

COMMUNITY HUMAN SERVICES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2017

This page left blank intentionally.

COMMUNITY HUMAN SERVICES

TABLE OF CONTENTS JUNE 30, 2017

| | |
|---|----|
| <i>BOARD OF DIRECTORS</i> | 1 |
| <i>FINANCIAL SECTION</i> | |
| Independent Auditor's Report | 3 |
| Management's Discussion and Analysis | 6 |
| Basic Financial Statements | |
| Statement of Net Position - Enterprise Funds | 12 |
| Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Funds | 14 |
| Statement of Cash Flows - Enterprise Funds | 16 |
| Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used for) Operating Activities | 18 |
| Notes to Financial Statements | 20 |
| <i>SUPPLEMENTARY INFORMATION</i> | |
| Schedule of Expenditures of Federal Awards | 32 |
| Combining Schedule of Functional Revenues and Expenses | 33 |
| Note to Supplementary Information | 37 |
| <i>INDEPENDENT AUDITOR'S REPORTS</i> | |
| 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> | 39 |
| Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance | 41 |
| <i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i> | |
| Summary of Auditor's Results | 44 |
| Financial Statement Findings | 45 |
| Federal Awards Findings and Questioned Costs | 46 |
| Summary Schedule of Prior Audit Findings | 47 |

This page left blank intentionally.

COMMUNITY HUMAN SERVICES

BOARD OF DIRECTORS JUNE 30, 2017

| <u>Agencies</u> | <u>Primaries</u> | <u>Alternates</u> |
|--|---|---|
| City of Carmel | Vacant | Paul Tomasi |
| City of Del Rey Oaks | Mike Ventimiglia & Patricia Lintell | Layne Buckley |
| City of Marina | Nancy Amadeo, Vice Chair | Vacant |
| City of Monterey | Alan Haffa | Kim Bui Burton |
| City of Pacific Grove | Alan Cohen, Chair | Vacant |
| City of Salinas | Vacant | 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 | Rick Miller | Vacant |
| Monterey Peninsula Community College District | Loren Steck | Victoria Phillips |
| North Monterey County Unified School District | Ashley Powers Clark & Noemy Loveless | Vacant |
| Monterey County Office of Education | Harvey Kuffner | Mary Claypool |
| Santa Rita Union School District | Vacant | Vacant |

This page left blank intentionally.

FINANCIAL SECTION

This page left blank intentionally.



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 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, 2017, 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 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.

Opinions

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, 2017, 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 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 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 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 October 3, 2017, 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.



Palo Alto, California
October 3, 2017

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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, 2017. 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 decreased by \$88,180 (or 3.7%) during 2017. Since the Agency engages only in business type activities, the decrease is all in the category of business-type net position. Net position was \$2,315,590 and \$2,403,770 for 2017 and 2016, respectively.
- The Agency's return on total ending net position was -3.7%.
- Total cost of all the Agency's programs was \$5,293,363 and \$5,007,039 for 2017 and 2016, 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.

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, 2017

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 five 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 Seaside

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.

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 six 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-Referred Mental Health Counseling Program
- Parent Education Program

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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
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
Warming 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>2017</u> | <u>2016</u> | <u>Changes</u> | <u>% Changes</u> |
|----------------------------------|----------------------------|----------------------------|---------------------------|------------------|
| Assets | | | | |
| Current assets | \$ 5,732,633 | \$ 4,872,294 | \$ 860,339 | 17.66% |
| Capital and other assets | 2,718,621 | 2,713,950 | 4,671 | 0.17% |
| Total Assets | <u>8,451,254</u> | <u>7,586,244</u> | <u>865,010</u> | 11.40% |
| Liabilities | | | | |
| Current liabilities | 5,151,957 | 4,171,230 | 980,727 | 23.51% |
| Long-term obligations | 983,707 | 1,011,244 | (27,537) | -2.72% |
| Total Liabilities | <u>6,135,664</u> | <u>5,182,474</u> | <u>953,190</u> | 18.39% |
| Net Position | | | | |
| Net investment in capital assets | 1,707,381 | 1,676,492 | 30,889 | 1.84% |
| Restricted | 1,192,103 | 959,903 | 232,200 | 24.19% |
| Unrestricted | (583,894) | (232,625) | (351,269) | 151.00% |
| Total Net Position | <u>\$ 2,315,590</u> | <u>\$ 2,403,770</u> | <u>\$ (88,180)</u> | -3.67% |

Major Factors Affecting the Statement of Net Position

Current year's net position decreased by \$88,180 over the prior year. The current year decrease was related primarily to slow growth of clientele in two new outpatient drug treatment programs and facilities improvements.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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:

| | 2017 | 2016 | Changes | % Changes |
|--|--------------------|--------------------|--------------------|----------------|
| Revenues | | | | |
| Program revenues: | | | | |
| Public grants and contracts | \$ 4,460,454 | \$ 4,166,895 | \$ 293,559 | 7.05% |
| Charges and fees | 369,463 | 441,646 | (72,183) | -16.34% |
| Private grants and contributions | 229,569 | 223,015 | 6,554 | 2.94% |
| Joint Powers Agency support | 133,975 | 129,271 | 4,704 | 3.64% |
| Other revenue | 11,722 | 2,939 | 8,783 | 298.84% |
| Total Revenues | 5,205,183 | 4,963,766 | 241,417 | 4.86% |
| Expenses | | | | |
| General | 864,412 | 897,636 | (33,224) | -3.70% |
| Off Main Clinic Methadone Program | 937,055 | 816,941 | 120,114 | 14.70% |
| Genesis House Co-Ed Program | 650,808 | 669,357 | (18,549) | -2.77% |
| Access to Treatment Outpatient Mental Health Program | 629,173 | 578,904 | 50,269 | 8.68% |
| Genesis House Perinatal Program | 296,018 | 292,302 | 3,716 | 1.27% |
| Basic Center Program for runaway and homeless youth | 209,239 | 223,057 | (13,818) | -6.19% |
| Family to Family Program | 180,680 | 148,799 | 31,881 | 21.43% |
| Street Outreach Program for runaway and homeless youth | 183,167 | 169,422 | 13,745 | 8.11% |
| Safe Passage Program | 177,943 | 192,527 | (14,584) | -7.58% |
| Mental Health Services Act Programs | 239,937 | 163,465 | 76,472 | 46.78% |
| DAISY Program | 199,577 | 209,018 | (9,441) | -4.52% |
| Pathways to Safety Program | 134,342 | 125,965 | 8,377 | 100.00% |
| Outpatient Drug Treatment Centers | 358,869 | 314,845 | 44,024 | 100.00% |
| Warming Shelter | 44,333 | - | 44,333 | 100.00% |
| Self-Referred Mental Health Counseling Program | 8,936 | 26,287 | (17,351) | -66.01% |
| Supervised Visitation and Exchange Program | 47,864 | 43,512 | 4,352 | 10.00% |
| Domestic Violence/Anger Management Program | 52,369 | 40,178 | 12,191 | 30.34% |
| Elm House | 35,354 | 51,733 | (16,379) | -31.66% |
| SuperKids/SuperTeens Program | 42,751 | 40,889 | 1,862 | 4.55% |
| Family Service Center - DSS Counseling | 536 | 2,202 | (1,666) | -75.66% |
| Total Expenses | 5,293,363 | 5,007,039 | 286,324 | 5.72% |
| Change in Net Position | \$ (88,180) | \$ (43,273) | \$ (44,907) | 103.78% |

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

Current year's revenue increased by \$241,417 over the prior year due to new and increased public contracts and grants, including new grants for the homeless youth shelter and "cost of doing business increases" in County contracts. There were slight increases in private grants and donations, JPA support and miscellaneous revenue. These increases were offset by lower fee collections. This may reflect the growing economic difficulties of persons served. Revenues were also adversely impacted by two underperforming contracts, which contributed to a year-end negative position. Management has addressed contract performance issues and made corrections.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

The current year's expenses increased \$286,324 due primarily to increases in salary and benefits. Salaries were higher (\$218,000) because we had few vacancies throughout the year and added several new positions. Benefits were higher (\$74,000) due to increases from carriers, especially Workers' Compensation, and the addition of new benefitted positions and related benefits (medical, dental, vision, 403b, SUI, WC and LTD).

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the Agency had \$2,718,621 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase, including additions, deductions and depreciation, of 0.17% or \$4,671 from the prior year.

| | 2017 | 2016 | Changes | % Changes |
|---|---------------------|---------------------|-----------------|--------------|
| Capital assets, not being depreciated - land | \$ 486,495 | \$ 486,495 | \$ - | 0.00% |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 3,428,928 | 3,299,863 | 129,065 | 3.91% |
| Office equipment | 302,670 | 302,670 | - | 0.00% |
| Transportation equipment | 199,655 | 199,655 | - | 0.00% |
| Furniture and fixtures | 184,687 | 184,687 | - | 0.00% |
| Leasehold improvements | 132,218 | 132,218 | - | 0.00% |
| Operating and other equipment | 80,188 | 80,188 | - | 0.00% |
| Total capital assets, being depreciated | 4,328,346 | 4,199,281 | 129,065 | 3.07% |
| Less accumulated depreciation | 2,096,220 | 1,971,826 | 124,394 | 6.31% |
| Total capital assets, being depreciated - net | 2,232,126 | 2,227,455 | 4,671 | 0.21% |
| Capital Assets - Net | \$ 2,718,621 | \$ 2,713,950 | \$ 4,671 | 0.17% |

Debt Outstanding

Long-term debt obligations at June 30, 2016 and 2017 consist of the following:

| | 2017 | 2016 | Changes | % Changes |
|--|-------------------|---------------------|--------------------|---------------|
| Note payable to Rabobank | | | | |
| Collateralized by Sonoma Avenue property | \$ 1,011,240 | \$ 1,037,458 | \$ (26,218) | -2.53% |
| Less current portion | 27,533 | 26,214 | 1,319 | 5.03% |
| Total Long-Term Debt | \$ 983,707 | \$ 1,011,244 | \$ (27,537) | -2.72% |

Net decrease of \$26,218 is a result of principal payments during the year.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

FACTORS AFFECTING FUTURE PERIODS

Significant factors affecting the Agency are as follows:

After several years of preparations, Monterey County is finally implementing its Organized Delivery System (ODS) for Drug Medi-Cal services, one of the main components of the Affordable Care Act which expanded Medi-Cal eligibility and access to care. This is expected to occur in January 2018. We anticipate the change will be positive; however, it will take several months before the actual impact is known. The Agency is also in the process of applying for Medi-Cal certification at Elm House and plans to establish a dual diagnosis (mental health and substance abuse) program for women in 2018. This will bring opportunities for additional County funding as well as private pay funding. The Agency is also applying to be on health insurance preferred-provider panels so that programs can accept private insurance for services. This will also have a positive impact on Agency finances. In addition, coinciding with the sudden closure of another nonprofit agency in the County, Salinas Union High School District has contracted with the Agency for five full time Drug Resource Specialists, one in each of their five high schools. This program, named Substance Use Prevention Program, offers students social-emotional counseling and drug education. The Drug Resource Specialists also work with student clubs to organize drug-free, pro-social events like assemblies and rallies, and help students raise funds for activities like Red Ribbon Week, a substance abuse prevention event. Finally, the Winter Warming Shelter for homeless youth that we opened last year will become a year-round shelter once renovations to add an ADA accessible bathroom and fire sprinklers are complete. The Agency has been very successful in raising funds for the renovations and for shelter operations.

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, 2017**

| | <u>Operating Fund</u> | <u>Prevention and Treatment of Substance Abuse Program</u> | <u>Narcotic Treatment Program</u> |
|---|-----------------------|--|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 315,609 | \$ - | \$ - |
| Grants receivable | 19,964 | 126,356 | 112,685 |
| Prepaid expenses | 69,138 | - | - |
| Investment | 33,866 | - | - |
| Due from other funds | 3,502,897 | 82,946 | 1,133,049 |
| Total Current Assets | <u>3,941,474</u> | <u>209,302</u> | <u>1,245,734</u> |
| Noncurrent Assets | | | |
| Capital assets not depreciated | - | 291,656 | - |
| Capital assets, net of accumulated depreciation | 9,202 | 1,680,769 | 5,086 |
| Total Noncurrent Assets | <u>9,202</u> | <u>1,972,425</u> | <u>5,086</u> |
| Total Assets | <u>3,950,676</u> | <u>2,181,727</u> | <u>1,250,820</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 93,732 | - | - |
| Accrued retirement payable | 20,300 | - | - |
| Unearned revenue | 117,762 | - | - |
| Due to other funds | - | 2,257,806 | 77,074 |
| Long-term obligations: | | | |
| Current portion of long-term debt | - | 27,533 | - |
| Accrued vacation payable | 126,337 | - | - |
| Total Current Liabilities | <u>358,131</u> | <u>2,285,339</u> | <u>77,074</u> |
| Noncurrent Liabilities | | | |
| Noncurrent portion of long-term debt | - | 983,707 | - |
| Total Liabilities | <u>358,131</u> | <u>3,269,046</u> | <u>77,074</u> |
| NET POSITION | | | |
| Net investment in capital assets | 9,202 | 961,185 | 5,086 |
| Restricted for narcotic prevention | - | - | 1,245,734 |
| Unrestricted | 3,583,343 | (2,048,504) | (77,074) |
| Total Net Position | <u>\$ 3,592,545</u> | <u>\$ (1,087,319)</u> | <u>\$ 1,173,746</u> |

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

| Counseling Services | Other Non-Major Funds | Total |
|--------------------------------|----------------------------------|---------------------|
| \$ - | \$ - | \$ 315,609 |
| 243,211 | 45,511 | 547,727 |
| - | - | 69,138 |
| - | - | 33,866 |
| 10,876 | 36,525 | 4,766,293 |
| <u>254,087</u> | <u>82,036</u> | <u>5,732,633</u> |
| 65,515 | 129,324 | 486,495 |
| 226,446 | 310,623 | 2,232,126 |
| <u>291,961</u> | <u>439,947</u> | <u>2,718,621</u> |
| <u>546,048</u> | <u>521,983</u> | <u>8,451,254</u> |
| - | - | 93,732 |
| - | - | 20,300 |
| - | - | 117,762 |
| 1,512,608 | 918,805 | 4,766,293 |
| - | - | 27,533 |
| - | - | 126,337 |
| <u>1,512,608</u> | <u>918,805</u> | <u>5,151,957</u> |
| - | - | 983,707 |
| <u>1,512,608</u> | <u>918,805</u> | <u>6,135,664</u> |
| 291,961 | 439,947 | 1,707,381 |
| - | (53,631) | 1,192,103 |
| (1,258,521) | (783,138) | (583,894) |
| <u>\$ (966,560)</u> | <u>\$ (396,822)</u> | <u>\$ 2,315,590</u> |

COMMUNITY HUMAN SERVICES

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | Operating Fund | Prevention and Treatment of Substance Abuse Program | Narcotic Treatment Program |
|---|---------------------------|--|---|
| OPERATING REVENUES | | | |
| Public grants and contracts | \$ 109,034 | \$ 1,251,637 | \$ 1,311,830 |
| Charges and fees | - | 186,103 | 82,457 |
| Total Operating Revenues | <u>109,034</u> | <u>1,437,740</u> | <u>1,394,287</u> |
| OPERATING EXPENSES | | | |
| Salaries | 527,289 | 750,529 | 448,566 |
| Employee benefits | 156,839 | 256,753 | 140,107 |
| Facilities rental | 57,629 | 42,802 | 62,904 |
| Professional fees | 29,764 | 50,459 | 65,948 |
| Utilities and maintenance | 22,256 | 141,807 | 51,866 |
| Operating supplies | 14,733 | 18,594 | 21,496 |
| Medical supplies and laboratory fees | - | 5,780 | 58,772 |
| Food | 939 | 70,978 | 768 |
| Insurance | 9,155 | 12,946 | 1,856 |
| Auto and travel | 2,528 | 14,387 | 2,022 |
| Telephone | 10,593 | 19,952 | 9,651 |
| Fees and licenses | - | 619 | - |
| Conferences and meetings | 6,366 | 1,826 | 2,940 |
| Advertising | 5,540 | 6,559 | 2,852 |
| Equipment rental | 4,020 | 8,979 | 3,234 |
| Miscellaneous | 865 | 65 | 22,059 |
| Dues | 7,476 | 6,754 | 33,342 |
| Client costs | - | 3,344 | 355 |
| Printing and publications | 4,123 | 3,951 | 4,864 |
| Depreciation | 4,297 | 73,124 | 3,453 |
| Total Operating Expenses | <u>864,412</u> | <u>1,490,208</u> | <u>937,055</u> |
| Operating Income (Loss) | <u>(755,378)</u> | <u>(52,468)</u> | <u>457,232</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Joint Powers Agency support | 133,975 | - | - |
| Private grants and contributions | 79,190 | 1,250 | 10,250 |
| Miscellaneous income | 11,697 | - | - |
| Interest expense | - | (50,418) | - |
| Total Nonoperating Revenues (Expense) | <u>224,862</u> | <u>(49,168)</u> | <u>10,250</u> |
| INCOME (LOSS) BEFORE TRANSFERS | (530,516) | (101,636) | 467,482 |
| Transfers from (To) other funds | <u>864,238</u> | <u>(305,698)</u> | <u>(174,063)</u> |
| CHANGES IN NET POSITION | 333,722 | (407,334) | 293,419 |
| NET POSITION - BEGINNING OF YEAR | 3,258,823 | (679,985) | 880,327 |
| NET POSITION - END OF YEAR | <u>\$ 3,592,545</u> | <u>\$ (1,087,319)</u> | <u>\$ 1,173,746</u> |

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

| Counseling Services | Other Non-Major Funds | Total |
|--------------------------------|--------------------------------------|---------------------|
| \$ 1,306,329 | \$ 481,624 | \$ 4,460,454 |
| 7,583 | 93,320 | 369,463 |
| <u>1,313,912</u> | <u>574,944</u> | <u>4,829,917</u> |
| 793,077 | 454,163 | 2,973,624 |
| 232,902 | 96,245 | 882,846 |
| 30,618 | 8,070 | 202,023 |
| 15,417 | 16,436 | 178,024 |
| 42,938 | 66,294 | 325,161 |
| 20,729 | 20,558 | 96,110 |
| 59 | 309 | 64,920 |
| 1,370 | 11,025 | 85,080 |
| 4,615 | 4,875 | 33,447 |
| 8,767 | 10,251 | 37,955 |
| 11,717 | 16,545 | 68,458 |
| 312 | - | 931 |
| 4,306 | 2,094 | 17,532 |
| 5,116 | 5,613 | 25,680 |
| 1,945 | 1,962 | 20,140 |
| - | 19 | 23,008 |
| 1,763 | 12,708 | 62,043 |
| - | 1,551 | 5,250 |
| 1,809 | 1,572 | 16,319 |
| 16,144 | 27,376 | 124,394 |
| <u>1,193,604</u> | <u>757,666</u> | <u>5,242,945</u> |
| <u>120,308</u> | <u>(182,722)</u> | <u>(413,028)</u> |
| - | - | 133,975 |
| 20,850 | 118,029 | 229,569 |
| 25 | - | 11,722 |
| - | - | (50,418) |
| <u>20,875</u> | <u>118,029</u> | <u>324,848</u> |
| 141,183 | (64,693) | (88,180) |
| (234,953) | (149,524) | - |
| (93,770) | (214,217) | (88,180) |
| (872,790) | (182,605) | 2,403,770 |
| <u>\$ (966,560)</u> | <u>\$ (396,822)</u> | <u>\$ 2,315,590</u> |

COMMUNITY HUMAN SERVICES

**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | Operating Fund | Prevention and Treatment of Substance Abuse Program | Narcotic Treatment Program |
|---|---------------------------|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from clients | \$ - | \$ 186,103 | \$ 82,457 |
| Cash receipts from public contracts | 109,034 | 1,228,655 | 1,334,404 |
| Cash payments to suppliers and employees | (784,990) | (1,490,208) | (937,055) |
| Operating transfers to other funds | 4,297 | 73,124 | 3,453 |
| Net Cash Provided by (Used for) Operating Activities | <u>(671,659)</u> | <u>(2,326)</u> | <u>483,259</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Interest paid on debt | - | (50,418) | - |
| Principal payments on long-term debt | - | (26,218) | - |
| Cash payments for acquisition of capital assets | - | (57,488) | - |
| Net Cash Used For Capital and Related Financing Activities | <u>-</u> | <u>(134,124)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment earnings | 11,697 | - | - |
| Investment earnings reinvested | 199,452 | - | - |
| Net Cash Provided by Investing Activities | <u>211,149</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES | | | |
| Joint Powers Agency Support | 133,975 | - | - |
| Cash receipts from private grants and contributions | 73,151 | 1,250 | 10,250 |
| Miscellaneous income | - | - | - |
| Cash receipts from (paid to) other funds | 284,559 | 135,200 | (493,509) |
| Net Cash Provided by (Used for) Non Capital Financing Activities | <u>491,685</u> | <u>136,450</u> | <u>(483,259)</u> |
| Net Increase in Cash and Cash Equivalents | 31,175 | - | - |
| Cash and Cash Equivalents - Beginning of year | 284,434 | - | - |
| Cash and Cash Equivalents - Ending of year | <u>\$ 315,609</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| Counseling Services | Other Non-Major Funds | Total |
|--------------------------------|--------------------------------------|-------------------|
| \$ 7,583 | \$ 93,320 | \$ 369,463 |
| 1,210,628 | 455,142 | 4,337,863 |
| (1,193,604) | (757,666) | (5,163,523) |
| 16,144 | 27,376 | 124,394 |
| <u>40,751</u> | <u>(181,828)</u> | <u>(331,803)</u> |
| - | - | (50,418) |
| - | - | (26,218) |
| - | (71,577) | (129,065) |
| <u>-</u> | <u>(71,577)</u> | <u>(205,701)</u> |
| - | - | 11,697 |
| - | - | 199,452 |
| <u>-</u> | <u>-</u> | <u>211,149</u> |
| - | - | 133,975 |
| 20,850 | 118,029 | 223,530 |
| 25 | - | 25 |
| (61,626) | 135,376 | - |
| <u>(40,751)</u> | <u>253,405</u> | <u>357,530</u> |
| - | - | 31,175 |
| - | - | 284,434 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 315,609</u> |

COMMUNITY HUMAN SERVICES

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Operating Fund</u> | <u>Prevention and Treatment of Substance Abuse Program</u> | <u>Narcotic Treatment Program</u> |
|---|-----------------------|--|-----------------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | \$ (755,378) | \$ (52,468) | \$ 457,232 |
| Adjustments to reconcile operating income to net cash used by operating activities: | | | |
| Depreciation and amortization | 4,297 | 73,124 | 3,453 |
| (Increase) decrease in: | | | |
| Grants receivable | - | (22,982) | 22,574 |
| Prepaid expenses | 8,875 | - | - |
| Increase (decrease) in: | | | |
| Accounts payable | 36,634 | - | - |
| Accrued vacation payable | 33,999 | - | - |
| Accrued retirement payable | (86) | - | - |
| Total adjustments | <u>83,719</u> | <u>50,142</u> | <u>26,027</u> |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ (671,659)</u> | <u>\$ (2,326)</u> | <u>\$ 483,259</u> |

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

| Counseling Services | Other Non-Major Funds | Total |
|--------------------------------|--------------------------------------|---------------------|
| \$ 120,308 | \$ (182,722) | \$ (413,028) |
| 16,144 | 27,376 | 124,394 |
| (95,701) | (26,482) | (122,591) |
| - | - | 8,875 |
| - | - | 36,634 |
| - | - | 33,999 |
| - | - | (86) |
| <u>(79,557)</u> | <u>894</u> | <u>81,225</u> |
| <u>\$ 40,751</u> | <u>\$ (181,828)</u> | <u>\$ (331,803)</u> |

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 appointed representatives from local governmental entities comprising the Joint Powers Agency.

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 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 contract fees from other 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, 2017

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 and the DAISY substance abuse program for youth.

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.

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.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Non-Major Funds, continued

Warming 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.

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".

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 October 3, 2017, 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, 2017

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2017, consist of the following:

| | |
|--------------------------------|-------------------|
| Checking and Savings | \$ 315,609 |
| Investments | 33,866 |
| Total Deposits and Investments | <u>\$ 349,475</u> |

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, 2017, the total carrying amount was \$315,609 with a corresponding bank balance of \$313,411. The Agency's bank balance of \$63,411 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, 2017, the Agency has investment balances of \$33,145 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, 2017, the Agency holds its 2% investment in Fidelity mutual funds and 98% in Community Human Services Stewardship Fund.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 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.

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, 2017:

| Investment Type | Fair Value | Fair Value Measurements Using | | | Uncategorized |
|--|------------|-------------------------------|---------|---------|---------------|
| | | Level 1 | Level 2 | Level 3 | |
| Fidelity Mutual Funds | \$ 721 | \$ 721 | \$ - | \$ - | \$ - |
| Community Human Services Stewardship Fund | 33,145 | - | - | - | 33,145 |
| Total | \$ 33,866 | \$ 721 | \$ - | \$ - | \$ 33,145 |

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

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 – 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, 2017 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 | \$ 19,964 | \$ - | \$ - | \$ - | \$ - | \$ 19,964 |
| DAISY Program | - | 18,705 | - | - | - | 18,705 |
| Genesis House Co-Ed and Perinatal Programs | - | 85,902 | - | - | - | 85,902 |
| Mental Health Services Act Programs | - | - | - | 57,800 | - | 57,800 |
| Off Main Clinic Methadone Program | - | - | 112,685 | - | - | 112,685 |
| Outpatient Drug Free | - | 21,749 | - | - | - | 21,749 |
| Outpatient Mental Health Program | - | - | - | 178,157 | - | 178,157 |
| Pathways to Safety Program | - | - | - | 7,254 | - | 7,254 |
| Safe Passage Program | - | - | - | - | 14,322 | 14,322 |
| Runaway Street Program | - | - | - | - | 12,908 | 12,908 |
| Supervised Visitation Program | - | - | - | - | 4,573 | 4,573 |
| Warming Shelter | - | - | - | - | 13,708 | 13,708 |
| Total | \$ 19,964 | \$ 126,356 | \$ 112,685 | \$ 243,211 | \$ 45,511 | \$ 547,727 |

COMMUNITY HUMAN SERVICES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS

Capital assets at June 30, 2017 were summarized as follows:

| | Balance July 1, 2016 | Additions | Balance June 30, 2017 |
|---|-------------------------|-----------|--------------------------|
| Capital Assets Not Being Depreciated: | | | |
| Land | \$ 486,495 | \$ - | \$ 486,495 |
| Capital Assets Being Depreciated: | | | |
| Buildings and improvements | 3,299,863 | 129,065 | 3,428,928 |
| Office equipment | 302,670 | - | 302,670 |
| Transportation equipment | 199,655 | - | 199,655 |
| Furniture and fixtures | 184,687 | - | 184,687 |
| Leasehold improvements | 132,218 | - | 132,218 |
| Operating and other equipment | 80,188 | - | 80,188 |
| Subtotal | 4,199,281 | 129,065 | 4,328,346 |
| Less Accumulated Depreciation | 1,971,826 | 124,394 | 2,096,220 |
| Total Capital Assets, Being Depreciated | 2,227,455 | 4,671 | 2,232,126 |
| Capital Assets - Net | \$ 2,713,950 | \$ 4,671 | \$ 2,718,621 |

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

| | |
|---|------------|
| Operating Fund | \$ 4,297 |
| Prevention and Treatment of Substance Abuse Program | 73,124 |
| Narcotic Treatment Program | 3,453 |
| Counseling Services | 16,144 |
| Other Non-Major Funds | 27,376 |
| Total Depreciation Expense | \$ 124,394 |

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 6 – NOTES PAYABLE

Notes payable at June 30, 2017 consist 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. \$ 1,011,240

Less Current Portion 27,533
Total Noncurrent Portion of Notes Payable \$ 983,707

Total interest charged to expense during the year ended June 30, 2017 amounted to \$50,418.

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|---------------------|-------------------|
| 2018 | \$ 27,533 | \$ 49,115 |
| 2019 | 28,918 | 47,730 |
| 2020 | 30,245 | 46,403 |
| 2021 | 31,893 | 44,754 |
| 2022 | 33,498 | 43,150 |
| 2023-2024 | 859,153 | 54,934 |
| Total | <u>\$ 1,011,240</u> | <u>\$ 286,086</u> |

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 – 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, 2017.

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, 2017.

Operating Leases

During the fiscal year ended June 30, 2017 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:

| Year Ending June 30, | Lease Payment |
|-------------------------|-------------------|
| 2018 | \$ 195,623 |
| 2019 | 199,993 |
| 2020 | 157,366 |
| 2021 | 81,204 |
| 2022 | 6,787 |
| Total | <u>\$ 640,973</u> |

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 5% of gross wages for eligible employees (those who work at least 30 hours per week on a permanent basis) for nine months of the year (July - March) and 2.5% for three months of the year (April – June). Eligible employees must also contribute a minimum of 2.5% of their gross pay, or 5% for 3 months (April – June) based on Board approved change, but may contribute up to \$17,500 for 2016, 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 \$121,818 for the year ended June 30, 2017, and is equal to 100% of the required contribution. Total payroll was \$2,973,624 and covered payroll was \$2,540,860.

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 | |

SUPPLEMENTARY INFORMATION

COMMUNITY HUMAN SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

| 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 | | | \$ 536,478 |
| Perinatal Program | | | 74,841 |
| Youth Treatment Program | | | 40,182 |
| Total Prevention and Treatment Clusters | | | <u>651,501</u> |
| Adoption Assistance | 93.659 | [1] | 36,935 |
| Foster Care Title/V-E First Five/Stuart Grant | 93.658 | [1] | 46,999 |
| Promoting Safe and Stable Families | 93.556 | [1] | 18,000 |
| Community Services Block Grant | 93.569 | [1] | 11,098 |
| Direct Program: | | | |
| Administration for Children, Youth and Families - Runaway and Homeless Youth | 93.623 | 9OCY258001 | 183,895 |
| Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth | 93.557 | 9OYO005503 | 24,087 |
| Total USHHS | | | <u>972,515</u> |
| U.S. HOUSING AND URBAN DEVELOPMENT (USHUD) | | | |
| Direct Program: | | | |
| Supportive Housing Program | | | |
| Transitional Housing | 14.235 | [1] | 103,121 |
| Pass Through: | | | |
| Cities of Salinas, Seaside and Monterey, California | | | |
| Community Development Block Grant | 14.218 | [1] | 132,204 |
| Total USHUD | | | <u>235,325</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,207,840</u> |

^{1]} Grant Identifying Number not available

See accompanying note to supplementary information.

This page left blank intentionally.

COMMUNITY HUMAN SERVICES

COMBINING SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

| | Counseling Services | | | | | |
|---|---------------------|-----------------------------|---------------------|---|--------------------------------|----------------------------|
| | General | MHSA Parent Education | Family to Family | Outpatient Mental Health Counseling | MHSA HIV/AIDS Counseling | MHSA GLBT Counseling |
| REVENUES | | | | | | |
| Public grants and contracts | \$ 109,034 | \$ 200,038 | \$ 215,000 | \$ 638,322 | \$ 13,257 | \$ 69,779 |
| Charges and fees | - | - | - | - | - | - |
| Joint Powers Agency | 133,975 | - | - | - | - | - |
| Private grants and contributions | 79,190 | - | 350 | 20,500 | - | - |
| Other local sources | 11,697 | - | - | - | - | - |
| Total Revenues | <u>333,896</u> | <u>200,038</u> | <u>215,350</u> | <u>658,822</u> | <u>13,257</u> | <u>69,779</u> |
| EXPENSES | | | | | | |
| Salaries | 527,289 | 98,982 | 123,005 | 418,197 | 8,002 | 43,156 |
| Employee benefits | 156,839 | 27,118 | 36,395 | 128,338 | 2,669 | 11,479 |
| Facilities rental | 57,629 | 5,904 | 4,281 | 18,039 | 852 | 852 |
| Professional fees | 29,764 | 12,502 | 408 | 1,920 | 94 | 94 |
| Utilities and maintenance | 22,256 | 7,817 | 6,061 | 20,860 | 958 | 958 |
| Operating supplies | 14,733 | 5,236 | 1,551 | 8,521 | 1,309 | 293 |
| Medical supplies and laboratory fees | - | - | - | 59 | - | - |
| Food | 939 | 649 | 50 | 511 | 26 | 109 |
| Insurance | 9,155 | 1,202 | 1,585 | 1,031 | 32 | 32 |
| Auto and travel | 2,528 | 1,838 | 3,570 | 2,782 | - | 72 |
| Telephone | 10,593 | 2,565 | 2,135 | 4,846 | 192 | 192 |
| Fees and licenses | - | - | - | - | 26 | 56 |
| Conferences and meetings | 6,366 | 1,133 | 243 | 2,660 | 114 | 114 |
| Advertising | 5,540 | 2,042 | 342 | 2,519 | 20 | 20 |
| Equipment rental | 4,020 | 393 | 277 | 914 | 33 | 33 |
| Miscellaneous | 865 | - | - | - | - | - |
| Dues | 7,476 | 307 | 562 | 894 | - | - |
| Client costs | - | - | - | - | - | - |
| Printing and publications | 4,123 | 286 | 215 | 938 | 22 | 154 |
| Interest - Net | - | - | - | - | - | - |
| Total Before Depreciation | <u>860,115</u> | <u>167,974</u> | <u>180,680</u> | <u>613,029</u> | <u>14,349</u> | <u>57,614</u> |
| Depreciation | 4,297 | - | - | 16,144 | - | - |
| Total Expenses | <u>864,412</u> | <u>167,974</u> | <u>180,680</u> | <u>629,173</u> | <u>14,349</u> | <u>57,614</u> |
| Net income before distribution | (530,516) | 32,064 | 34,670 | 29,649 | (1,092) | 12,165 |
| Management distribution | 864,238 | (32,682) | (35,755) | (124,142) | (2,737) | (11,042) |
| NET INCOME (LOSS) | <u>\$ 333,722</u> | <u>\$ (618)</u> | <u>\$ (1,085)</u> | <u>\$ (94,493)</u> | <u>\$ (3,829)</u> | <u>\$ 1,123</u> |

See accompanying note to supplementary information.

| Counseling Services | | | Prevention and Treatment of Substance Abuse | | | | |
|---------------------|--------------------|-----------------------|---|---------------------------|---------------------------|-------------|---------------|
| FSC-DSS Counseling | Pathways to Safety | Self Referral Program | Genesis House Perinatal Residential | Outpatient Drug Treatment | Genesis House Residential | Elm House | DAISY Program |
| \$ - | \$ 139,933 | \$ 30,000 | \$ 390,606 | \$ 116,872 | \$ 572,903 | \$ - | \$ 171,256 |
| - | - | 7,583 | 18,030 | 6,185 | 133,388 | 28,500 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 446 | - | 804 | - | - |
| - | - | 25 | - | - | - | - | - |
| - | 139,933 | 37,608 | 409,082 | 123,057 | 707,095 | 28,500 | 171,256 |
| 380 | 94,517 | 6,838 | 135,452 | 183,995 | 284,230 | 1,472 | 145,380 |
| 96 | 25,281 | 1,526 | 48,496 | 71,099 | 99,631 | 894 | 36,633 |
| 88 | 309 | 293 | 528 | 40,701 | 1,072 | 93 | 408 |
| - | 399 | - | 9,692 | 23,327 | 16,892 | 16 | 532 |
| (28) | 6,367 | (55) | 37,696 | 18,325 | 71,006 | 9,353 | 5,427 |
| - | 3,585 | 234 | 5,962 | 3,220 | 6,516 | 87 | 2,809 |
| - | - | - | 1,550 | 551 | 3,679 | - | - |
| - | 25 | - | 23,202 | 140 | 47,111 | - | 525 |
| - | 633 | 100 | 2,973 | 775 | 7,538 | 873 | 787 |
| - | 505 | - | 4,006 | 319 | 8,360 | - | 1,702 |
| - | 1,787 | - | 2,437 | 5,550 | 4,702 | 4,566 | 2,697 |
| - | 230 | - | - | 78 | - | 14 | 527 |
| - | 42 | - | 589 | 100 | 659 | 30 | 448 |
| - | 173 | - | 1,075 | 2,520 | 1,305 | 753 | 906 |
| - | 295 | - | 2,256 | 1,885 | 4,662 | - | 176 |
| - | - | - | 60 | 7 | - | (2) | - |
| - | - | - | 2,229 | - | 4,525 | - | - |
| - | - | - | 494 | - | 2,850 | - | - |
| - | 194 | - | 548 | 1,653 | 1,130 | - | 620 |
| - | - | - | 16,642 | - | 33,776 | - | - |
| 536 | 134,342 | 8,936 | 295,887 | 354,245 | 599,644 | 18,149 | 199,577 |
| - | - | - | 131 | 4,624 | 51,164 | 17,205 | - |
| 536 | 134,342 | 8,936 | 296,018 | 358,869 | 650,808 | 35,354 | 199,577 |
| (536) | 5,591 | 28,672 | 113,064 | (235,812) | 56,287 | (6,854) | (28,321) |
| (96) | (26,337) | (2,162) | (61,794) | (70,881) | (126,095) | (7,168) | (39,760) |
| \$ (632) | \$ (20,746) | \$ 26,510 | \$ 51,270 | \$ (306,693) | \$ (69,808) | \$ (14,022) | \$ (68,081) |

COMMUNITY HUMAN SERVICES

COMBINING SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

| | Narcotic Treatment Program | Other Non-Major | | | | |
|---|----------------------------------|-------------------------|--------------------|--------------------------|--------------------------|----------------------|
| | | Runaway Basic Center | Warming Shelter | SuperKids/ SuperTeens | Supervised Visitation | Domestic Violence |
| REVENUES | | | | | | |
| Public grants and contracts | \$ 1,311,830 | \$ 197,154 | \$ 35,823 | \$ 53,656 | \$ 10,000 | \$ - |
| Charges and fees | 82,457 | 10 | - | - | 29,488 | 56,183 |
| Joint Powers Agency | - | - | - | - | - | - |
| Private grants and contributions | 10,250 | 11,825 | 40,000 | - | - | - |
| Other local sources | - | - | - | - | - | - |
| Total Revenues | <u>1,404,537</u> | <u>208,989</u> | <u>75,823</u> | <u>53,656</u> | <u>39,488</u> | <u>56,183</u> |
| EXPENSES | | | | | | |
| Salaries | 448,566 | 114,763 | 34,975 | 32,295 | 27,881 | 35,480 |
| Employee benefits | 140,107 | 31,163 | 3,520 | 5,141 | 3,855 | 4,079 |
| Facilities rental | 62,904 | 72 | - | - | 5,165 | 2,683 |
| Professional fees | 65,948 | 12,762 | 398 | 162 | 299 | 426 |
| Utilities and maintenance | 51,866 | 12,721 | 2,889 | 889 | 5,038 | 4,501 |
| Operating supplies | 21,496 | 5,191 | 730 | 135 | 1,172 | 859 |
| Medical supplies and laboratory fees | 58,772 | - | - | - | - | - |
| Food | 768 | 3,818 | 582 | - | 65 | 37 |
| Insurance | 1,856 | 1,450 | - | 175 | 396 | 309 |
| Auto and travel | 2,022 | 1,421 | - | 3,714 | 725 | 148 |
| Telephone | 9,651 | 4,059 | - | 180 | 2,198 | 996 |
| Fees and licenses | - | - | - | - | - | - |
| Conferences and meetings | 2,940 | 868 | 60 | 50 | 186 | 88 |
| Advertising | 2,852 | 919 | - | - | 227 | 2,049 |
| Equipment rental | 3,234 | 759 | - | - | 268 | 176 |
| Miscellaneous | 22,059 | 19 | - | - | - | - |
| Dues | 33,342 | 2,853 | 986 | - | 209 | 388 |
| Client costs | 355 | 649 | 193 | - | - | - |
| Printing and publications | 4,864 | 616 | - | 10 | 180 | 150 |
| Interest - Net | - | - | - | - | - | - |
| Total Before Depreciation | <u>933,602</u> | <u>194,103</u> | <u>44,333</u> | <u>42,751</u> | <u>47,864</u> | <u>52,369</u> |
| Depreciation | 3,453 | 15,136 | - | - | - | - |
| Total Expenses | <u>937,055</u> | <u>209,239</u> | <u>44,333</u> | <u>42,751</u> | <u>47,864</u> | <u>52,369</u> |
| Net income before distribution | 467,482 | (250) | 31,490 | 10,905 | (8,376) | 3,814 |
| Management distribution | (174,063) | (40,584) | (7,797) | (8,012) | (9,328) | (10,063) |
| NET INCOME (LOSS) | <u>\$ 293,419</u> | <u>\$ (40,834)</u> | <u>\$ 23,693</u> | <u>\$ 2,893</u> | <u>\$ (17,704)</u> | <u>\$ (6,249)</u> |

| Other Non-Major | | |
|--|-------------------------|--------------------|
| Runaway Street Outreach | Safe Passage | Total |
| \$ 81,870 | \$ 103,121 | \$ 4,460,454 |
| 10 | 7,629 | 369,463 |
| - | - | 133,975 |
| 66,204 | - | 229,569 |
| - | - | 11,722 |
| <u>148,084</u> | <u>110,750</u> | <u>5,205,183</u> |
| 110,750 | 98,019 | 2,973,624 |
| 29,306 | 19,181 | 882,846 |
| 72 | 78 | 202,023 |
| 1,195 | 1,194 | 178,024 |
| 13,798 | 26,458 | 325,161 |
| 4,705 | 7,766 | 96,110 |
| - | 309 | 64,920 |
| 4,671 | 1,852 | 85,080 |
| 1,450 | 1,095 | 33,447 |
| 3,330 | 913 | 37,955 |
| 4,726 | 4,386 | 68,458 |
| - | - | 931 |
| 842 | - | 17,532 |
| 1,350 | 1,068 | 25,680 |
| 759 | - | 20,140 |
| - | - | 23,008 |
| 5,031 | 3,241 | 62,043 |
| 566 | 143 | 5,250 |
| 616 | - | 16,319 |
| - | - | 50,418 |
| <u>183,167</u> | <u>165,703</u> | <u>5,168,969</u> |
| - | 12,240 | 124,394 |
| <u>183,167</u> | <u>177,943</u> | <u>5,293,363</u> |
| (35,083) | (67,193) | (88,180) |
| (38,471) | (35,269) | - |
| <u>\$ (73,554)</u> | <u>\$ (102,462)</u> | <u>\$ (88,180)</u> |

COMMUNITY HUMAN SERVICES

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 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 AUDITOR'S REPORTS

This page left blank intentionally.



**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) (the Agency) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Community Human Services basic financial statements, and have issued our report thereon dated October 3, 2017.

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.



Palo Alto, California
October 3, 2017



**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, 2017. 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, 2017.

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. 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.



Palo Alto, California
October 3, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMUNITY HUMAN SERVICES

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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> |
|-----------------------|--|
| <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>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

COMMUNITY HUMAN SERVICES

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

COMMUNITY HUMAN SERVICES

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

COMMUNITY HUMAN SERVICES

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no audit findings reported in the prior year's schedule of financial statement findings.