are an integral part of these statements.

Family Service Center of Sangamon County

STATEMENTS OF CASH FLOWS

Years ended June 30

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ (33,391)	\$ (131,976)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	22,198	19,101
Change in value of beneficial interest in perpetual trusts	(4,037)	73
Unrealized gain on investments	(839)	(568)
Loss on disposal of equipment	-	81,542
(Increase) decrease in assets		
Accounts receivable	846	4,626
Due from granting agencies	(3,370)	144,062
Contributions receivable	(20,000)	-
Prepaid expenses and other assets	(7,517)	(12,082)
Increase (decrease) in liabilities		
Accounts payable	16,095	3,674
Accrued compensation	8,466	(15,230)
Accrued vacation	(12,480)	13,104
Refundable grant advances	1,274	(12,145)
Net cash provided by (used in) operating activities	<u>(32,755)</u>	<u>94,181</u>
Cash flows from investing activities		
Purchase of investment	(25,000)	-
Purchase of equipment	(50,675)	-
Net cash used in investing activities	<u>(75,675)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	25,000	-
Principal payments on long-term debt	(21,789)	(18,490)
Net cash provided by (used in) financing activities	<u>3,211</u>	<u>(18,490)</u>
Increase (decrease) in cash and cash equivalents	(105,219)	75,691
Cash and cash equivalents at beginning of year	<u>264,360</u>	<u>188,669</u>
Cash and cash equivalents at end of year	<u>\$ 159,141</u>	<u>\$ 264,360</u>
Cash paid for interest	\$ 17,337	\$ 17,510

The accompanying notes are an integral part of these statements.

Family Service Center of Sangamon County

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2014

	Program Services		Supporting Services		Total Program and Supporting Services
	Family Substitute Services	Management and General	Management and General	Fundraising	
Personnel and fringes	\$ 781,793	\$ 1,751	\$ 22,705		\$ 806,249
Professional fees	11,699	9,719	38		21,456
Advertising	3,057	76	767		3,900
Supplies	15,295	431	1,304		17,030
Telephone and internet	16,091	978	-		17,069
Postage and shipping	1,306	196	316		1,818
Transportation and travel	61,942	818	599		63,359
Conferences and meetings	1,288	642	1,995		3,925
Dues, subscriptions and licenses	8,545	674	265		9,484
Rental, maintenance, occupancy	87,870	1,996	-		89,866
Food	3,017	221	409		3,647
Specific assistance	20,112	1,000	2,888		24,000
Interest expense	16,991	346	-		17,337
Miscellaneous	3,314	430	79		3,823
Depreciation	21,754	444	-		22,198
Foster care boarding	419,244	-	-		419,244
Special events/fundraising	2,557	-	15,421		17,978
Total expenses	\$ 1,475,875	\$ 19,722	\$ 46,786		\$ 1,542,383

Family Service Center of Sangamon County

STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30, 2013

	Program Services		Supporting Services		Total Program and Supporting Services
	Family Substitute Services	Management and General	Management and General	Fundraising	
Personnel and fringes	\$ 672,230	\$ 25,366	\$ 25,366	\$ 16,844	\$ 714,440
Professional fees	17,016	381	381	-	17,397
Advertising	4,348	569	569	286	5,203
Supplies	7,146	1,190	1,190	268	8,604
Telephone and internet	19,021	28	28	-	19,049
Postage and shipping	1,397	547	547	318	2,262
Transportation and travel	34,492	39	39	341	34,872
Conferences and meetings	1,296	274	274	200	1,770
Dues, subscriptions and licenses	2,284	922	922	50	3,256
Rental, maintenance, occupancy	79,252	1,299	1,299	-	80,551
Food	1,755	602	602	350	2,707
Specific assistance	6,148	-	-	53	6,201
Interest expense	17,074	436	436	-	17,510
Miscellaneous	3,581	4,331	4,331	364	8,276
Depreciation	18,719	382	382	-	19,101
Foster care boarding	258,014	-	-	-	258,014
Special events/fundraising	29	200	200	11,833	12,062
Total expenses	\$ 1,143,802	\$ 36,566	\$ 36,566	\$ 30,907	\$ 1,211,275

The accompanying notes are an integral part of these statements.

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Operations

Family Service Center of Sangamon County (the "Center") is an Illinois not-for-profit organization. Its principal programs provide adoption and foster care services to families and children.

2. Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in which expenditures are recognized when incurred and revenue is recognized when earned, generally when allowable expenditures are made.

3. Basis of Presentation

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted net assets - Those resources that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Center or passage of time. The Center has elected to present all temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

Permanently restricted net assets - Those resources subject to donor-imposed restrictions as to their use that cannot be removed by actions of the Center or passage of time.

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

4. *Cash and Cash Equivalents*

For purposes of reporting cash flows, the Center considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

5. *Accounts Receivable*

The Center considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

6. *Investments*

The Center's investments are maintained in a certificate of deposit and a pooled account that invests in various investment securities. Investments are reported at their fair value in the statement of financial position. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted, temporarily restricted, or permanently restricted net assets based on donor-imposed restrictions.

7. *Property and Equipment*

Property and equipment are stated at cost. Items purchased that exceed \$ 1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. The useful lives adopted for the purpose of computing depreciation are:

Building and leasehold improvements	20 - 50 years
Equipment and vehicles	3 - 10 years

8. *Contributions*

Contributions received are recorded as support when received or pledged and are classified as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. When a donor-imposed 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 reported in the statement of activities as net assets released from restrictions.

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

9. Income Taxes

The Center is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. The Internal Revenue Service has determined the Center to be an entity other than a private foundation; therefore, charitable contributions are tax deductible.

The Center has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. The Center is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the statement of financial position date. Penalties and interest assessed by taxing authorities are included in management and general expenses, if applicable. There were no interest or penalties paid during fiscal years 2014 and 2013.

The Center files information returns in the federal and Illinois jurisdiction. The federal and state returns prior to 2010 are closed.

10. Allocated Costs

Administrative and other support costs are allocated to all programs in proportion to the benefits received by each program. Expenses that can be identified with a specific program are charged directly according to their natural expenditure classification.

11. Use of Estimates

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

12. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through February 11, 2015, which is the date the financial statements were available to be issued. See Note M for subsequent event disclosure.

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE B - DUE FROM GRANTING AGENCIES

Due from granting agencies consisted of amounts due of \$ 95,943 and \$ 92,573 from the Illinois Department of Children and Family Services at June 30, 2014 and 2013, respectively. The State of Illinois is currently experiencing cash flow problems and is in arrears. The Center estimates the full amount to be collectible.

NOTE C - INVESTMENTS

The fair value of investments is based on quoted market values for those or similar investments.

Investments consist of the following at June 30:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposit	\$ 25,000	\$ 25,000	\$ -	\$ -
Pooled account	<u>5,250</u>	<u>7,128</u>	<u>5,250</u>	<u>6,289</u>
Total	<u>\$ 30,250</u>	<u>\$ 32,128</u>	<u>\$ 5,250</u>	<u>\$ 6,289</u>

Investment income consisted of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 5,113	\$ 9,542
Unrealized gain	839	568
Investment fees	<u>(96)</u>	<u>(90)</u>
	<u>\$ 5,856</u>	<u>\$ 10,020</u>

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE D - FAIR VALUE MEASUREMENTS

The Center follows the fair value measurement guidance for financial assets and financial liabilities. The guidance defines fair value, establishes a framework for measuring value and expands disclosure about fair value measurements. In addition, the guidance permits an entity to measure eligible financial instruments and other items at fair value. The Center has not made any fair value elections.

Fair value is defined to be 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. A three-level hierarchy has been established for fair value measurements based upon the inputs to the valuation of an asset or liability as follows:

Level 1 – Valuation is based on quoted prices for identical assets and liabilities in active markets.

Level 2 – Valuation is derived from inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly. Investments classified as Level 2 are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The significant inputs used in this approach include interest rates, prepayment timing, yield spreads, maturities, credit losses and credit ratings of the securities.

Level 3 – Valuation is derived from unobservable inputs that are not corroborated by market data.

The certificate of deposit is carried at its original deposit balance, which approximates its value. The fair value of the pooled account is determined by the value of the underlying investments, which consist of money market funds, fixed income funds, equities, hedge funds, and real estate. The Center records its beneficial interests in trusts held by others using the fair value of the underlying assets in the trusts, which consist of bonds, common stock and cash.

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE D - FAIR VALUE MEASUREMENTS - Continued

The following table presents the Center's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2014</u>				
Investments				
Certificate of deposit	\$ 25,000	\$ -	\$ 25,000	\$ -
Pooled account	<u>7,128</u>	<u>-</u>	<u>7,128</u>	<u>-</u>
	32,128	-	32,128	-
Beneficial interest in perpetual trusts	<u>130,556</u>	<u>-</u>	<u>130,556</u>	<u>-</u>
Total	<u>\$ 162,684</u>	<u>\$ -</u>	<u>\$ 162,684</u>	<u>\$ -</u>
<u>2013</u>				
Investments				
Pooled account	\$ 6,289	\$ -	\$ 6,289	\$ -
Beneficial interest in perpetual trusts	<u>126,519</u>	<u>-</u>	<u>126,519</u>	<u>-</u>
Total	<u>\$ 132,808</u>	<u>\$ -</u>	<u>\$ 132,808</u>	<u>\$ -</u>

NOTE E - BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Center is the beneficiary of two perpetual trusts created by donors, the assets of which are not in the possession of the Center. The Center has legally enforceable rights and claims to such assets, including the sole right to the distribution of assets from the trusts. Net realized and unrealized gains and losses related to the beneficial interests are reported as changes in permanently restricted net assets based on explicit donor stipulations. The Center's beneficial interest in perpetual trusts at June 30, 2014 and 2013, were as follows.

	<u>2014</u>	<u>2013</u>
Laura Adams Charitable Trust	\$ 75,144	\$ 70,620
George Bisch Testamentary Trust	<u>55,412</u>	<u>55,899</u>
	<u>\$ 130,556</u>	<u>\$ 126,519</u>

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE F - LONG-TERM DEBT

Long-term debt at June 30 consists of the following:

	<u>2014</u>	<u>2013</u>
Marine Bank, Springfield, Illinois		
Note payable in monthly installments of \$ 1,220, with interest at 5.85% through June 22, 2014, and a balloon payment due on July 22, 2014. Secured by all of the assets of the Center.	\$ 142,620	\$ 149,502
Note payable in monthly installments of \$ 1,237, with interest at 5% through June 22, 2014, and a balloon payment due on July 22, 2014. Secured by the real estate mortgage.	164,523	175,884
Note payable in monthly installments of \$ 455, with interest at 3.5% through August 22, 2018. Secured by the certificate of deposit.	<u>21,454</u>	<u>-</u>
	328,597	325,386
Less current maturities	<u>311,945</u>	<u>11,908</u>
	<u>\$ 16,652</u>	<u>\$ 313,478</u>

Aggregate annual maturities of long-term debt for the five fiscal years ending June 30, 2019, are as follows:

2015	\$ 311,945
2016	4,972
2017	5,149
2018	5,332
2019	1,199

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE G - LEASE COMMITMENTS

During 2012, the Center entered into a non-cancelable operating lease for a copier which expires in 2017. Total lease expense for the years ended June 30, 2014 and 2013, was \$ 8,124 and \$ 5,614, respectively.

Future minimum lease payments are as follows:

2015	\$	5,184
2016		5,184
2017		864

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted according to donor restrictions as follows at June 30:

	<u>2014</u>	<u>2013</u>
Purpose restricted		
Compass	\$ 53,222	\$ 52,154
Building renovations	<u>3,002</u>	<u>3,002</u>
Total purpose restricted	56,224	55,156
Time restricted	<u>100,000</u>	<u>80,000</u>
Total	<u>\$ 156,224</u>	<u>\$ 135,156</u>

NOTE I - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of beneficial interests of two perpetual trusts. The assets are invested in perpetuity and only the income is expendable. The Center's permanently restricted net assets at June 30, 2014 and 2013, totaled \$ 130,556 and \$ 126,519, respectively.

Family Service Center of Sangamon County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE J - GRANT REVENUE

Grant revenue is provided by the the Illinois Department of Children and Family Services. Under the terms of the grant agreements, costs which do not meet the conditions of the grant program may be disallowed and required to be returned to the grantors. As of June 30, 2014 and 2013, the Center was not aware of any such costs other than what is included in the accompanying statements of financial position as refundable grant advances. Refundable grant advances were \$ 63,005 and \$ 61,731 as of June 30, 2014 and 2013, respectively.

NOTE K - RETIREMENT PLAN

The Center has a SIMPLE IRA plan which is optional to its employees. The Center matches employee contributions up to 3% of employee compensation. Total contributions made by the Center for the years ended June 30, 2014 and 2013, were \$ 6,252 and \$ 6,261, respectively.

NOTE L - CONCENTRATION OF CREDIT RISK

The Center maintains cash deposits in various financial institutions which, at times, exceed the federally insured limits. The Center has not experienced any losses in such accounts as of June 30, 2014, and through the date of this report.

The Center receives a substantial amount of its support from state agencies. A significant reduction in the level of this support, if it were to occur, may have a significant effect on the Center's programs and activities.

NOTE M - SUBSEQUENT EVENT

Subsequent to year end, two of the Center's notes totaling \$ 307,143 became due. These notes were refinanced with Marine Bank and will mature on February 22, 2018. These notes payable are disclosed in Note F.

NOTE N - RECLASSIFICATIONS

Certain reclassifications have been made to the 2013 financial information to conform to the 2014 presentation.

Family Service Center of Sangamon County

SCHEDULE OF PROGRAM REVENUE AND EXPENSES

Year ended June 30, 2014
(with comparative totals for 2013)

	Family Substitute Services				Supporting Services		2013 Total	
	Relative		Specialized Foster Care	Compass	Total	Management and Fundraising		
	Adoption	Foster Care				General		Fundraising
Revenue	\$	\$	\$	\$	\$	\$	\$	
State grant revenue	-	874,287	381,127	-	1,255,414	-	964,507	
Program service fees	3,075	-	-	-	3,075	4,206	7,322	
United Way	-	-	-	100,000	100,000	5,680	83,829	
Contributions and special events	-	-	-	70,615	70,615	46,011	93,867	
Investment income	-	-	-	-	-	5,856	10,020	
Loss on disposal of equipment	-	-	-	-	-	-	(81,542)	
Change in value of beneficial interest in perpetual trusts	-	-	-	-	-	-	(73)	
Other	-	-	-	-	-	143	1,369	
Total revenue	3,075	874,287	381,127	170,615	1,429,104	56,040	1,079,299	
Expenses								
Personnel and fringes	-	483,330	197,677	100,786	781,793	1,751	714,440	
Professional fees	215	7,869	2,447	1,168	11,699	9,719	17,397	
Advertising	-	1,974	759	324	3,057	76	5,203	
Supplies	-	4,567	1,556	9,172	15,295	431	8,604	
Telephone and internet	-	9,273	5,414	1,404	16,091	978	19,049	
Postage and shipping	4	995	22	285	1,306	196	2,262	
Transportation and travel	-	37,671	9,684	14,587	61,942	818	34,872	
Conferences and meetings	-	439	210	639	1,288	642	3,925	
Dues, subscriptions and licenses	-	4,764	1,608	2,173	8,545	674	3,256	
Rental, maintenance, occupancy	-	59,716	20,916	7,238	87,870	1,996	80,551	
Food	-	1,280	390	1,347	3,017	221	2,707	
Specific assistance	-	15,877	2,415	1,820	20,112	1,000	6,201	
Interest expense	-	11,590	3,968	1,433	16,991	346	17,510	
Miscellaneous	-	2,144	659	511	3,314	430	8,276	
Depreciation	-	10,655	4,440	6,659	21,754	444	19,101	
Foster care boarding	-	259,583	159,661	-	419,244	-	258,014	
Special events/fundraising	-	2,557	-	-	2,557	15,421	12,062	
Total expenses	219	914,284	411,826	149,546	1,475,875	19,722	1,211,275	
Revenue over (under) expenses	\$ 2,856	\$ (59,997)	\$ (30,699)	\$ 21,069	\$ (46,771)	\$ 4,126	\$ (131,976)	

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

Identification of Adjusting Journal Entries

During our audit, several adjusting journal entries were proposed and recorded to the general ledger. It is management's responsibility to identify and record those entries necessary to account for all transactions in accordance with accounting principles generally accepted in the United States of America (GAAP).

These entries should typically be posted through the year-end and month-end bookkeeping and accounting processes prior to the audit. When management does not address these transactions, the potential exists for the financial statements to contain material errors or omissions that would not be detected by management.

We recommend the Organization make every reasonable effort to post the necessary adjusting journal entries prior to the start of the audit. We also recommend the Organization reconcile subsidiary ledgers to the general ledger monthly, reviewing for unusual items that would require adjustment.

Management Response: For fiscal year 2015, our accounting department is continuing to review the general ledger on a monthly basis and making adjustments as needed. We anticipate that the year-end presentation of financial statements will require fewer auditor adjustments.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Service Center of Sangamon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to the Finding

The Organization's response to the finding identified in our audit is described above. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kerber, Eck & Branstetter LLP

Springfield, Illinois
February 11, 2015