

COMMUNITY HUMAN SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

COMMUNITY HUMAN SERVICES
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>PAGE</u>
BOARD OF DIRECTORS	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
Statement of Net Position – Enterprise Funds.....	14
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds	16
Statement of Cash Flows – Enterprise Funds	18
NOTES TO FINANCIAL STATEMENTS	22
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues and Expenses – Budget to Actual – Agency Wide	37
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards.....	39
Combining Schedule of Functional Revenues and Expenses	40
Note to Supplementary Information	42
INDEPENDENT AUDITORS' REPORT	
Report on Internal Control Over Financial reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance.....	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
Summary of Auditor's Results	50
Financial Statement Findings	51
Federal Awards Findings and Questioned Costs	52
Summary Schedule of Prior Audit Findings	53

COMMUNITY HUMAN SERVICES
BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2018

<u>AGENCIES</u>	<u>PRIMARIES</u>	<u>ALTERNATE</u>
City of Carmel	Darlene Mosley	Paul Tomasi
City of Del Rey Oaks	Patricia Lintell	Layne Buckley
City of Marina	Nancy Amadeo	Vacant
City of Monterey	Alan Haffa, Vice Chair	Kim Bui Burton
City of Pacific Grove	Alan Cohen, Chair	Vacant
City of Salinas	Gloria De La Rosa	Vacant
City of Sand City	Mary Ann Carbone	Linda Scholink, Finance Committee Member
City of Seaside	Mary Mitchell	Dave Pacheco
Carmel Unified School District	Annette Yee Steck, Finance Committee Chair	Rita Patel
Monterey Peninsula Unified School District	Alana Myles	Vacant
Pacific Grove Unified School District	Cristy Dawson	Vacant
Monterey Peninsula Community College District	Loren Steck	Victoria Phillips
North Monterey County Unified School District	Kyle Samuels	Vacant
Monterey County Office of Education	Harvey Kuffner, Finance Committee Member	Mary Claypool
Santa Rita Union School District	Vacant	Vacant
Salinas Union High School District	Lila Cann	Vacant



SALINAS OFFICE
450 LINCOLN AVENUE
SUITE 200
SALINAS, CA 93901
PHONE 831-757-5311
FAX 831-757-9529
BKPCPA.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Human Services
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of each major enterprise fund, and the aggregate remaining fund information of Community Human Services (a Joint Powers Authority of California local governments), (Agency) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each enterprise major fund, and the aggregate remaining fund information of Community Human Services, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards (SEFA), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information, such as the Combining Schedule of Functional Revenues and Expenses are presented for

purposes of additional analysis and are not a required part of the basic financial statements.

The SEFA and Schedule of Functional Revenues and Expenses are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA and Combining Schedule of Functional Revenues and Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the Agency'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 solely 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 effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.

Bianchi, Kasawan & Pope, LLP

Salinas, California

November 9, 2018

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

This section of Community Human Services' (the Agency) annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended on June 30, 2018. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Agency's basic financial statements, which begin on page 14. Comparisons to and analysis of the prior year are incorporated where appropriate.

FINANCIAL HIGHLIGHTS

- The Agency's net position increased by \$239,157 (or 10.3%) during 2018. Since the Agency engages only in business type activities, the increase is all in the category of business-type net position. Net position was \$2,554,747 and \$2,315,590 for 2018 and 2017, respectively.
- The Agency's return on total ending net position was 10.30%.
- Total cost of all the Agency's programs was \$6,051,850 and \$5,293,363 for 2018 and 2017, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Notes to the Basic Financial Statements, an Independent Auditor's Report thereon and this Management's Discussion and Analysis. Readers of these financial statements are encouraged to consider the report as a whole to obtain a complete understanding of the Agency's financial condition.

Statement of Net Position

The Statement of Net Position is a report of the Agency's assets, liabilities and net position. Assets and liabilities are reported at book value, on an accrual basis as of the statement date. Assets and liabilities have been segregated between current (expected to be liquidated or paid within one year) and noncurrent. Net Position is reported in major categories reflecting any restrictions thereon.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the Agency's revenue earned and expenses incurred during the period on an accrual basis. The Statement has been segregated into operating and nonoperating sections.

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Cash Flows

The Statement of Cash Flows presents the source and uses of cash and is segregated into operating, capital and related financing, noncapital financing and investing activities. The direct method of cash flows reporting has been used and the indirect method of calculating cash provided (used) by operations is also presented.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Agency's most significant funds. The Agency consists of exclusively Enterprise Funds, but the focus now is on Major Funds, rather than fund types. In order to be selected as a major fund, the fund's assets, liabilities, revenues, or expenses should be at least 10% or more of the fund type's total assets, liabilities, revenues or expenses and at least 5% or more of the Agency's total assets, liabilities, revenues or expenses. Since the Agency has only one fund type, the 10% criteria is used to determine major funds. The Enterprise method of accounting is similar to accounting utilized by private sector accounting.

THE AGENCY'S FUNDS

Business Type Funds

Operating Fund – This is the Agency's main operating fund.

Prevention and Treatment of Substance Abuse Program Fund – Under the Prevention and Treatment of Substance Abuse Fund, the Agency provides residential drug treatment, outpatient drug treatment, a supported sober living environment and a youth substance abuse education and intervention program. The Fund consists of seven programs:

- Genesis House Perinatal Program
- Genesis House Co-Ed Program
- Elm House
- Drug and Alcohol Intervention Services for Youth (DAISY) Program
- Outpatient Drug Treatment Centers in Salinas and Monterey
- Substance Use Prevention Program

Narcotic Treatment Program Fund – Under the Narcotic Treatment Program Fund, the Agency operates Off Main Clinic, a medication-assisted treatment program. The Clinic offers closely monitored methadone dispensing and substance abuse counseling to Medi-Cal and private pay patients.

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

THE AGENCY'S FUNDS (Continued)

Business Type Funds (Continued)

Counseling Services – Under the Counseling Services Fund, the Agency provides outpatient mental health counseling, parent education and family safety-net services. The Fund consists of eight programs operating out of the Family Service Centers in Salinas and Seaside:

- Family to Family Program
- Pathways to Safety Program
- Access to Treatment Outpatient Mental Health Program
- Counseling and Therapy Services (CATS) Program for LGBTQ individuals and individuals with HIV/AIDS
- Self-Referral Mental Health Counseling Program
- Parent Education Program

Other Non-Major Funds – In addition to the major funds above, the Agency also maintains the following non-major funds:

- Basic Center Program for runaway and homeless youth
- Street Outreach Program for runaway and homeless youth
- Chinatown Behavioral Health Program serving homeless adults in Salinas
- Safe Passage Program for homeless youth ages 18 – 21
- Domestic Violence/Anger Management Program
- Supervised Visitation and Exchange Program
- SuperKids/SuperTeens school-based counseling program
- Permanent Youth Shelter, an overnight shelter in downtown Monterey for homeless youth

COMPARATIVE ANALYSIS

Statement of Net Position

A comparative summary of the Agency's Statement of Net Position as of June 30, which generally reflects its financial condition, is as follows:

	<u>2018</u>	<u>2017</u>	<u>Changes</u>	<u>% Changes</u>
Assets				
Current assets	\$ 6,595,722	\$ 5,732,633	\$ 863,089	15.06%
Capital and other assets	<u>2,787,553</u>	<u>2,718,621</u>	<u>68,932</u>	2.54%
Total Assets	<u>9,383,275</u>	<u>8,451,254</u>	<u>932,021</u>	11.03%

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

COMPARATIVE ANALYSIS (Continued)

Statement of Net Position (Continued)

	<u>2018</u>	<u>2017</u>	<u>Changes</u>	<u>% Changes</u>
Liabilities				
Current liabilities	\$ 5,873,751	\$ 5,151,957	\$ 721,794	14.01%
Long-term obligations	<u>954,777</u>	<u>983,707</u>	<u>(28,930)</u>	(2.94%)
Total Liabilities	<u>6,828,528</u>	<u>6,135,664</u>	<u>692,864</u>	11.29%
Net Position				
Net investment in capital assets	1,803,858	1,707,381	96,477	5.65%
Restricted	1,562,715	1,192,103	370,612	31.09%
Unrestricted	<u>(811,826)</u>	<u>(583,894)</u>	<u>(227,932)</u>	(39.04%)
Total Net Position	<u>\$ 2,554,747</u>	<u>\$ 2,315,590</u>	<u>\$ 239,157</u>	10.30%

Major Factors Affecting the Statement of Net Position

Current year's net position increased by \$239,157 over the prior year. The current year increase was related primarily to increases in public funding, offset by increases in salaries and benefits.

Statement of Revenues, Expenses and Changes in Net Position

A comparative summary of the Agency's Statement of Revenues, Expenses and Changes in Net Position, which generally reflects its results of operations as of June 30, is as follows:

	<u>2018</u>	<u>2017</u>	<u>Changes</u>	<u>% Changes</u>
Revenues				
Program revenues:				
Public grants and contracts	\$ 5,413,169	\$ 4,460,454	\$ 952,715	21.36%
Charges and fees	404,810	369,463	35,347	9.57%
Private grants and contributions	323,426	229,569	93,857	40.88%
Joint Powers Agency support	141,675	133,975	7,700	5.75%
Other revenue	<u>7,927</u>	<u>11,722</u>	<u>(3,795)</u>	(32.38%)
Total Revenues	<u>6,291,007</u>	<u>5,205,183</u>	<u>1,085,824</u>	20.86%

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

COMPARATIVE ANALYSIS (Continued)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

	<u>2018</u>	<u>2017</u>	<u>Changes</u>	<u>% Changes</u>
Expenses				
General	\$ 913,478	\$ 864,412	\$ 49,066	5.68%
Off Main Clinic Methadone Program	1,116,338	937,055	179,283	19.13%
Genesis House Co-Ed Program	657,891	633,924	23,967	3.78%
Access to Treatment Outpatient Mental Health Program	841,548	629,173	212,375	33.75%
Genesis House Perinatal Program	289,153	312,902	(23,749)	(7.59%)
Basic Center Program for Runaway and Homeless Youth	235,954	201,671	34,283	17.00%
Family to Family Program	173,470	180,680	(7,210)	3.99%
Street Outreach Program for Runaway and Homeless Youth	201,287	190,735	10,552	5.53%
Safe Passage Program	174,871	177,943	(3,072)	(1.73%)
Mental Health Services Act Programs (PE, CATS A&B)	276,912	239,937	36,975	15.41%
DAISY Program	150,415	199,577	(49,162)	(24.63%)
Pathways to Safety Program	145,444	134,342	11,102	8.26%
Outpatient Drug Treatment Centers	353,455	358,869	(5,414)	(1.51%)
Permanent Youth Shelter	92,330	44,333	47,997	108.26%
Self-Referral Mental Health Counseling Program	16,407	8,936	7,471	83.61%
Supervised Visitation and Exchange Program	35,361	47,864	(12,503)	(26.12%)
Domestic Violence/Anger Management Program	44,973	52,369	(7,396)	(14.12%)
Elm House	38,801	35,354	3,447	9.75%
SuperKids/Super Teens Program	31,159	42,751	(11,592)	(27.12%)
Family Service Center - DSS Counseling	1,887	536	1,351	252.05%
Chinatown Behavioral Health Services	25,967	-	25,967	100.00%
Substance Use Prevention Program	<u>234,749</u>	<u>-</u>	<u>234,749</u>	100.00%
Total Expenses	<u>6,051,850</u>	<u>5,293,363</u>	<u>758,487</u>	14.35%
Change in Net Position	<u>\$ 239,157</u>	<u>\$ (88,180)</u>	<u>\$ 327,337</u>	371.21%

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

COMPARATIVE ANALYSIS (Continued)

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

Current year revenue increased by \$1,085,824 over the prior year due to the following:

1. Increases in public grants and contracts, charges and fees, private grants and contributions and Joint Powers Agency support.
2. A full year of billing mental health services by the minute rather than per unit of service.
3. Significant mid-year increases in two county contracts due to increase in demand for mental health and medication assisted treatment services.
4. Correction and maximization of two underperforming contracts from the prior year.

Current year expenses increased \$758,487 due primarily to increases in salaries and benefits. The board approved a 5% across-the-board salary increase for employees, which accounted for \$394,373 of the increase. Benefit costs rose \$86,593, and included health insurance premiums and 403(b) contributions. (The Agency's 403(b) is a FICA alternative plan.) Other reasons for increased costs include the purchase of new office furnishing and equipment and other non-capitalized facilities improvements, such as paint, flooring and window coverings.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the Agency had \$2,787,553 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase, including additions, deductions and depreciation, of 2.54% or \$68,932 from the prior year.

	<u>2018</u>	<u>2017</u>	<u>Changes</u>	<u>% Changes</u>
Capital assets, not being depreciated – land	\$ 486,495	\$ 486,495	\$ -	0.00%
Capital assets, being depreciated				
Buildings and improvements	3,566,894	3,428,928	137,968	4.02%
Office equipment	302,670	302,670	-	0.00%
Transportation Equipment	258,933	199,655	59,278	29.69%
Furniture and fixtures	186,118	184,687	1,431	0.77%
Leasehold Improvements	132,218	132,218	-	0.00%
Operating and Other equipment	80,188	80,188	-	0.00%
Total capital assets, being depreciated	<u>4,527,021</u>	<u>4,328,344</u>	<u>198,677</u>	4.59%

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

COMPARATIVE ANALYSIS (Continued)

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

	<u>2018</u>	<u>2017</u>	<u>Changes</u>	<u>% Changes</u>
Total capital assets, being depreciated (Continued)	\$ 4,527,021	\$ 4,328,344	\$ 198,677	4.59%
Less accumulated depreciation	<u>2,225,963</u>	<u>2,096,218</u>	<u>(129,745)</u>	6.19%
Total capital assets, being depreciated – net	<u>2,301,058</u>	<u>2,232,126</u>	<u>68,932</u>	3.09%
Capital Assets Net	<u><u>\$ 2,787,553</u></u>	<u><u>\$ 2,718,621</u></u>	<u><u>\$ 68,932</u></u>	2.54%

Debt Outstanding

Long-term debt obligations at June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>	<u>Changes</u>	<u>% Changes</u>
Note payable to Rabobank Collateralized by Sonoma Avenue property	\$ 983,695	\$ 1,011,240	\$ (27,545)	(2.72%)
Less current portion	<u>28,918</u>	<u>27,533</u>	<u>1,385</u>	5.03%
Total Long-Term Debt	<u><u>\$ 954,777</u></u>	<u><u>\$ 983,707</u></u>	<u><u>\$ (28,930)</u></u>	(2.94%)

Net decrease of \$27,545 is a result of principal payments during the year.

FACTORS AFFECTING FUTURE PERIODS

Significant factors affecting the Agency are as follows:

After several years of preparation, Monterey County finally implemented its Organized Delivery System (ODS) for Drug Medi-Cal services on July 1, 2018. With that came new, higher reimbursement rates, and now residential drug treatment can be billed to Medi-Cal. We anticipate that these changes will be fiscally positive; however, the transition has been challenging and it will take several months before the actual impact is known. The Agency has submitted an application to the State for Medi-Cal certification at Elm House in order to establish a dual diagnosis program for women there in 2019. We are awaiting a State site visit and final approval, expected in December 2018. Certification will bring opportunities for additional public and private funding. We have also submitted a licensing application to the State for the Outpatient Treatment Centers and are awaiting that site visit and final approval, as well, also

COMMUNITY HUMAN SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

FACTORS AFFECTING FUTURE PERIODS (Continued)

expected in December 2018. Licensing will allow the Centers to provide and bill for intensive outpatient drug treatment. The Agency is also in the process of enrolling to become insurance network providers of mental health and substance abuse services. We expect this to be completed in January 2019. This will positively impact revenues for the Family Service Centers, Genesis House, Elm House and Outpatient Treatment Centers. The Substance Use Prevention Program, new in 2017-18, was renewed by Salinas Union High School District and picked up by King City Union School District in 2018-19. This program provides social-emotional counseling and drug education to students, as well as anger management counseling and, new this year, a vaping education and prevention program. The winter warming shelter for homeless youth will become a permanent year-round shelter once renovations to add an ADA accessible bathroom and sprinklers are complete, which is projected to be in October 2018. Homeless Emergency Aid Program (HEAP) funding and California Emergency Solutions and Help (CESH) funding will become available in the spring of 2019. The Agency will compete for some or all of HEAP's 5% set-aside for unaccompanied homeless youth, or \$625,000. The Agency will also apply for CESH funding (\$1M), which does not include a set-aside for homeless youth. Finally, the Agency will receive \$30,000 in Community Development Block Grant funding for plumbing improvements at Genesis House.

REQUESTS FOR INFORMATION

The financial report has been designed to provide a general overview of the Agency's accounting for anyone interested in its finances. Questions concerning any of the information should be addressed to the attention of the Chief Financial Officer, Community Human Services, P.O. Box 3076, Monterey, CA 93942.

FINANCIAL STATEMENTS

COMMUNITY HUMAN SERVICES

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

JUNE 30, 2018

	ASSETS		
	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program
CURRENT ASSETS			
Cash and cash equivalents	\$ 107,871	\$ -	\$ -
Contracts and grants receivable - net - Note 4	40,220	218,777	273,795
Prepaid expenses	75,695	-	-
Investments	36,163	-	-
Due from other funds	4,010,842	82,946	1,398,085
TOTAL CURRENT ASSETS	4,270,791	301,723	1,671,880
PROPERTY AND EQUIPMENT - net - Note 5	12,550	2,048,869	3,183
TOTAL ASSETS	<u>\$ 4,283,341</u>	<u>\$ 2,350,592</u>	<u>\$ 1,675,063</u>
	LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES			
Accounts payable	\$ 107,238	\$ -	\$ -
Accrued retirement payable	27,219	-	-
Unearned revenue	21,201	-	-
Due to other funds	-	2,755,913	77,074
Current portion of long-term debt - Note 7	-	28,918	-
Accrued vacation payable	149,901	-	-
TOTAL CURRENT LIABILITIES	305,559	2,784,831	77,074
NOTE PAYABLE - net of current portion - Note 7	-	954,777	-
TOTAL LIABILITIES	305,559	3,739,608	77,074
NET POSITION			
Net investment in capital assets	12,550	1,065,174	3,183
Restricted for narcotic prevention	-	-	1,616,346
Unrestricted	3,965,232	(2,454,190)	(21,540)
TOTAL NET POSITION	3,977,782	(1,389,016)	1,597,989
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,283,341</u>	<u>\$ 2,350,592</u>	<u>\$ 1,675,063</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

JUNE 30, 2018

ASSETS			
	Counseling Services	Other Non-major Funds	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 107,871
Contracts and grants receivable - net - Note 4	260,295	43,632	836,719
Prepaid expenses	-	-	75,695
Investments	-	-	36,163
Due from other funds	10,876	36,525	5,539,274
TOTAL CURRENT ASSETS	271,171	80,157	6,595,722
PROPERTY AND EQUIPMENT - net - Note 5	269,736	453,215	2,787,553
TOTAL ASSETS	<u>\$ 540,907</u>	<u>\$ 533,372</u>	<u>\$ 9,383,275</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 107,238
Accrued retirement payable	-	-	27,219
Unearned revenue	-	-	21,201
Due to other funds	1,608,151	1,098,136	5,539,274
Current portion of long-term debt - Note 7	-	-	28,918
Accrued vacation payable	-	-	149,901
TOTAL CURRENT LIABILITIES	1,608,151	1,098,136	5,873,751
NOTE PAYABLE - net of current portion - Note 7	-	-	954,777
TOTAL LIABILITIES	1,608,151	1,098,136	6,828,528
NET POSITION			
Net investment in capital assets	269,736	453,215	1,803,858
Restricted for narcotic prevention	-	(53,631)	1,562,715
Unrestricted	(1,336,980)	(964,348)	(811,826)
TOTAL NET POSITION	(1,067,244)	(564,764)	2,554,747
TOTAL LIABILITIES AND NET POSITION	<u>\$ 540,907</u>	<u>\$ 533,372</u>	<u>\$ 9,383,275</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program
OPERATING REVENUES			
Public grants and contracts	\$ 66,647	\$ 1,569,861	\$ 1,603,973
Charges and fees	-	158,455	130,029
Total operating revenues	<u>66,647</u>	<u>1,728,316</u>	<u>1,734,002</u>
OPERATING EXPENSES			
Salaries	500,511	881,585	537,360
Employee benefits	145,130	265,657	160,462
Facilities rental	58,467	43,152	64,344
Professional fees	39,592	52,620	72,279
Utilities and maintenance	27,030	139,932	77,081
Operating supplies	29,768	31,429	62,747
Medical supplies and laboratory fees	-	6,364	66,145
Food	7,794	78,774	830
Insurance	35,527	15,660	864
Auto and travel	2,968	22,883	1,455
Telephone	7,855	17,954	7,610
Conferences and meetings	5,920	1,513	2,393
Advertising	36,647	4,859	20,187
Equipment rental	4,322	8,287	8,357
Miscellaneous	(337)	355	883
Dues, licenses and fees	4,180	15,949	25,695
Client costs	-	4,651	-
Printing and publications	3,949	3,941	5,744
Depreciation	4,155	79,797	1,902
Total Operating Expenses	<u>913,478</u>	<u>1,675,362</u>	<u>1,116,338</u>
OPERATING INCOME (LOSS)	<u>(846,831)</u>	<u>52,954</u>	<u>617,664</u>
NONOPERATING REVENUES (EXPENSES)			
Joint Powers Agency support	141,675	-	-
Private grants and contributions	171,594	3,608	3,227
Other local sources	5,302	-	-
Interest Expense	-	(49,102)	-
Total Nonoperating Revenues (Expenses)	<u>318,571</u>	<u>(45,494)</u>	<u>3,227</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(528,260)</u>	<u>7,460</u>	<u>620,891</u>
Transfers from (to) other funds	<u>(913,497)</u>	<u>309,157</u>	<u>196,648</u>
CHANGES IN NET POSITION	<u>385,237</u>	<u>(301,697)</u>	<u>424,243</u>
NET POSITION, BEGINNING OF YEAR	<u>3,592,545</u>	<u>(1,087,319)</u>	<u>1,173,746</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,977,782</u></u>	<u><u>\$ (1,389,016)</u></u>	<u><u>\$ 1,597,989</u></u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Counseling Services	Other Non-Major Funds	Total
OPERATING REVENUES			
Public grants and contracts	\$ 1,578,411	\$ 594,277	\$ 5,413,169
Charges and fees	12,778	103,548	404,810
Total operating revenues	<u>1,591,189</u>	<u>697,825</u>	<u>5,817,979</u>
OPERATING EXPENSES			
Salaries	942,533	506,008	3,367,997
Employee benefits	286,167	112,023	969,439
Facilities rental	32,938	8,901	207,802
Professional fees	18,353	27,450	210,294
Utilities and maintenance	58,455	72,705	375,203
Operating supplies	46,556	28,337	198,837
Medical supplies and laboratory fees	-	-	72,509
Food	1,357	7,601	96,356
Insurance	3,852	3,852	59,755
Auto and travel	9,079	7,767	44,152
Telephone	12,459	14,477	60,355
Conferences and meetings	3,817	2,205	15,848
Advertising	8,397	3,913	74,003
Equipment rental	1,974	1,951	24,891
Miscellaneous	3,650	209	4,760
Dues, licenses and fees	9,976	6,825	62,625
Client costs	-	7,181	11,832
Printing and publications	1,682	1,029	16,345
Depreciation	14,423	29,468	129,745
Total Operating Expenses	<u>1,455,668</u>	<u>841,902</u>	<u>6,002,748</u>
OPERATING INCOME (LOSS)	<u>135,521</u>	<u>(144,077)</u>	<u>(184,769)</u>
NONOPERATING REVENUES (EXPENSES)			
Joint Powers Agency support	-	-	141,675
Private grants and contributions	20,000	124,997	323,426
Other local sources	2,625	-	7,927
Interest Expense	-	-	(49,102)
Total Nonoperating Revenues (Expenses)	<u>22,625</u>	<u>124,997</u>	<u>423,926</u>
INCOME (LOSS) BEFORE TRANSFERS	158,146	(19,080)	239,157
Transfers from (to) other funds	258,830	148,862	-
CHANGES IN NET POSITION	(100,684)	(167,942)	239,157
NET POSITION, BEGINNING OF YEAR	<u>(966,560)</u>	<u>(396,822)</u>	<u>2,315,590</u>
NET POSITION, END OF YEAR	<u>\$ (1,067,244)</u>	<u>\$ (564,764)</u>	<u>\$ 2,554,747</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from clients	\$ -	\$ 158,455	\$ 130,029
Cash receipts from public contracts	66,647	1,477,440	1,442,863
Cash payments to suppliers and employees	(871,891)	(1,595,565)	(1,114,436)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(805,244)	40,330	458,456
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on debt	-	(49,102)	-
Principal payments on long-term debt	-	(27,545)	-
Cash payments for acquisition of capital assets	-	(156,237)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	-	(232,884)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	2,297	-	-
Investment earnings reinvested	(2,297)	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Joint Powers Agency support	141,675	-	-
Cash receipts from private grants and contributions	54,777	3,608	3,227
Other local sources	3,005	-	-
Cash receipts from (paid to) other funds	398,049	188,946	(461,683)
NET CASH PROVIDED BY (USED BY) NON-CAPITAL FINANCING ACTIVITIES	597,506	192,554	(458,456)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(207,738)	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	315,609	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 107,871	\$ -	\$ -

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Counseling Services	Other Non-major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from clients	\$ 12,778	\$ 103,548	\$ 404,810
Cash receipts from public contracts	1,561,327	596,156	5,144,433
Cash payments to suppliers and employees	(1,441,245)	(812,434)	(5,835,571)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>132,860</u>	<u>(112,730)</u>	<u>(286,328)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on debt	-	-	(49,102)
Principal payments on long-term debt	-	-	(27,545)
Cash payments for acquisition of capital assets	-	(42,440)	(198,677)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(42,440)</u>	<u>(275,324)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	-	-	2,297
Investment earnings reinvested	-	-	(2,297)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Joint Powers Agency support	-	-	141,675
Cash receipts from private grants and contributions	20,000	124,997	206,609
Other local sources	2,625	-	5,630
Cash receipts from (paid to) other funds	(155,485)	30,173	-
NET CASH PROVIDED BY (USED BY) NON-CAPITAL FINANCING ACTIVITIES	<u>(132,860)</u>	<u>155,170</u>	<u>353,914</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>-</u>	<u>(207,738)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>315,609</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,871</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotic Treatment Program
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES			
Operating income (loss)	\$ (846,831)	\$ 52,954	\$ 617,664
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	4,155	79,797	1,902
Change in allowance for uncollectible receivables	-	-	-
(Increase) decrease in assets:			
Grants receivable	-	(92,421)	(161,110)
Prepaid expenses	(6,557)	-	-
Increase (decrease) in liabilities:			
Accounts payable	13,506	-	-
Accrued retirement payable	6,919	-	-
Accrued vacation payable	23,564	-	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (805,244)</u>	<u>\$ 40,330</u>	<u>\$ 458,456</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Counseling Services	Other Non-major Funds	Total
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES			
Operating income (loss)	\$ 135,521	\$ (144,077)	\$ (184,769)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	14,423	29,468	129,745
Change in allowance for uncollectible receivables	17,615	-	17,615
(Increase) decrease in assets:			
Grants receivable	(34,699)	1,879	(286,351)
Prepaid expenses	-	-	(6,557)
Increase (decrease) in liabilities:			
Accounts payable	-	-	13,506
Accrued retirement payable	-	-	6,919
Accrued vacation payable	-	-	23,564
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 132,860</u>	<u>\$ (112,730)</u>	<u>\$ (286,328)</u>

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

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES

Organization and Description

Community Human Services (Agency) is a tax exempt, 501(c)(3) Joint Powers Authority. The Board of Directors is made up of appointed representatives from local governmental entities comprising the Joint Powers Authority.

The Agency, through contracts with government agencies, private grants and donations, and client charges and fees, provides a variety of services including outpatient counseling and therapy for people with drug or alcohol problems, an in-house recovery center for addicted persons, and other counseling and educational programs.

Reporting Entity

The financial statements of the Agency are prepared in accordance with accounting principles generally accepted in the United States of America and in compliance with requirements set by the Government Accounting Standards Board (GASB), include funds that are controlled by or dependent on the Agency. Control or dependence is determined on the basis of budget adoption, designation of management, and ability to significantly influence operations. All known activities of the Agency have been included in these financial statements. The Agency does not have component units.

Basis of Accounting and Financial Statement Presentation

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Agency's enterprise funds are service charges to clients, and contract fees from other government agencies. Operating expenses for enterprise funds include the cost of operating the primary activities of funds, administrative

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Basis of Accounting and Financial Statement Presentation (Continued)

expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial statements are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Description of Funds

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenses. Resources are allocated to and accounted for in proprietary funds based upon the purposes for which spending activities are controlled.

Major Funds

Operating Fund - The Fund is the chief operating fund for the Agency. It is used to account for the ordinary operations of the Agency. All transactions except those accounted for in another fund are accounted for in this fund.

Prevention and Treatment of Substance Abuse Program - The Fund is used to account separately for residential and outpatient drug treatment and recovery options. These services include Genesis House Perinatal Program, Genesis House Co-Ed Program, Elm House sober living environment, Outpatient Treatment Centers (OTC), DAISY substance abuse program for youth and the Substance Use Prevention Program in the Salinas Union High School District.

Narcotic Treatment Program - The Fund is used to account separately for substance abuse counseling and methadone maintenance services at Off Main Clinic.

Counseling Services - The Fund is used to account separately for services and education provided to individuals and families. These services include the Parent Education Program, Family to Family, Pathways to Safety and outpatient mental health counseling at the Family Service Centers.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Non-Major Funds

Basic Center Program - The Fund is used to account for the Basic Center Program at Safe Place, which provides runaway and homeless youth with individual and group counseling, family counseling, family reunification or alternate placement, temporary shelter, substance abuse education and aftercare services.

Street Outreach Program - The Fund is used to account for the Street Outreach Program at Safe Place, which provides runaway and homeless youth with street outreach, informal counseling, education about sexual and personal safety, survival aid such as food, clothing and personal care products and information and referral to other services.

Safe Passage Program - The Fund is used to account for transitional housing and supportive services for homeless youth ages 18–21. Services include counseling, case management, life skills education and linkages to education, employment and permanent housing.

SuperKids/SuperTeens Program - The Fund is used to account for school-based counseling programs for youth in participating middle and high schools.

Supervised Visitation and Exchange Program - The Fund is used to account for monitored visits between children and their non-custodial parents in a safe, family-like environment.

Domestic Violence/Anger Management Program - The Fund is used to account for Probation-certified psycho-educational counseling groups for domestic violence offenders and those seeking assistance with anger issues.

Permanent Youth Shelter Program - The Fund is used to account for an overnight shelter in downtown Monterey for homeless youth.

Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Receivables

Receivables from grantor agencies are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. At year-end the allowance for doubtful accounts is \$17,615 as not all receivables are expected to be collectible.

Prepaid Expenses

Prepaid amounts have been allocated to expense pro-rata in the periods in which the benefits were received.

Investments

Marketable debt and equity securities are stated at fair market value. Increases or decreases in market value are recognized in the period in which they occur. Certificates of deposit with an original maturity of greater than 90 days are classified as investments.

Capital Assets

Purchased capital assets are presented at cost. Donated assets are presented at fair market value as of the date of donation.

Depreciation

Depreciation is computed using the straight-line method based on the estimated useful life of the assets as follows:

Buildings and improvements	3-35 Years
Office equipment	3-10 Years
Furniture and fixtures	3-5 Years
Operating and other equipment	3-8 Years
Leasehold improvements	4-5 Years
Transportation equipment	5 Years

Interfund Balances

On the Statement of Net Position, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds".

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Grants and Fees

Except for grants from Joint Powers Agency members, all government grants and fees are applicable to specific programs and are considered restricted funds. Program service expenses that apply to these same specific programs are considered restricted. All expenses for administration and fund raising are treated separately and considered unrestricted. (For grant reimbursement purposes, administrative expenses are in fact reimbursable under allocation formulas contained in each contract. However, for financial statement purposes, no such allocation is made).

Accrued Compensated Absences

Vacation compensation earned is recorded as an expense and liability each month. Paid vacation for the month is recorded against the liability.

Estimates

The preparation of the 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 amounts reported. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities and are classified into the following net asset categories:

- **Net investment in Capital Assets** – Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.
- **Restricted** – Restricted components of net position are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Net Position (Continued)

- **Unrestricted** – Unrestricted components of net position consist of amounts that do not meet the definition of “net investment in capital assets” or “restricted”.

Subsequent Events

The Agency's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 9, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Income Taxes

The Agency is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2011 and forward may be audited by regulatory agencies, however, the Agency is not aware of any such actions at this time.

2. DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2018, consist of the following:

	<u>Amount</u>
Checking and savings	\$ 105,673
Investments	<u>36,163</u>
TOTAL	<u>\$ 141,836</u>

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits might not be recovered. The Agency does not have a deposit policy for custodial credit risk. As of June 30, 2018, the total carrying amount was \$105,673 with a corresponding bank balance of \$272,219. The Agency's bank balance of \$22,219 was exposed to custodial credit risk.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that an entity will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Agency does not have an investment policy for custodial credit risk.

As of June 30, 2018, the Agency has investment balances of \$35,435 in Community Human Services' Stewardship Fund that is not FDIC insured, therefore, were exposed to custodial credit risk.

Concentration of Credit Risk

There is a concentration of credit risk when the amount of investment in any one entity is at least 5% of total investments except investments held in the U.S. Government or investments guaranteed by the U.S. Government. As of June 30, 2018, the Agency holds its 2% investment in Fidelity mutual funds and 98% in Community Human Services' Stewardship Fund.

3. FAIR VALUE MEASUREMENTS

The Agency categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the Agency has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

3. FAIR VALUE MEASUREMENTS (Continued)

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Agency's own data. The Agency should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the Agency are not available to other market participants.

The Agency's fair value measurements are as follows at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value Measurements Using</u>				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Uncategorized</u>
Fidelity Mutual Funds	\$ 728	\$ 728	\$ -	\$ -	\$ -
Community Human Services Stewardship Fund	<u>35,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,435</u>
	<u>\$ 36,163</u>	<u>\$ 728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,435</u>

All assets have been valued using a market approach, with quoted market prices.

4. CONTRACTS AND GRANTS RECEIVABLE - NET

Contracts and grants receivable - net are amounts due to the Agency at the end of each fiscal year from governmental entities. Payments for grants receivable as of June 30 will be contingent upon final approval by the funding agencies after their review of year-end cost reports.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

4. CONTRACTS AND GRANTS RECEIVABLE - NET (Continued)

Contracts and grants receivable - net at June 30, 2018, consist of the following:

	Operating fund	Prevention and Treatment of substance abuse program	Narcotic treatment program	Counseling services	Other non-major funds	Total
General Operating	\$ 40,220	\$ -	\$ -	\$ -	\$ -	\$ 40,220
DAISY Program	-	3,673	-	-	-	3,673
Genesis House	-	-	-	-	-	-
Co-ed and Perinatal Programs	-	174,537	-	-	-	174,537
Mental Health Services	-	-	-	-	-	-
Act Programs	-	-	-	49,442	-	49,442
Off Main Clinic	-	-	-	-	-	-
Methadone Program	-	-	273,795	-	-	273,795
Outpatient Drug Free	-	11,691	-	-	-	11,691
Outpatient Mental Health Program	-	-	-	157,720	-	157,720
SuperKids/SuperTeens	-	-	-	-	3,312	3,312
Safe Passage Program	-	-	-	-	11,348	11,348
Runaway Street Program	-	-	-	-	7,757	7,757
Supervised Visitation Program	-	-	-	-	2,715	2,715
Community Action Partnership	-	-	-	7,050	-	7,050
Permanent Shelter	-	-	-	-	18,500	18,500
Substance Use Prevention	-	28,876	-	-	-	28,876
Family to Family	-	-	-	41,049	-	41,049
Parent Education	-	-	-	4,500	-	4,500
Pathways to Safety	-	-	-	18,149	-	18,149
	40,220	218,777	273,795	277,910	43,632	854,334
Less: Allowance for doubtful accounts	-	-	-	17,615	-	17,615
Contracts and grants receivable - net	<u>\$ 40,220</u>	<u>\$ 218,777</u>	<u>\$ 273,795</u>	<u>\$ 260,295</u>	<u>\$ 43,632</u>	<u>\$ 836,719</u>

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

5. CAPITAL ASSETS

Capital assets at June 30, 2018, were summarized as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated			
Land	\$ 486,495	\$ -	\$ 486,495
Capital Assets Being Depreciated:			
Buildings and improvements	3,428,926	137,968	3,566,894
Office equipment	302,670	-	302,670
Transportation equipment	199,655	59,278	258,933
Furniture and fixtures	184,687	1,431	186,118
Leasehold improvements	132,218	-	132,218
Operating and other equipment	80,188	-	80,188
Subtotal	4,328,344	198,677	4,527,021
Less accumulated depreciation	2,096,218	129,745	2,225,963
Total Capital Assets, Being Depreciated	2,232,126	68,932	2,301,058
Capital Assets – Net	\$ 2,718,621	\$ 68,932	\$ 2,787,553

Depreciation expense was charged as an operating expense to each fund as follows:

	<u>Amount</u>
Operating fund	\$ 4,155
Prevention and treatment of substance abuse program	79,797
Narcotic treatment program	1,902
Counseling services	14,423
Other non-major funds	29,468
TOTAL	<u>\$ 129,745</u>

6. LINE OF CREDIT

In April 2018, the Agency entered into a line of credit agreement with Rabobank secured by inventory, accounts, equipment and general intangibles, with a maximum amount available for borrowing of \$375,000 and an interest rate of Wall Street Journal Prime Rate plus 1.25% totaling 6.25% as of June 30, 2018. The maturity date of the agreement is April 30, 2019. The line of credit balance was \$-0- as of June 30, 2018.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7. NOTE PAYABLE

The note payable at June 30, 2018, consists of the following:

The Agency has note payable to Rabobank for the Sonoma Street property (Genesis House), interest at 4.85% per annum, due in monthly installments of \$6,387, including interest through 2024 at which time all outstanding principal and interest are due and payable.

\$ 983,695

Less Current Portion

28,918

**Total Noncurrent Portion of
Notes Payable**

\$ 954,777

Total interest charged to expense during the year ended June 30, 2018, amounted to \$49,102.

Long-term debt repayments for years ending June 30 are approximately as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 28,918	\$ 47,730
2020	30,245	46,403
2021	31,893	44,754
2022	33,498	43,150
2023-2024	<u>859,141</u>	<u>54,934</u>
TOTAL	<u>\$ 983,695</u>	<u>\$236,971</u>

Under the term of the credit agreement, there are various reporting and financial covenants. At June 30, 2018, the Agency was in compliance with covenants.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. GRANTS FROM MONTEREY COUNTY

The Agency receives various grants from the Department of Social Services of the County of Monterey. For the specific grants listed below, certain procedures were applied to the federal and other funding expenses reported under these grants.

<u>Grantor, Program and Term</u>	<u>Total Amount</u>	<u>Federal Funding</u>	<u>Other Funding</u>
County of Monterey DSS, Family to Family July 1, 2017 – June 30, 2018	\$ 203,779	\$ 72,637	\$ 131,142
County of Monterey DSS, Community Action Partnership- Youth Engagement July 1, 2017 – June 30, 2018	\$ 45,000	\$ 30,000	\$ 15,000
County of Monterey DSS, Community Action Partnership- Youth Shelter July 1, 2017 – June 30, 2018	\$ 30,000	\$ -	\$ 30,000
County of Monterey DSS, Parent Education July 1, 2017 – June 30, 2018	\$ 18,000	\$ 18,000	\$ -
County of Monterey DSS, Commercially Sexually Exploited Children July 1, 2017 – June 30, 2018	\$ 15,000	\$ 7,500	\$ 7,500

9. COMMITMENTS AND CONTINGENCIES

Grants

The Agency received financial assistance from federal and other government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Agency at June 30, 2018.

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

9. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

The Agency is involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Agency at June 30, 2018.

Operating Leases

During the fiscal year ended June 30, 2018, the Agency leased buildings for its Outpatient Drug Treatment Programs, Off Main Clinic Methadone Program and Family Service Center-Salinas counseling office as well as its Administrative office.

The minimum future net lease commitments for the year ending June 30 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2019	\$ 199,993
2020	157,366
2021	81,204
2022	<u>6,787</u>
TOTAL	<u>\$ 445,350</u>

COMMUNITY HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

10. DEFINED CONTRIBUTION PENSION PLAN

In lieu of Social Security, the Agency maintains a contributory defined contribution pension plan for its employees. During the current year, the agency contributed 5% of gross wages for eligible employees (those who work at least 30 hours per week on a permanent basis). Eligible employees must also contribute a minimum of 2.5% of their gross pay, but may contribute up to \$17,500 for 2017, with an additional \$5,500 if age 50 or older. Ineligible employees must contribute 7.5% of their gross pay.

The Agency contracts with the Nationwide Trust Company to purchase a group annuity contract which is individually allocated. Under this contract, a provision is made for the accumulation of contract values for the Agency to provide fixed annuity accumulation and benefits to the individual participants.

Actual annuity payments commencing on retirement may be on a variable basis or on a fixed basis as determined by each individual contract owner. The amount available in each participant's account at the time of his or her retirement is the total of the amounts contributed by both the employer and employee, plus returns on the investments of those contributions.

The Agency's contribution to the plan amounted to \$157,294 for the year ended June 30, 2018, and is equal to 100% of the required contribution. Total payroll was \$3,367,997 and covered payroll was \$2,914,573.

11. JOINT POWERS AGENCY MEMBERS

The Agency's Board of Directors is made up of representatives from the following agencies:

City of Carmel	City of Del Rey Oaks
City of Marina	City of Monterey
City of Pacific Grove	City of Salinas
City of Seaside	City of Sand City
Carmel Unified School District	Pacific Grove Unified School District
Monterey County Office of Education	Monterey Peninsula Community College
Monterey Peninsula Unified School District	North Monterey County Unified School District
Santa Rita Union School District	Salinas Union High School District

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY HUMAN SERVICES

STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL - AGENCY WIDE

FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Public grants and contracts	\$ 4,967,491	\$ 5,413,169	\$ 445,678
Charges and fees	423,160	404,810	(18,350)
Total operating revenues	<u>5,390,651</u>	<u>5,817,979</u>	<u>427,328</u>
OPERATING EXPENSES			
Salaries	3,087,159	3,367,997	(280,838)
Employee benefits	962,390	969,439	(7,049)
Facilities rental, utilities and maintenance	511,506	583,005	(71,499)
Professional fees	198,300	210,294	(11,994)
Operating supplies	96,365	198,837	(102,472)
Medical supplies and laboratory fees	78,240	72,509	5,731
Food and client costs	92,760	108,188	(15,428)
Insurance	49,161	59,755	(10,594)
Auto and travel	40,167	44,152	(3,985)
Telephone	66,439	60,355	6,084
Conferences and meetings	16,520	15,848	672
Advertising	21,081	90,348	(69,267)
Equipment rental	33,847	24,891	8,956
Miscellaneous	1,199	4,760	(3,561)
Dues, licenses and fees	63,500	62,625	875
Depreciation	120,000	129,745	(9,745)
Total Operating Expenses	<u>5,438,634</u>	<u>6,002,748</u>	<u>(564,114)</u>
OPERATING LOSS	<u>(47,983)</u>	<u>(184,769)</u>	<u>(136,786)</u>
NONOPERATING REVENUES (EXPENSES)			
Joint Powers Agency support	139,600	141,675	2,075
Private grants and contributions	75,000	323,426	248,426
Other local sources	2,000	7,927	5,927
Interest Expense	(50,400)	(49,102)	1,298
Total Nonoperating Revenues (Expenses)	<u>166,200</u>	<u>423,926</u>	<u>257,726</u>
CHANGES IN NET POSITION	<u>\$ 118,217</u>	<u>239,157</u>	<u>\$ 120,940</u>
NET POSITION, BEGINNING OF YEAR		<u>2,315,590</u>	
NET POSITION, END OF YEAR		<u>\$ 2,554,747</u>	

The accompanying notes are an integral part of this required supplementary information.

SUPPLEMENTARY INFORMATION

COMMUNITY HUMAN SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (USHHS)			
Passed through:			
County of Monterey, California			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	A-11498	
Residential Program			\$ 455,793
Perinatal Program			74,841
Youth Treatment Program			40,182
Total Prevention and Treatment Clusters			<u>570,816</u>
Adoption Assistance	93.659	[1]	36,177
Foster Care Title IV-E (Family to Family)	93.658	[1]	36,460
Foster Care Title IV-E (CSEC)	93.658	[1]	7,500
Promoting Safe and Stable Families	93.556	[1]	18,000
Youth Engagement	93.569	[1]	30,000
Direct Program:			
Administration for Children, Youth and Families -			
Runaway and Homeless Youth	93.623	9OCY699001	183,895
Education and Prevention Grants to Reduce Sexual abuse			
of Runaway, Homeless and Street Youth	93.557	9OYO228301	74,997
Total USHHS			<u>957,845</u>
U.S. HOUSING AND URBAN DEVELOPMENT (USHUD)			
Direct Program:			
Supportive Housing Program			
Transitional Housing	14.235	[1]	120,321
Passed through:			
Cities of Salinas, Seaside and Monterey, California			
Community Development Block Grant	14.218	[1]	93,247
Total USHUD			<u>213,568</u>
Total Expenditures of Federal Awards			<u>\$ 1,171,413</u>

[1] Grant Identifying Number not available

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

COMMUNITY HUMAN SERVICES

COMBINING SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	General	Counseling Services							Self Referral Program	Prevention and Treatment of Substance Abuse		
		MHSA Parent Education	Family to Family	Outpatient Mental Health Counseling	MHSA HIV / AIDS Counseling	MHSA GLBT Counseling	FSC-DSS Counseling	Pathways to Safety		Genesis House Perinatal Residential	Genesis House Residential	OTC - Salinas
REVENUES												
Public grants and contracts	\$ 66,647	\$ 199,175	\$ 203,779	\$ 885,348	\$ 18,896	\$ 91,917	\$ 2,333	\$ 156,933	\$ 20,030	\$ 390,606	\$ 570,642	\$ 50,161
Charges and fees	-	23	-	285	-	-	-	-	12,470	14,042	105,426	4,757
Joint Powers Agency	141,675	-	-	-	-	-	-	-	-	-	-	-
Private grants and contributions	171,594	-	-	20,000	-	-	-	-	-	359	749	-
Other local sources	5,302	-	-	2,625	-	-	-	-	-	-	-	-
TOTAL REVENUES	385,218	199,198	203,779	908,258	18,896	91,917	2,333	156,933	32,500	405,007	676,817	54,918
EXPENSES												
Salaries	500,511	95,920	118,235	543,402	13,626	54,306	1,462	103,007	12,575	126,722	286,659	107,494
Employee benefits	145,130	30,192	30,837	171,468	4,418	16,073	425	28,940	3,814	31,623	92,905	37,073
Facilities rental	58,467	6,774	4,603	19,187	996	996	-	382	-	528	1,072	20,550
Professional fees	39,592	14,937	511	2,240	99	142	-	424	-	8,718	17,599	12,643
Utilities and maintenance	27,030	9,592	7,163	32,172	1,149	1,149	-	7,230	-	30,981	71,536	10,301
Operating supplies	29,768	6,868	4,287	26,286	345	6,290	-	2,462	18	6,420	15,822	939
Medical supplies and laboratory fees	-	-	-	-	-	-	-	-	-	1,417	3,455	683
Food	7,794	637	38	616	2	41	-	23	-	25,740	52,362	77
Insurance	35,527	552	1,776	1,044	36	36	-	408	-	3,876	7,872	372
Auto and travel	2,968	1,941	2,914	3,897	-	55	-	272	-	6,652	13,489	17
Telephone	7,855	2,408	2,257	5,873	184	184	-	1,553	-	2,108	4,234	2,935
Conferences and meetings	5,920	200	100	3,517	-	-	-	-	-	210	496	133
Advertising	36,647	179	-	2,965	-	5,253	-	-	-	1,056	1,604	93
Equipment rental	4,322	390	275	920	33	63	-	293	-	2,062	4,187	944
Miscellaneous	(337)	26	13	3,603	4	4	-	-	-	65	216	-
Dues, licenses and fees	4,180	356	233	9,083	28	28	-	248	-	3,863	7,829	1
Client costs	-	-	-	-	-	-	-	-	-	1,058	3,593	-
Printing and publications	3,949	319	228	852	29	52	-	202	-	633	1,312	373
Interest - net	-	-	-	-	-	-	-	-	-	16,204	32,898	-
Total before depreciation	909,323	171,291	173,470	827,125	20,949	84,672	1,887	145,444	16,407	269,936	619,140	194,628
Depreciation	4,155	-	-	14,423	-	-	-	-	-	19,217	38,751	4,624
Total Expenses	913,478	171,291	173,470	841,548	20,949	84,672	1,887	145,444	16,407	289,153	657,891	199,252
Net income before distribution	(528,260)	27,907	30,309	66,710	(2,053)	7,245	446	11,489	16,093	115,854	18,926	(144,334)
Management distribution	(913,497)	29,997	30,314	151,633	5,341	12,379	347	25,916	2,903	52,048	120,698	34,633
NET INCOME (LOSS)	\$ 385,237	\$ (2,090)	\$ (5)	\$ (84,923)	\$ (7,394)	\$ (5,134)	\$ 99	\$ (14,427)	\$ 13,190	\$ 63,806	\$ (101,772)	\$ (178,967)

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

COMMUNITY HUMAN SERVICES

COMBINING SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	Prevention and Treatment of Substance Abuse					Other Non-Major								Total
	OTC - Monterey	Elm House	DAISY Program	Substance Use Prevention Program	Narcontic Treatment Program	Runaway Basic Center	Runaway Street Outreach	Safe Passage	Permanent Youth Shelter	SuperKids/ SuperTeens	Supervised Visitation	Domestic Violence	Chinatown Health Services	
REVENUES														
Public grants and contracts	\$ 77,313	\$ -	\$ 137,121	\$ 344,018	\$ 1,603,973	\$ 202,365	\$ 147,369	\$ 120,321	\$ 75,177	\$ 30,438	\$ 12,574	\$ 6,033	\$ -	\$ 5,413,169
Charges and fees	7,130	27,100	-	-	130,029	-	-	8,703	-	-	36,496	58,349	-	404,810
Joint Powers Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	141,675
Private grants and contributions	-	-	2,500	-	3,227	31,363	46,934	11,700	5,000	-	-	-	30,000	323,426
Other local sources	-	-	-	-	-	-	-	-	-	-	-	-	-	7,927
TOTAL REVENUES	84,443	27,100	139,621	344,018	1,737,229	233,728	194,303	140,724	80,177	30,438	49,070	64,382	30,000	6,291,007
EXPENSES														
Salaries	76,552	-	113,152	171,006	537,360	135,490	109,789	103,057	73,345	20,904	16,992	29,215	17,216	3,367,997
Employee benefits	24,392	-	24,457	55,207	160,462	36,066	31,822	21,047	7,298	6,449	1,753	2,740	4,848	969,439
Facilities rental	20,420	93	489	-	64,344	77	77	78	-	-	5,699	2,970	-	207,802
Professional fees	12,643	120	533	364	72,279	23,544	1,771	769	399	162	309	496	-	210,294
Utilities and maintenance	10,077	10,923	6,114	-	77,081	16,760	19,327	16,611	7,511	898	6,309	5,289	-	375,203
Operating supplies	1,999	74	1,561	4,614	62,747	5,106	5,577	10,942	79	-	1,052	1,875	3,706	198,837
Medical supplies and laboratory fees	809	-	-	-	66,145	-	-	-	-	-	-	-	-	72,509
Food	39	76	458	22	830	532	4,473	1,112	1,411	-	16	11	46	96,356
Insurance	1,968	1,152	420	-	864	876	876	372	1,128	96	300	204	-	59,755
Auto and travel	40	-	271	2,414	1,455	619	3,357	706	-	2,646	219	69	151	44,152
Telephone	1,458	4,956	2,263	-	7,610	3,057	3,746	4,847	72	-	1,915	840	-	60,355
Conferences and meetings	60	-	119	495	2,393	384	1,669	20	132	-	-	-	-	15,848
Advertising	1,532	47	47	480	20,187	196	599	1,769	945	-	94	310	-	74,003
Equipment rental	924	-	170	-	8,357	755	755	-	-	-	266	175	-	24,891
Miscellaneous	-	73	1	-	883	108	10	-	10	-	22	59	-	4,760
Dues, licenses and fees	1	4,082	173	-	25,695	2,403	2,667	935	-	-	226	594	-	62,625
Client costs	-	-	-	-	-	1,052	5,763	366	-	-	-	-	-	11,832
Printing and publications	1,289	-	187	147	5,744	315	395	-	-	4	189	126	-	16,345
Interest - net	-	-	-	-	-	-	-	-	-	-	-	-	-	49,102
Total before depreciation	154,203	21,596	150,415	234,749	1,114,436	227,340	192,673	162,631	92,330	31,159	35,361	44,973	25,967	5,922,105
Depreciation	-	17,205	-	-	1,902	8,614	8,614	12,240	-	-	-	-	-	129,745
Total Expenses	154,203	38,801	150,415	234,749	1,116,338	235,954	201,287	174,871	92,330	31,159	35,361	44,973	25,967	6,051,850
Net income before distribution	(69,760)	(11,701)	(10,794)	109,269	620,891	(2,226)	(6,984)	(34,147)	(12,153)	(721)	13,709	19,409	4,033	239,157
Management distribution	26,339	6,935	27,214	41,290	196,648	41,834	35,676	30,847	16,510	5,297	6,355	8,251	4,092	-
NET INCOME (LOSS)	\$ (96,099)	\$ (18,636)	\$ (38,008)	\$ 67,979	\$ 424,243	\$ (44,060)	\$ (42,660)	\$ (64,994)	\$ (28,663)	\$ (6,018)	\$ 7,354	\$ 11,158	\$ (59)	\$ 239,157

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

COMMUNITY HUMAN SERVICES

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2018

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Agency has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of Functional Revenues and Expenses

This schedule provides the Agency the comparison of revenues and expenses by each program function.

INDEPENDENT AUDITORS' REPORTS



SALINAS OFFICE
450 LINCOLN AVENUE
SUITE 200
SALINAS, CA 93901
PHONE 831-757-5311
FAX 831-757-9529
BKPCPA.COM

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Community Human Services
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major enterprise fund and the aggregate remaining fund information of Community Human Services (a Joint Powers Agency of California Local governments) (Agency) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Community Human Services' basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bianchi, Kazavan & Pope, LLP

Salinas, California

November 9, 2018



SALINAS OFFICE
450 LINCOLN AVENUE
SUITE 200
SALINAS, CA 93901
PHONE 831-757-5311
FAX 831-757-9529
BKPCPA.COM

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Community Human Services
Monterey, California

Report on Compliance for Each Major Federal Program

We have audited Community Human Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Human Services' (the Agency) major federal programs for the year ended June 30, 2018. Community Human Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Human Services' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Human Services compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Human Services compliance.

Opinion on Each Major Federal Program

In our opinion, Community Human Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Community Human Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Human Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Human Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bianchi, Kasavan & Pope, LLP

Salinas, California

November 9, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMUNITY HUMAN SERVICES
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in Accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grant for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

COMMUNITY HUMAN SERVICES
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no financial statement findings reported in the current year.

COMMUNITY HUMAN SERVICES
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no federal awards findings or questioned costs reported in the current year.

COMMUNITY HUMAN SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings reported in the prior year's schedule of financial statement findings. There were no findings reported in the prior year's schedule of federal awards findings or questioned costs.