

COMMUNITY HUMAN SERVICES

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2014**

COMMUNITY HUMAN SERVICES

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COMMUNITY HUMAN SERVICES

BOARD OF DIRECTORS

JUNE 30, 2014

<u>Agencies</u>	<u>Primaries</u>	<u>Alternates</u>
City of Carmel	Deborah Smith	Paul Tomasi
City of Del Rey Oaks	Mike Ventimiglia	Jeff Cecilio
City of Marina	Nancy Amadeo	Gail Morton
City of Monterey	Alan Haffa	Mike Aspland
City of Pacific Grove	Alan Cohen	Vacant
City of Salinas	Vacant	Vacant
City of Sand City	Mary Ann Carbone, Board Chair	Linda Scholink
City of Seaside	Mary Mitchell	Dave Pacheco
Carmel Unified School District	Annette Yee Steck, Finance Committee Chair	Dr. John Ellison
Monterey Peninsula Unified School District	Curt Parker, Vice Chair	Alana Myles
Pacific Grove Unified School District	Vacant	Vacant
Monterey Peninsula Community College District	Loren Steck	Marilynn Gustafson
North Monterey County Unified School District	Vacant	Dr. Richard Diaz
Monterey County Office of Education	Harvey Kuffner	Mary Claypool
Santa Rita Union School District	Vacant	Vacant

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Human Services
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Community Human Services, (a Joint Powers Agency of California local governments), (the Agency) as of and for the year ended June 30, 2014, 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.

Auditor's 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 Agency'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 Agency'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Community Human Services, as of June 30, 2014, and the respective changes in financial position and, where applicable, 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 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information such as the 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 Schedule of Expenditures of Federal Awards 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 Schedule of Expenditures of Federal Awards and 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 September 22, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Davinek Trine Day & Co, LLP".

Palo Alto, California
September 22, 2014

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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, 2014. 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 12. Comparisons to and analysis of the prior year are incorporated where appropriate.

FINANCIAL HIGHLIGHTS

- The Agency's net position increased by \$149,426 (or 6.4%) during 2014. Since the Agency engages only in business type activities, the increase is all in the category of business-type net position. Net position was \$2,480,092 and \$2,330,666 for 2014 and 2013, respectively.
- The Agency's return on total ending net position was 6.4%.
- Total cost of all the Agency's programs was \$4,015,433 and \$3,582,577 for 2014 and 2013, 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 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.

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.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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. It is always classified as major in accordance with GASB 34.

Prevention and Treatment of Substance Abuse Program – Under the Prevention and Treatment of Substance Abuse Program Fund, the Agency provides residential drug and alcohol treatment services, affordable transitional housing and supportive services as well as education and counseling services. The Fund consists of four programs: Genesis House Perinatal Program, Genesis House Residential Drug Program, Elm House and Drug and Alcohol Intervention Services for Youth (DAISY) Program.

Narcotics Treatment Program Fund – Under the Narcotics Treatment Program Fund, the Agency operates Off Main Clinic Methadone Program. The Clinic offers a closely monitored methadone administration program under a contract with the County of Monterey. Private paying patients are also served under this program.

Counseling Services – Under the Counseling Services Fund, the Agency provides parents education and other counseling services. The Fund consists of five programs: Family to Family (to facilitate change in the foster care system), Education & Counseling Services under the Mental Health Services Act, the Outpatient Mental Health program, Family Service Centers in Salinas and Seaside, and the Self Referral program.

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

- Runaway Youth Program
- Schools and Superkids
- Supervised Visitation
- Domestic Violence
- Street Outreach Services
- Safe Passages

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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:

	2014	2013
Assets		
Current assets	\$ 932,946	\$ 732,424
Capital and other assets	2,816,482	2,894,486
Total Assets	3,749,428	3,626,910
Liabilities		
Current liabilities	258,918	230,369
Long-term obligations	1,010,418	1,065,875
Total Liabilities	1,269,336	1,296,244
Net Position		
Net investment in capital assets	1,734,832	1,757,379
Restricted	518,614	507,694
Unrestricted	226,646	65,593
Total Net Position	\$ 2,480,092	\$ 2,330,666

Major Factors Affecting the Statement of Net Position

Current year's net position increased by \$149,426 over the prior year, as the 2.5% reductions to hourly employee wages and benefited employee retirement accounts were eliminated in July 2013. Current year increases were related primarily to increased service production, a cost-of-living increase to contracts from the Monterey County Health Department, a refinanced mortgage for our residential drug treatment property, and receiving a Health & Human Services grant for outreach services that had been unfunded the prior year.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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:

	2014	2013
Revenues		
Program revenues:		
Grants	\$ 3,158,684	\$ 2,686,522
Charges and fees	454,667	435,468
Contributions	413,920	432,312
Joint Powers Agency support	121,975	123,593
Other revenue	15,613	1,699
Total Revenues	4,164,859	3,679,594
Expenses		
General	797,714	724,572
Off Main Clinic Methadone program	750,370	681,266
Genesis House Residential Drug program	632,384	556,651
Counseling under Mental Health Services Act	186,961	196,627
Genesis House Perinatal program	250,689	229,712
Family to Family	163,710	161,990
Outpatient Mental Health Managed Care	387,415	244,883
Runaway	191,044	178,656
Safe Passage	157,314	128,121
Street Outreach Services	132,239	112,767
DAISY Program	102,559	98,617
Elm House	76,428	76,383
FSC - Supervised Visitation	73,863	63,066
Schools	15,594	32,972
FSC - Self Referral	46,335	44,498
FSC - Domestic Violence	50,024	47,018
DSS-FSC	790	4,778
Total Expenses	4,015,433	3,582,577
Change in Net Position	\$ 149,426	\$ 97,017

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

Current year's revenue increased by \$485,265 as current year grant revenues and contributions increased over the prior year. Current year's expenses increased due to the growth in services, primarily in new personnel/benefit costs required to meet the expanded service needs.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the Agency had \$2,816,482 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease, including additions, deductions and depreciation, of 3% or \$78,004 from the prior year.

	2014	2013
Capital assets, not being depreciated - land	\$ 486,495	\$ 486,495
Capital assets, being depreciated		
Buildings and improvements	3,282,421	3,262,569
Office equipment	293,382	293,382
Transportation equipment	199,655	199,655
Furniture and fixtures	127,592	127,592
Leasehold improvements	91,747	86,222
Operating and other equipment	78,059	78,059
Total capital assets, being depreciated	4,072,856	4,047,479
Less accumulated depreciation	1,742,869	1,639,488
Total capital assets, being depreciated - net	2,329,987	2,407,991
Capital Assets - Net	\$ 2,816,482	\$ 2,894,486

Debt Outstanding

Long-term debt obligations at June 30, 2013 and 2014 consist of the following:

	2014	2013
Note payable to Santa Barbara Bank & Trust Collateralized by Sonoma Avenue property	\$ -	\$ 786,636
Note payable to Santa Barbara Bank & Trust Collateralized by Sonoma Avenue property	-	321,058
Note payable to California Department of Housing and Community Development Collateralized by Elm Avenue property	-	27,220
Note payable to Santa Barbara Bank & Trust Collateralized by Pearl Street property	-	2,193
Note payable to Rabobank Collateralized by Sonoma Avenue property	1,081,650	-
Total	1,081,650	1,137,107
Less current portion	23,812	71,232
Total Long-Term Debt	\$ 1,057,838	\$ 1,065,875

Net decrease of \$55,457 is a result of principal payments (refunding) during the year.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FACTORS AFFECTING FUTURE PERIODS

Significant factors affecting the Agency are as follows:

There was an expansion in service needs occurring in FY 2013/2014, particularly related to the Medi-Cal expansion associated with the Affordable Care Act, and California's Criminal Justice and Rehabilitation programs (AB109) for the early release of non-violent, non-serious, or non-sex related offenses in our substance abuse programs. Our mental health managed care programs and narcotic treatment program also saw an increase in demand for services to address the counseling and treatment needs of the County's Medi-Cal population. The agency also received a 3-year accreditation in our residential drug-free treatment facility in July 2013 from the Commission on Accreditation of Rehabilitation Facilities (CARF) indicating that the program meets a high standard for treatment programs and will help the agency attract new funding streams including private pay revenues and third party insurance. CHS will seek CARF accreditation for our outpatient mental health programs in FY 2014/2015 as a continuation of our quality improvement efforts.

CHS also began an agency-wide investment in upgrading our technology structure in FY 2013/2014 with plans to increase internet speeds, switch to Voice of Internet Providers for phone service and integrate our clinical record keeping systems into fully electronic medical records system. We have also been working with our health insurance broker to prepare for employee benefit changes related to the Affordable Care Act, anticipating that the changes would take place in 2014 but which has since been moved back to 2015.

CHS is currently developing two new outpatient drug treatment programs which will serve private pay, Medi-Cal and court referred clients. We project a service start date January 1, 2015.

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, PO Box 3076, Monterey, CA 93942.

COMMUNITY HUMAN SERVICES

STATEMENT OF NET POSITION - ENTERPRISE FUNDS JUNE 30, 2014

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 119,791	\$ -	\$ -
Grants receivable	-	145,219	106,330
Prepaid expenses	38,462	-	-
Marketable securities	228,351	-	-
Due from other funds	1,334,074	9,054	404,275
Other current assets	191	-	-
Total Current Assets	1,720,869	154,273	510,605
Noncurrent Assets			
Capital assets not depreciated	486,495	-	-
Capital assets, net of accumulated depreciation	2,329,987	-	-
Total Assets	4,537,351	154,273	510,605
LIABILITIES			
Current Liabilities			
Accounts payable	72,484	-	-
Accrued vacation payable	76,393	-	-
Accrued retirement payable	38,809	-	-
Due to other funds	475,163	263,880	47,234
Current portion of long-term debt	23,812	-	-
Total Current Liabilities	686,661	263,880	47,234
Noncurrent Liabilities			
Noncurrent portion of long-term debt	1,057,838	-	-
Total Liabilities	1,744,499	263,880	47,234
NET POSITION			
Net investment in capital assets	1,734,832	-	-
Restricted	831,374	(109,607)	463,371
Unrestricted	226,646	-	-
Total Net Position	\$ 2,792,852	\$ (109,607)	\$ 463,371

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

Counseling Services	Other Non-Major Funds	Total
\$ -	\$ -	\$ 119,791
273,895	20,707	546,151
-	-	38,462
-	-	228,351
-	61,834	1,809,237
-	-	191
<u>273,895</u>	<u>82,541</u>	<u>2,742,183</u>
-	-	486,495
-	-	2,329,987
<u>273,895</u>	<u>82,541</u>	<u>5,558,665</u>
-	-	72,484
-	-	76,393
-	-	38,809
995,662	27,298	1,809,237
-	-	23,812
<u>995,662</u>	<u>27,298</u>	<u>2,020,735</u>
-	-	1,057,838
<u>995,662</u>	<u>27,298</u>	<u>3,078,573</u>
-	-	1,734,832
(721,767)	55,243	518,614
-	-	226,646
<u>\$ (721,767)</u>	<u>\$ 55,243</u>	<u>\$ 2,480,092</u>

COMMUNITY HUMAN SERVICES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program
OPERATING REVENUES			
Grants	\$ -	\$ 916,204	\$ 858,806
Charges and fees	-	158,240	167,762
Total Operating Revenues	-	1,074,444	1,026,568
OPERATING EXPENSES			
Salaries	441,058	470,152	367,469
Employee benefits	147,091	122,535	109,596
Facilities rental	51,174	836	59,504
Professional fees	39,121	16,094	67,688
Utilities and maintenance	44,698	115,633	30,172
Operating supplies	15,875	23,339	18,339
Medical supplies and laboratory fees	-	4,550	48,522
Food	435	76,143	750
Insurance	12,838	13,239	10,511
Auto and travel	3,876	12,386	132
Telephone	11,814	13,372	9,318
Fees and licenses	378	21,258	10,522
Conferences and meetings	14,979	6,597	7,785
Copy machines	10,003	10,877	4,333
Advertising	2,884	1,010	192
Equipment rental	1,100	29,839	-
Miscellaneous	75	116	41
Dues	2,870	111	-
Client costs	-	2,622	-
Printing and publications	6,073	316	-
Development	7,005	289	1,175
Depreciation	817	59,039	4,201
Total Operating Expenses	814,164	1,000,353	750,250
Operating Income (Loss)	(814,164)	74,091	276,318
NONOPERATING INCOME (EXPENSE)			
Joint Powers Agency support	121,975	-	-
United Way funding	4,075	20,443	4,001
Contributions	127,380	68,554	2,250
Miscellaneous income	14,896	687	30
Interest income (expense) - net	16,450	(61,707)	(120)
Total Nonoperating Income (Expense)	284,776	27,977	6,161
INCOME (LOSS) BEFORE TRANSFERS	(529,388)	102,068	282,479
Transfers from (To) other funds	812,022	(268,968)	(189,118)
CHANGES IN NET POSITION	282,634	(166,900)	93,361
NET POSITION - BEGINNING OF YEAR	2,510,218	57,293	370,010
NET POSITION - END OF YEAR	\$ 2,792,852	\$ (109,607)	\$ 463,371

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

Counseling Services	Other Non-Major Funds	Total
\$ 928,004	\$ 455,670	\$ 3,158,684
12,146	116,519	454,667
940,150	572,189	3,613,351
491,186	367,850	2,137,715
129,626	75,166	584,014
32,166	5,874	149,554
27,569	20,462	170,934
37,818	27,865	256,186
14,114	37,234	108,901
-	978	54,050
91	9,809	87,228
13,875	11,379	61,842
8,222	6,900	31,516
14,377	11,217	60,098
1,601	536	34,295
4,361	6,330	40,052
20	774	26,007
1,927	2,044	8,057
-	-	30,939
273	53	558
596	800	4,377
-	924	3,546
415	50	6,854
90	25	8,584
6,884	32,440	103,381
785,211	618,710	3,968,688
154,939	(46,521)	(355,337)
-	-	121,975
4,350	10,357	43,226
3,658	168,852	370,694
-	-	15,613
-	(1,368)	(46,745)
8,008	177,841	504,763
162,947	131,320	149,426
(197,468)	(156,468)	-
(34,521)	(25,148)	149,426
(687,246)	80,391	2,330,666
\$ (721,767)	\$ 55,243	\$ 2,480,092

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from clients	\$ -	\$ 158,240	\$ 167,762
Cash receipts from government agencies	-	888,055	875,857
Cash payments to suppliers and employees	(796,016)	(1,000,353)	(750,250)
Operating transfers	103,381	-	-
Net Cash Provided by (Used for) Operating Activities	(692,635)	45,942	293,369
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on debt	(957)	(34,487)	(120)
Principal payments on long-term debt	(55,457)	-	-
Cash payments for acquisition of capital assets	(25,377)	-	-
Net Cash Provided (Used) By Capital And Related Financing Activities	(81,791)	(34,487)	(120)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	17,407	-	-
Investment earnings reinvested	(17,394)	-	-
Net Cash Provided by Investing Activities	13	-	-
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Joint Powers Agency Support	121,975	-	-
United Way funding	4,075	20,443	4,001
Contributions	127,380	68,554	2,250
Miscellaneous income	14,896	687	30
Due to (from) other funds	812,022	(268,968)	(189,118)
Transfers to (from) other funds	(213,127)	167,829	(110,412)
Net Cash Provided by (Used for) Non Capital Financing Activities	867,221	(11,455)	(293,249)
Net Increase in Cash and Cash Equivalents	92,808	-	-
Cash and Cash Equivalents - Beginning of year	26,983	-	-
Cash and Cash Equivalents - Ending of year	\$ 119,791	\$ -	\$ -
Non-Cash Investing, Capital, and Financing Activities			
Grant - note payable forgiven	\$ -	\$ 27,220	\$ -

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

Counseling Services	Other Non-Major Funds	Total
\$ 12,146	\$ 116,519	\$ 454,667
756,854	530,779	3,051,545
(785,211)	(618,710)	(3,950,540)
-	-	103,381
(16,211)	28,588	(340,947)
-	(1,368)	(36,932)
-	-	(55,457)
-	-	(25,377)
-	(1,368)	(117,766)
-	-	17,407
-	-	(17,394)
-	-	13
-	-	121,975
4,350	10,357	43,226
3,658	168,852	370,694
-	-	15,613
(197,468)	(156,468)	-
205,671	(49,961)	-
16,211	(27,220)	551,508
-	-	92,808
-	-	26,983
\$ -	\$ -	\$ 119,791
\$ -	\$ -	\$ 27,220

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program
RECONCILIATION OF OPERATING INCOME			
(LOSS) TO NET CASH			
Operating income (loss)	\$ (814,164)	\$ 74,091	\$ 276,318
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	817	59,039	4,201
Grant - note payable forgiven	-	(27,220)	-
(Increase) decrease in:			
Grants receivable	-	(929)	17,051
Prepaid expenses	(10,401)	-	-
Increase (decrease) in:			
Accounts payable	5,819	-	-
Accrued vacation payable	166	-	-
Accrued retirement payable	22,564	-	-
Operating transfers in (out)	102,564	(59,039)	(4,201)
Total adjustments	121,529	(28,149)	17,051
Net Cash Provided by (Used for) Operating Activities	<u>\$ (692,635)</u>	<u>\$ 45,942</u>	<u>\$ 293,369</u>

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

Counseling Services	Other Non-Major Funds	Total
\$ 154,939	\$ (46,521)	\$ (355,337)
6,884	32,440	103,381
-	-	(27,220)
(171,150)	75,109	(79,919)
-	-	(10,401)
-	-	5,819
-	-	166
-	-	22,564
(6,884)	(32,440)	-
(171,150)	75,109	14,390
<u>\$ (16,211)</u>	<u>\$ 28,588</u>	<u>\$ (340,947)</u>

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description

Community Human Services (the Agency) is both a California not-for-profit corporation exempt from taxation under Internal Revenue Service Code Section 501(c)(3) and a Joint Powers Agency. The Board of Directors is made up of representatives from local governmental entities comprising the Joint Powers Agency.

The Agency, under annual contracts with government agencies, 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

Although the Agency is a not-for-profit corporation, it presents its financial statements on a governmental accounting unit basis, rather than as a not-for-profit organization, due to special requirements of the State Controller's Office for not-for-profit organizations receiving joint powers funding.

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. There are no known potential component units that have been excluded.

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 nonoperating 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 grants and contract fees from government agencies. Operating expenses for enterprise funds include the cost of operating the primary activities of funds, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 services that offer residential and outpatient substance abuse counseling and recovery options. These services include perinatal care, Genesis house, Elm house and the DAISY program.

Narcotics Treatment Program The Fund is used to account separately for methadone maintenance, counseling and detoxification services.

Counseling Services The Fund is used to account separately for services and education provided to individuals and families. These services include MHSA parent education, family to family counseling, outpatient mental health managed care and self referral assistance.

Non-Major Funds

Runaway The Fund is used to account for the provision of our Basic Center Program for runaway and homeless youth which includes counseling, temporary shelter, outreach and referral services.

Schools and Superkids The Fund is used to account for our school based counseling services at participating high school and middle school sites.

Supervised Visitation The Fund is used to account for the provision of family-like environments for children with their non-custodial parents under monitored visits.

Domestic Violence The Fund is used to account for a probation certified long-term psycho-educational group treatment program for domestic violence offenders.

Street Outreach Services The Fund is used to account for outreach, education, informal counseling, information and education provided to youth on the street.

Safe Passage The Fund is used to account for the provision of transitional housing services for homeless youth ages 18-21 providing education, case management, counseling and information/referral services with the goal of obtaining permanent housing and employment.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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 zero as 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". These amounts are eliminated in the Statement of Net Position.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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.
- ☐ **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 September 22, 2014, 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.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 2010 and forward may be audited by regulatory agencies, however, the Agency is not aware of any such actions at this time.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Changes in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In 2013-14, the Agency implemented the Statement. The implementation did not have any impact on the Agency's financial statements.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged. Adoption of this statement is not expected to materially impact the Agency's financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2014, consist of the following:

Checking and savings	\$ 119,791
Investments - marketable securities	228,351
Total Deposits and Investments	<u>\$ 348,142</u>

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014, none of the Agency's bank balances of \$210,477 were 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, 2014, the Agency has investment balances of \$228,351 that are insured or registered or securities held by the entity or its agent, therefore, were not 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, 2014, the Agency holds its 74% investment in Fidelity mutual funds and 24% in Community Human Services Stewardship Fund.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable 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.

Grants receivable at June 30, 2014 consist of the following:

DAISY program	\$	3,040
Department of Social Services - CAP		3,550
Department of Social Services - Family Service Center		2,025
Family to Family		34,737
Genesis House		142,179
Off Main Clinic Methadone program		106,330
Monterey County (Mental Health Services Act)		23,908
Outpatient mental health		209,675
Runaway		947
Street Outreach program		13,447
Safe Passage		6,104
Superkids contract		120
Supervised visitations		89
Total	\$	<u>546,151</u>

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 4 – CAPITAL ASSETS

Capital assets at June 30, 2014 were summarized as follows:

	Balance July 1, 2013	Additions	Balance June 30, 2014
Capital Assets Not Being Depreciated:			
Land	\$ 486,495	\$ -	\$ 486,495
Capital Assets Being Depreciated:			
Buildings and improvements	3,262,569	19,852	3,282,421
Office equipment	293,382	-	293,382
Transportation equipment	199,655	-	199,655
Furniture and fixtures	127,592	-	127,592
Leasehold improvements	86,222	5,525	91,747
Operating and other equipment	78,059	-	78,059
Subtotal	4,047,479	25,377	4,072,856
Less Accumulated Depreciation	1,639,488	103,381	1,742,869
Total Capital Assets, Being Depreciated	2,407,991	(78,004)	2,329,987
Capital Assets - Net	\$ 2,894,486	\$ (78,004)	\$ 2,816,482

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

Operating Fund	\$ 817
Prevention and Treatment of Substance Abuse Program	59,039
Narcotics Treatment Program	4,201
Counseling Services	6,884
Runaway	7,369
Supervised Visitation	4,020
Street Outreach Services	7,191
Safe Passage	13,860
Total Depreciation Expense	\$ 103,381

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 5 – NOTES PAYABLE

Notes payable at June 30, 2014 consist of the following:

Note payable to Rabobank Sonoma Street, interest at 4.85% per annum until 2023, due in monthly installments of \$6,387, including interest through 2024 at which time all outstanding principal and interest are due and payable.

	\$ 1,081,650
Less current portion	23,812
Total Noncurrent Portion of Notes Payable	<u>\$ 1,057,838</u>

Total interest charged to expense during the year ended June 30, 2014 amounted to \$63,195.

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

Fiscal Year	Principal	Interest
2015	\$ 19,363	\$ 52,877
2016	24,823	51,824
2017	26,214	50,433
2018	27,533	49,115
2019	28,918	47,730
2020-2024	954,799	189,241
Total	<u>\$ 1,081,650</u>	<u>\$ 441,220</u>

NOTE 6 – REFINANCE

On October 10, 2013, the Agency borrowed \$1,102,500 from Rabobank with interest rate at 4.85% to refinance \$1,097,996 Sonoma Avenue property loan from Santa Barbara Bank with interest rate ranging from 6.75% to 7%.

NOTE 7 – LEASE COMMITMENTS

During the fiscal year ended June 30, 2014 the Agency leased buildings for its Off Main Clinic Methadone program and FSC-Salinas counseling office as well as its administrative office.

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

Year Ending June 30,	Lease Payment
2015	\$ 108,155
2016	58,091
2017	4,841
Total	<u>\$ 171,087</u>

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 8 – 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 2.5% of gross wages for eligible employees (those who work at least 30 hours per week on a permanent basis) for every month of the year. Eligible employees must also contribute a minimum of 2.5% of their gross pay, but may contribute up to 15%. 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 \$88,422 for the year ended June 30, 2014, and equal to 100 % of the required contribution. Total payroll was \$2,223,195 and covered payroll was \$1,733,396.

NOTE 9 – 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 District
Monterey Peninsula Unified School District	North Monterey County Unified School District
Santa Rita Union School District	

SUPPLEMENTAL INFORMATION

COMMUNITY HUMAN SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (USHHS)			
Passed through:			
County of Monterey, California			
Bock Grants for Prevention and Treatment of Substance Abuse	93.959	A-11498	\$ 405,200
Residential Program			95,785
Perinatal Program			35,772
Youth Treatment Program			<u>536,757</u>
Total Prevention and Treatment Clusters			
CSAT Adult Drug Court Grant	93.243	[1]	22,713
Adoption Assistance	93.659	[1]	29,631
Foster Care Title/V-E First Five/Stuart Grant	93.658	[1]	42,444
Promoting Safe and Stable Families	93.556	[1]	18,000
Community services Block Grant	93.569	[1]	21,067
Direct Program:			
Administration for Children, Youth and Families - Runaway and Homeless Youth	93.623	9OCY258001	175,036
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	9OYO005503	70,182
Total USHHS			<u>915,830</u>
U.S. HOUSING AND URBAN DEVELOPMENT (USHUD)			
Direct Program:			
Supportive Housing Program			
Transitional Housing	14.235	[1]	101,294
Pass Through:			
Cities of Salinas, Seaside and Monterey, California			
Community Development Block Grant	14.218	[1]	47,371
Pass Through:			
Department of Housing and Community Development of the State of California			
Emergency Shelter Grant Program	14.231	[1]	78,270
Total USHUD			<u>226,935</u>
Total Expenditures of Federal Awards			<u>\$ 1,142,765</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

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COMMUNITY HUMAN SERVICES

SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2014

	Counseling Services								Methadone Maintenance and Detox
	General	MHSA Parent Education	Family to Family	Outpatient Mental Health Managed Care	MHSA HIV/AIDS	MHSA GLBT	DSS FSC	Self Referral	
REVENUES									
Grants	\$ -	\$166,380	\$202,947	\$ 489,174	\$ 5,418	\$ 43,018	\$ -	\$ 21,067	\$ 858,806
Charges and fees	-	3	-	30	-	-	-	12,113	167,762
Joint Powers Agency	121,975	-	-	-	-	-	-	-	-
United Way funding	4,075	-	-	-	2,177	2,173	-	-	4,001
Contributions	127,380	4	513	55	-	-	4	3,082	2,250
Other local sources	14,896	-	-	-	-	-	-	-	30
Total Revenues	268,326	166,387	203,460	489,259	7,595	45,191	4	36,262	1,032,849
EXPENSES									
Salaries	441,058	70,287	97,966	251,001	19,367	21,146	495	30,924	367,469
Employee benefits	147,091	18,586	33,980	58,210	6,592	7,228	185	4,845	109,596
Facilities rental	51,174	1,110	9,699	18,317	-	-	66	2,974	59,504
Professional fees	39,121	17,432	1,235	2,712	351	5,595	17	227	67,688
Utilities and maintenance	44,698	2,030	4,767	27,953	-	-	131	2,937	30,172
Operating supplies	15,875	6,342	2,661	4,407	65	40	27	572	18,339
Medical supplies and laboratory fees	-	-	-	-	-	-	-	-	48,522
Food	435	20	13	50	-	-	-	8	750
Insurance	12,838	2,433	3,172	5,638	903	1,511	(259)	477	10,511
Auto and travel	3,876	844	5,097	1,534	242	237	22	246	132
Telephone	11,814	642	3,223	9,049	65	87	65	1,246	9,318
Fees and licenses	378	30	31	1,219	-	-	1	320	10,522
Conferences and meetings	14,979	712	854	1,899	326	395	10	165	7,785
Copy machines	10,003	-	-	-	10	10	-	-	4,333
Advertising	2,884	877	225	647	-	36	15	127	192
Equipment rental	1,100	-	-	-	-	-	-	-	-
Miscellaneous	75	15	-	213	-	-	15	30	41
Dues	2,870	-	596	-	-	-	-	-	-
Client costs	-	-	-	-	-	-	-	-	-
Printing and publications	6,073	17	101	264	-	-	-	33	-
Development	7,005	-	90	-	-	-	-	-	1,175
Interest - Net	(16,450)	-	-	-	-	-	-	-	120
Total Before Depreciation	796,897	121,377	163,710	383,113	27,921	36,285	790	45,131	746,169
Depreciation	817	1,378	-	4,302	-	-	-	1,204	4,201
Total Expenses	797,714	122,755	163,710	387,415	27,921	36,285	790	46,335	750,370
Net income before distribution	(529,388)	43,632	39,750	101,844	(20,326)	8,906	(786)	(10,073)	282,479
Management distribution	(812,022)	30,608	41,303	97,424	7,096	9,217	198	11,622	189,118
NET INCOME (LOSS)	\$282,634	\$ 13,024	\$ (1,553)	\$ 4,420	\$(27,422)	\$ (311)	\$ (984)	\$(21,695)	\$ 93,361

See accompanying note to supplementary information.

Prevention and Treatment of Substance Abuse										
Perinatal	Genesis House	Elm House	DAISY Program	Runaway	Schools and Superkids	Supervised Visitation	Domestic Violence	Street Outreach Services	Safe Passage	Total
\$279,919	\$ 525,813	\$ -	\$110,472	\$175,037	\$ 4,877	\$ -	\$ -	\$ 145,182	\$130,574	\$3,158,684
11,540	129,115	17,585	-	-	-	63,328	47,832	-	5,359	454,667
-	-	-	-	-	-	-	-	-	-	121,975
-	-	20,443	-	-	-	8,180	-	-	2,177	43,226
235	28,075	40,244	-	53,194	20,726	14,356	5	50,571	30,000	370,694
172	515	-	-	-	-	-	-	-	-	15,613
291,866	683,518	78,272	110,472	228,231	25,603	85,864	47,837	195,753	168,110	4,164,859
110,966	258,682	28,244	72,260	108,368	11,492	50,318	37,077	82,572	78,023	2,137,715
26,993	62,884	9,086	23,572	30,969	2,231	4,279	3,505	19,337	14,845	584,014
-	-	836	-	-	-	2,974	2,900	-	-	149,554
3,924	11,036	334	800	17,216	195	580	522	981	968	170,934
25,529	75,942	14,162	-	4,345	-	5,352	2,281	4,785	11,102	256,186
4,341	13,375	4,239	1,384	1,507	51	1,252	550	1,830	32,044	108,901
1,137	3,413	-	-	-	-	-	-	-	978	54,050
18,941	56,934	115	153	8,473	8	8	24	642	654	87,228
3,056	7,221	935	2,027	2,882	488	1,698	1,373	2,232	2,706	61,842
2,948	8,844	379	215	513	527	1,475	268	3,738	379	31,516
2,941	8,822	171	1,438	4,102	175	1,292	791	4,702	155	60,098
5,261	15,873	124	-	77	-	21	262	77	99	34,295
1,595	4,236	223	543	2,269	427	404	365	2,046	819	40,052
2,707	8,170	-	-	387	-	-	-	387	-	26,007
221	663	-	126	757	-	127	89	737	334	8,057
6,319	23,520	-	-	-	-	-	-	-	-	30,939
19	56	-	41	23	-	30	-	-	-	558
28	83	-	-	400	-	-	-	400	-	4,377
669	1,953	-	-	17	-	-	-	559	348	3,546
79	237	-	-	-	-	33	17	-	-	6,854
8	25	256	-	25	-	-	-	-	-	8,584
15,745	45,962	-	-	1,345	-	-	-	23	-	46,745
233,427	607,931	59,104	102,559	183,675	15,594	69,843	50,024	125,048	143,454	3,912,052
17,262	24,453	17,324	-	7,369	-	4,020	-	7,191	13,860	103,381
250,689	632,384	76,428	102,559	191,044	15,594	73,863	50,024	132,239	157,314	4,015,433
41,177	51,134	1,844	7,913	37,187	10,009	12,001	(2,187)	63,514	10,796	149,426
63,620	160,268	19,242	25,838	48,522	3,979	18,633	12,524	33,160	39,650	-
\$ (22,443)	\$ (109,134)	\$ (17,398)	\$ (17,925)	\$ (11,335)	\$ 6,030	\$ (6,632)	\$ (14,711)	\$ 30,354	\$ (28,854)	\$ 149,426

COMMUNITY HUMAN SERVICES

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

NOTE 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 accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, local Governments, and Non-Profit Organizations*.

Schedule of Functional Revenues and Expenses

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

INDEPENDENT AUDITOR'S REPORTS

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**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 fund and aggregate remaining fund information of Community Human Services (a Joint Powers Agency of California Local governments) (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2014.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, see 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying financial statement findings as items 2014-1.

Community Human Services' Response to Findings

Community Human Services' response to the findings identified in our audit are described in the accompanying financial statement findings. The Agency'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Palo Alto, California
September 22, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2014. The Agency's 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 requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Agency's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Agency's 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 the Agency's 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, 2014.

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 OMB Circular A-133, 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 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Palo Alto, California
September 22, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMUNITY HUMAN SERVICES

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2014

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>Yes</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 .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

COMMUNITY HUMAN SERVICES

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Financial Statement Findings

2014-1 Lack of Timely Reconciliations

Condition

Certain reconciliations were not being prepared timely and accurately. Maintaining accurate financial information is important in making sound management decisions. It takes not only accurate posting of daily transactions, but also requires consistent and periodic reconciliations of actual balances to the general ledger to timely detect any errors and omissions. We noted certain balance sheet accounts which needed additional reconciliation procedures or adjustments.

Criteria

Sufficient and timely closing procedures are a key factor in early detection of errors because they:

- ensure that transactions have been recorded completely and accurately;
- ensure there is underlying documentation to support amounts recorded in the general ledger; and
- reassesses the reliability of assumptions and estimates used to record older balances in the general ledger.

Effect

Although we do not believe any of these conditions resulted in less than sound financial decisions by management and the Board, there certainly is a potential for errors that could go unnoticed unless a conscientious effort is made to strictly reinforce this procedure.

Recommendation

We recommend that Management evaluate the periodic reconciliation of significant account balances and year-end procedures and modify them as necessary to ensure that they are carried out regularly and consistently. The procedures should include an overall reconciliation and evaluation on the status of cash, accounts receivable and accounts payable within the Peachtree accounting system. We recommend that all accounts be reconciled and reviewed on a monthly basis as part of the Agency's routine closing schedule. The focus of this procedure should be:

- to verify amounts have been accurately reflected in the general ledger;
- to reassess the collectability and appropriateness of older balances;
- to evaluate the status of programs and grants;
- to reassess estimates and assumptions used in recording certain balances; and
- to identify and resolve account discrepancies.

Agency's Responses

The agency's finance department has been continuously functioning with less than a full complement of staff. We are constantly refocusing efforts on accounting functions and will allocate more accounting time to the functions of the general ledger and focus more attention on the accuracy of accounting entries and timely reconciliation of accounts. The focus in the prior year was accomplishing the reconciliation of the cash account in Peachtree which was done. Additional work will be done with the two small food accounts and the receivable/payable systems in the upcoming year.

COMMUNITY HUMAN SERVICES

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None Reported.

COMMUNITY HUMAN SERVICES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Financial Statement Findings

2013-1 Lack of Timely Reconciliations

Finding

Certain reconciliations were not being prepared timely and accurately. Maintaining accurate financial information is important in making sound management decisions. It takes not only accurate posting of daily transactions, but also requires consistent and periodic reconciliations of actual balances to the general ledger to timely detect any errors and omissions. We noted certain balance sheet accounts which needed additional reconciliation procedures or adjustments.

Recommendation

Although the Agency is limited by available resources, we recommend that Management evaluate the periodic reconciliation of significant account procedures and year-end procedures and modify them as necessary to ensure that they are carried out regularly and consistently. The procedures should include an overall reconciliation and evaluation on the status of cash, accounts receivable and accounts payable within the Peachtree accounting system. We recommend that all accounts be reconciled and reviewed on a monthly basis as part of the Agency's routine closing schedule.

Current Status

Not implemented, see current year finding 2014-1.

