

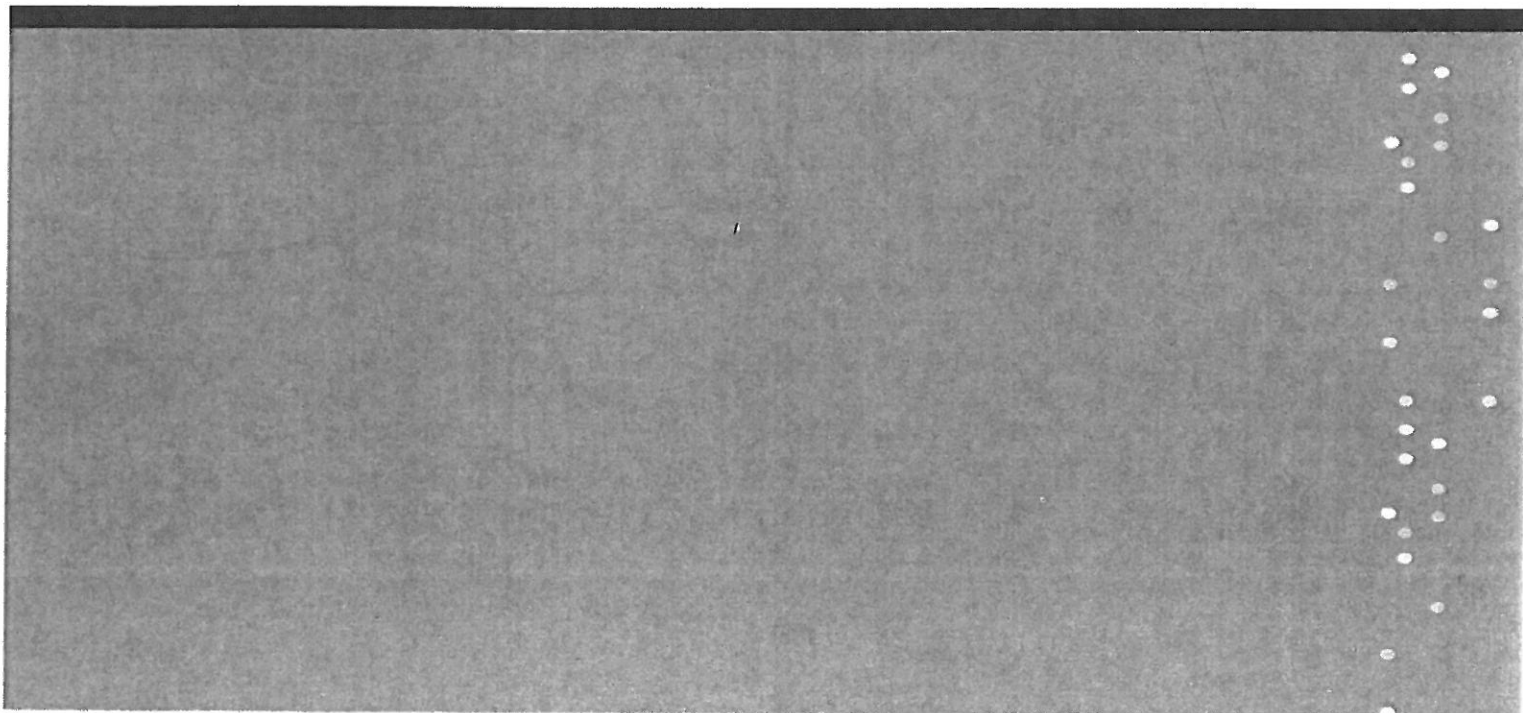


COMMUNITY HUMAN SERVICES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**AND INDEPENDENT AUDITORS' REPORT
WITH SUPPLEMENTARY INFORMATION
FOR GRANTOR AGENCIES**



COMMUNITY HUMAN SERVICES

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COMMUNITY HUMAN SERVICES

Board of Directors

June 30, 2012

<u>Agencies</u>	<u>Primaries</u>	<u>Alternates</u>
City of Carmel	Jason Burnett	Molly Laughlin
City of Del Rey Oaks	Mike Zuccaro	Jeff Cecilio
City of Marina	Nancy Amadeo	Frank O'Connell
City of Monterey	Michael McCarthy	Nancy Selfridge
City of Pacific Grove	Alan Cohen	Vacant
City of Salinas	Aaron Thornton	Vacant
City of Sand City	Mary Ann Carbone, Vice Chair	Linda Scholink
City of Seaside	Mary Mitchell	Ian Oglesby
Carmel Unified School District	Annette Yee Steck, Finance Committee Chair	Dr. John Ellison
Monterey Peninsula Unified School District	Curt Parker	Diane Creasy
Pacific Grove Unified School District	Vacant	Vacant
Monterey Peninsula Community College District	Loren Steck	Marilynn Gustafson
North Monterey County Unified School District	Claire Davies	Dr. Richard Diaz
Monterey County Office of Education	Harvey Kuffner, Chair	Byrl Smith
Santa Rita Union School District	Mike Xavier	Debbie Bradford

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Community Human Services
Monterey, California**

We have audited the accompanying financial statements of the enterprise funds, each major fund and the aggregate remaining fund information of *Community Human Services (a Joint Powers Agency of California local governments)* as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of *Community Human Services'* management. 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States as well as the guidance provided in the audit guide titled "Audits of State and Local Government Units" issued by the American Institute of Certified Public Accountants dated March 1, 2012. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the *Community Human Services'* internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund activities, each major fund, and the aggregate remaining fund information of *Community Human Services* as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as the guidance provided in the audit guide titled "Audits of State and Local Government Units" issued by the American Institute of Certified Public Accountants dated March 1, 2012.

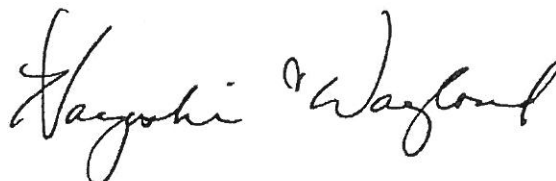
In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2012 on our consideration of the *Community Human Services'* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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

results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 5 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Community Human Services'* basic financial statements. The accompanying schedule of expenditures of federal financial awards, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

October 18, 2012

A handwritten signature in black ink, reading "Hayashi Wayland". The signature is written in a cursive, flowing style with a large initial 'H' and 'W'.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

This section of *Community Human Services'* annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended on June 30, 2012. 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 11. Comparisons to and analysis of the prior year are incorporated where appropriate.

FINANCIAL HIGHLIGHTS

- The Agency's net assets increased by \$150,745 (or 7.2%) during 2012. Since the Agency engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$2,233,649 and \$2,082,904 for 2012 and 2011, respectively.
- The Agency's return on total ending net assets was 7.2%.
- Total cost of all of the Agency's programs was \$3,426,763 and \$3,638,197 for 2012 and 2011, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows, Combining Statement of Net Assets, Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets, Combining Statement of Cash Flows, notes to the basic financial statements, an Independent Auditors' 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 Assets

The Statement of Net Assets is a report of the Agency's assets, liabilities and net assets. 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 assets are reported in major categories reflecting any restrictions thereon.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets 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.

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 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 the 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 three programs: Genesis House Perinatal Program, Genesis House Residential Drug Program and Elm House.

Narcotics Treatment Program Fund – Under the Narcotics Treatment Program Fund, the Agency operates Offmain 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, the Agency provides parents education and other counseling services. The Fund consists of four programs: Community Counseling Center in Monterey, Family to Family (to facilitate change in the foster care system), Education & Counseling Services under the Mental Health Services Act, and the Outpatient Mental Health program.

THE AGENCY'S FUNDS (Continued)

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
Other business type activity Funds

COMPARATIVE ANALYSIS

Statement of Net Assets

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

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,767,373	\$ 1,544,266
Capital and other assets	<u>2,946,434</u>	<u>2,989,333</u>
Total assets	<u>4,713,807</u>	<u>4,533,599</u>
Current liabilities	1,338,344	1,183,835
Long-term debt	<u>1,141,814</u>	<u>1,266,860</u>
Total liabilities	<u>2,480,158</u>	<u>2,450,695</u>
Net assets:		
Invested in capital assets, net of related debt	1,675,131	1,582,748
Unrestricted	<u>558,518</u>	<u>500,156</u>
Total net assets	<u>\$ 2,233,649</u>	<u>\$ 2,082,904</u>

Major Factors Affecting the Statement of Net Assets

Current year's net assets increased by \$150,745 over the prior year. Current year's increase is due to savings in expenditure; especially in salaries and employee benefits expense. The savings in expenditure were offset by decreases of government grants and contributions. Further, the loan to California Department of Housing and Community Development for the rehabilitation of Elm House is being forgiven over 7 years. The annual debt forgiveness is \$65,327, which is recognized as a contribution to the Agency, but this transaction is a non-cash transaction.

COMPARATIVE ANALYSIS (Continued)

Statement of Revenue, Expenses and Changes in Net Assets

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

	<u>2012</u>	<u>2011</u>
Revenues:		
Grants	\$ 2,614,440	\$ 2,708,684
Charges and fees	463,764	479,007
Contributions	320,333	362,611
Joint Powers Agency support	158,093	144,180
Other revenue	<u>20,878</u>	<u>10,061</u>
Total revenues	<u>3,577,508</u>	<u>3,704,543</u>
Expenses:		
General	697,517	734,349
Offmain Clinic Methadone program	663,710	679,486
Genesis House Residential Drug program	494,016	485,376
Counseling under Mental Health Services Act	196,899	267,050
Genesis House Perinatal program	245,807	237,679
Family to Family	158,551	230,111
FSC – Medi-Cal	215,468	208,879
Runaway	170,627	165,060
Safe Passages	109,304	115,745
Street Outreach Services	102,963	114,233
Daisy program	85,565	107,160
Elm House	78,175	84,750
FSC – Supervised Visitation	62,771	58,767
Schools	44,956	52,761
FSC – Self Referral	46,820	47,808
FSC – Domestic Violence	49,011	46,423
DSS – FSC	<u>4,603</u>	<u>2,560</u>
Total expenses	<u>3,426,763</u>	<u>3,638,197</u>
Changes in net assets	<u>\$ 150,745</u>	<u>\$ 66,346</u>

COMPARATIVE ANALYSIS (Continued)

Major Factors Affecting the Statement of Revenues, Expense and Changes in Net Assets

Current year's revenues decreased \$127,035 as current year's grant revenue decreased over the prior year. Current year's expenses decreased, however, by \$211,434 due to a decrease in salaries and related benefits.

Contributions decreased by \$42,278.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the Agency had \$2,942,601 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease, including additions, deductions and depreciation, of 1.4% or \$42,899 from the prior year. This year's decrease is mainly due to current year depreciation.

	<u>2012</u>	<u>2011</u>
Capital assets, not being depreciated -		
Land	\$ 486,495	\$ 486,495
Capital assets, being depreciated:		
Buildings and improvements	3,206,079	3,171,253
Office equipment	293,382	274,782
Transportation equipment	199,656	199,656
Furniture and fixtures	127,591	127,591
Leasehold improvements	86,222	82,322
Operating and other equipment	<u>77,105</u>	<u>77,104</u>
Total capital assets, being depreciated	3,990,035	3,932,708
Less accumulated depreciation	<u>1,533,929</u>	<u>1,433,703</u>
Total capital assets, being depreciated - net	<u>2,456,106</u>	<u>2,499,005</u>
Capital assets - net	<u>\$ 2,942,601</u>	<u>\$ 2,985,500</u>

COMPARATIVE ANALYSIS (Continued)

Debt Outstanding

Long-term debt obligations at June 30, 2012 consist of the following:

Note payable to Santa Barbara Bank & Trust. Collateralized by Sonoma Street property.	\$ 815,064
Note payable to Santa Barbara Bank & Trust. Collateralized by Sonoma Street property.	333,600
Note payable to California Department of Housing and Community Development. Collateralized by Elm Street property.	92,547
Note payable to Santa Barbara Bank & Trust. Collateralized by Pearl Street property.	21,359
Note payable to Santa Barbara Bank & Trust. Collateralized by Broadway Street property.	<u>4,900</u>
Total	1,267,470
Less current portion	<u>125,656</u>
Total long-term debt	<u>\$ 1,141,814</u>

Net decrease of \$135,282 is a result of principal payments of \$135,282.

FACTORS AFFECTING FUTURE PERIODS

Significant factors affecting the Agency are as follows:

Many of the anticipated funding reductions that were anticipated in FY 2011/2012 did not materialize to the extent expected. The Agency was able to reinstate the unpaid furlough days and rehire some of the positions that were previously eliminated due to the anticipated funding reductions. Funding expectations for FY 2012/2013 remains positive and the Agency hopes to be able to maintain the existing staffing level and reinstate some benefit reductions imposed in previous years.

The Agency is currently in its second year of a five-year strategic plan. The primary objectives that the Agency is focusing on are, enriching the continuum of care, improving the quality of services, engaging the community, strengthen financial resources, and investing in our human capital. The board and staff, with the community's help, are planning for the future and anticipate a stronger, more viable Community Human Services organization.

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 Finance Director, Community Human Services, P. O. Box 3076, Monterey, CA 93942.

BASIC FINANCIAL STATEMENTS

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COMMUNITY HUMAN SERVICES
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 278,520
Grants receivable	376,230
Prepaid expenses	65,366
Investments:	
Certificate of deposits	18,967
Marketable securities	14,552
Due from other funds	1,013,547
Other current assets	<u>191</u>
Total current assets	1,767,373

CAPITAL ASSETS, net of depreciation	2,942,601
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OTHER ASSETS –

Loan fees – net	<u>3,833</u>
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TOTAL ASSETS	<u>\$ 4,713,807</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 44,737
Accrued vacation payable	83,702
Accrued retirement payable	17,140
Deferred revenue	53,562
Due to other funds	1,013,547
Current portion of long-term debt	<u>125,656</u>
Total current liabilities	1,338,344

LONG-TERM DEBT	<u>1,141,814</u>
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Total liabilities	<u>2,480,158</u>
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NET ASSETS:

Invested in capital assets, net of related debt	1,675,131
Unrestricted	<u>558,518</u>
Total net assets	<u>2,233,649</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,713,807</u>
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See Notes to Financial Statements.

COMMUNITY HUMAN SERVICES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS –
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES:

Grants	\$ 2,614,440
Charges and fees	<u>463,764</u>
Total operating revenues	<u>3,078,204</u>

OPERATING EXPENSES:

Salaries	1,808,269
Employee benefits	466,792
Facilities rental	158,822
Professional fees	178,994
Utilities and maintenance	181,329
Operating supplies	85,986
Medical supplies and laboratory fees	46,770
Food	86,462
Insurance	53,241
Auto and travel	36,849
Telephone	43,152
Fees and licenses	15,521
Conferences and meetings	21,046
Copy machines	21,925
Advertising	7,247
Equipment rental	7,659
Miscellaneous	670
Dues	3,898
Client costs	2,246
Printing and publications	7,206
Development	7,508
Depreciation and amortization	<u>100,226</u>
Total operating expenses	<u>3,341,818</u>

OPERATING INCOME (LOSS)	<u>\$ (263,614)</u>
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NONOPERATING INCOME (EXPENSE):	
Joint Powers Agency support	\$ 158,093
United Way funding	48,044
Contributions	272,289
Miscellaneous income	20,878
Interest income (expense) – net	<u>(84,945)</u>
Total nonoperating income (expense)	<u>414,359</u>
CHANGES IN NET ASSETS	150,745
NET ASSETS, BEGINNING OF YEAR	<u>2,082,904</u>
NET ASSETS, END OF YEAR	<u>\$ 2,233,649</u>

See Notes to Financial Statements.

COMMUNITY HUMAN SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from clients	\$ 463,764
Cash received from government agencies	2,702,388
Cash paid to suppliers and employees	<u>(3,267,590)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(101,438)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on debt	(85,655)
Principal payments on long-term debt	(69,955)
Cash payments for acquisition of fixed assets	<u>(57,327)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(212,937)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings	710
Investment earnings reinvested	<u>(53)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>657</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:	
Joint Powers Agency Support	158,093
United Way funding	48,044
Contributions	272,289
Miscellaneous income	<u>20,878</u>
NET CASH PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES	<u>499,304</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	185,586
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>92,934</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 278,520</u>
NON-CASH OPERATING AND FINANCING ACTIVITIES –	
Grant – note payable forgiven	<u>\$ 65,327</u>

RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES:

Operating income (loss)	\$ (263,614)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	100,226
Grant – note payable forgiven	(65,327)
(Increase) decrease in:	
Grants receivable	100,262
Prepaid expenses	(12,240)
Increase (decrease) in:	
Accounts payable	(1,234)
Accrued vacation payable	(13,359)
Accrued retirement payable	835
Deferred revenue	<u>53,013</u>
Total adjustments	<u>162,176</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (101,438)</u>

See Notes to Financial Statements.

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COMMUNITY HUMAN SERVICES
COMBINING STATEMENT OF NET ASSETS – ENTERPRISE FUNDS
JUNE 30, 2012

	Major Funds					
	Prevention and Treatment of					
	Operating	Substance	Narcotics	Counseling	Other	
	Fund	Abuse	Treatment	Services	Non-Major	Total
		Program	Program		Funds	
<u>ASSETS</u>						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 278,520	\$ —	\$ —	\$ —	\$ —	\$ 278,520
Grants receivable	—	74,739	61,532	167,417	72,542	376,230
Prepaid expenses	65,366	—	—	—	—	65,336
Investments:						
Certificate of deposits	18,967	—	—	—	—	18,967
Marketable securities	14,552	—	—	—	—	14,552
Due from other funds	711,876	57,837	221,359	—	22,475	1,013,547
Other current assets	191	—	—	—	—	191
Total current assets	1,089,472	132,576	282,891	167,417	95,017	1,767,373
CAPITAL ASSETS, net of depreciation	2,942,601	—	—	—	—	2,942,601
OTHER ASSETS —						
Loan fees — net	3,833	—	—	—	—	3,833
TOTAL ASSETS	<u>\$ 4,035,906</u>	<u>\$ 132,576</u>	<u>\$ 282,891</u>	<u>\$ 167,417</u>	<u>\$ 95,017</u>	<u>\$ 4,713,807</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Accounts payable	\$ 44,737	\$ —	\$ —	\$ —	\$ —	\$ 44,737
Accrued vacation payable	83,702	—	—	—	—	83,702
Accrued retirement payable	17,140	—	—	—	—	17,140
Deferred revenue	53,562	—	—	—	—	53,562
Due to other funds	301,671	—	—	711,876	—	1,013,547
Current portion of long-term debt	125,656	—	—	—	—	125,656
Total current liabilities	626,468	—	—	711,876	—	1,338,344
LONG-TERM DEBT	1,141,814	—	—	—	—	1,141,814
Total liabilities	1,768,282	—	—	711,876	—	2,480,158
NET ASSETS:						
Invested in capital assets, net of related debt	1,675,131	—	—	—	—	1,675,131
Unrestricted	592,493	132,576	282,891	(544,459)	95,017	558,518
Total net assets	2,267,624	132,576	282,891	(544,459)	95,017	2,233,649
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,035,906</u>	<u>\$ 132,576</u>	<u>\$ 282,891</u>	<u>\$ 167,417</u>	<u>\$ 95,017</u>	<u>\$ 4,713,807</u>

See Notes to Financial Statements.

COMMUNITY HUMAN SERVICES
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Funds					
	Prevention and Treatment of Substance Abuse Program				Narcotics Treatment Program	
	Operating Fund			Counseling Services	Other Non-Major Funds	Total
OPERATING REVENUES:						
Grants	\$ —	\$ 782,733	\$ 691,280	\$ 581,978	\$ 558,449	\$ 2,614,440
Charges and fees	—	162,549	155,530	1,429	144,256	463,764
Total operating revenues	—	945,282	846,810	583,407	702,705	3,078,204
OPERATING EXPENSES:						
Salaries	386,126	349,649	317,775	346,911	407,808	1,808,269
Employee benefits	113,159	80,687	84,928	100,285	87,733	466,792
Facilities rental	60,142	283	61,017	24,559	12,821	158,822
Professional fees	19,417	17,158	75,457	32,745	34,217	178,994
Utilities and maintenance	34,014	85,239	20,460	18,771	22,845	181,329
Operating supplies	15,994	23,711	18,814	8,018	19,449	85,986
Medical supplies and laboratory fees	—	3,454	42,562	—	754	46,770
Food	—	76,226	144	122	9,970	86,462
Insurance	10,944	9,532	10,237	9,751	12,777	53,241
Auto and travel	11,568	9,322	546	9,319	6,094	36,849
Telephone	8,958	7,424	7,427	7,603	11,740	43,152
Fees and licenses	377	5,496	8,910	193	545	15,521
Conferences and meetings	7,875	1,726	3,668	1,768	6,009	21,046
Copy machines	8,472	6,016	3,405	2,022	2,010	21,925
Advertising	1,613	2,052	1,242	1,904	436	7,247
Equipment rental	1,100	1,041	—	—	5,518	7,659
Miscellaneous	(6)	138	168	17	353	670
Dues	2,988	110	—	—	800	3,898
Client costs	—	—	—	—	2,246	2,246
Printing and publications	1,895	2,024	191	2,314	782	7,206
Development	7,319	—	—	—	189	7,508
Depreciation	6,272	55,343	6,759	3,853	27,999	100,226
Total operating expenses	698,227	736,631	663,710	570,155	673,095	3,341,818
OPERATING INCOME (LOSS)	\$ (698,227)	\$ 208,651	\$ 183,100	\$ 13,252	\$ 29,610	\$ (263,614)

	Major Funds					Total
	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program	Counseling Services	Other Non-Major Funds	
NONOPERATING INCOME (EXPENSE):						
Joint Powers Agency support	\$ 158,093	\$ —	\$ —	\$ —	\$ —	\$ 158,093
United Way funding	3,044	10,056	—	31,446	3,498	48,044
Contributions	73,424	99,400	241	3,575	95,649	272,289
Miscellaneous income	20,451	172	5	—	250	20,878
Interest income (expense) – net	710	(81,367)	—	(763)	(3,525)	(84,945)
Total nonoperating income (expense)	<u>255,722</u>	<u>28,261</u>	<u>246</u>	<u>34,258</u>	<u>95,872</u>	<u>414,359</u>
INCOME (LOSS) BEFORE TRANSFERS	(442,505)	236,912	183,346	47,510	125,482	150,745
TRANSFERS FROM (TO) OTHER FUNDS	<u>698,416</u>	<u>(209,270)</u>	<u>(169,934)</u>	<u>(144,977)</u>	<u>(174,235)</u>	<u>—</u>
CHANGES IN NET ASSETS	255,911	27,642	13,412	(97,467)	(48,753)	150,745
NET ASSETS, BEGINNING OF YEAR	<u>2,011,713</u>	<u>104,934</u>	<u>269,479</u>	<u>(446,992)</u>	<u>143,770</u>	<u>2,082,904</u>
NET ASSETS, END OF YEAR	<u>\$ 2,267,624</u>	<u>\$ 132,576</u>	<u>\$ 282,891</u>	<u>\$ (544,459)</u>	<u>\$ 95,017</u>	<u>\$ 2,233,649</u>

See Notes to Financial Statements.

COMMUNITY HUMAN SERVICES
COMBINING STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Funds					
	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program	Counseling Services	Other Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from clients	\$ —	\$ 162,549	\$ 155,530	\$ 1,429	\$ 144,256	\$ 463,764
Cash received from government agencies	53,013	762,940	749,632	574,524	562,279	2,702,388
Cash paid to suppliers and employees	(717,953)	(681,288)	(656,951)	(566,302)	(645,096)	(3,267,590)
Operating transfers	93,954	(55,343)	(6,759)	(3,853)	(27,999)	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(570,986)	188,858	241,452	5,798	33,440	(101,438)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Interest paid on debt	—	(81,367)	—	(763)	(3,525)	(85,655)
Principal payments on long-term debt	(69,955)	—	—	—	—	(69,955)
Cash payments for acquisition of capital assets	(57,327)	—	—	—	—	(57,327)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(127,282)	(81,367)	—	(763)	(3,525)	(212,937)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment earnings	710	—	—	—	—	710
Investment earnings reinvested	(53)	—	—	—	—	(53)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	657	—	—	—	—	657
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:						
Joint Powers Agency Support	158,093	—	—	—	—	158,093
United Way funding	3,044	10,056	—	31,446	3,498	48,044
Contributions	73,424	99,400	241	3,575	95,649	272,289
Miscellaneous income	20,451	172	5	—	250	20,878
Due to (from) other funds	(70,231)	(7,849)	(71,764)	104,921	44,923	—
Transfers to (from) other funds	698,416	(209,270)	(169,934)	(144,977)	(174,235)	—
NET CASH PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES	883,197	(107,491)	(241,452)	(5,035)	(29,915)	499,304
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	185,586	—	—	—	—	185,586
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	92,934	—	—	—	—	92,934
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 278,520</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 278,520</u>
NON-CASH OPERATING AND FINANCING ACTIVITIES –						
Grant – note payable forgiven	\$ —	\$ 65,327	\$ —	\$ —	\$ —	\$ 65,327

	Major Funds					Total
	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program	Counseling Services	Other Non-Major Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (698,227)	\$ 208,651	\$ 183,100	\$ 13,252	\$ 29,610	\$ (263,614)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	6,272	55,343	6,759	3,853	27,999	100,226
Grant – note payable forgiven	–	(65,327)	–	–	–	(65,327)
(Increase) decrease in:						
Grants receivable	–	45,534	58,352	(7,454)	3,830	100,262
Prepaid expenses	(12,240)	–	–	–	–	(12,240)
Increase (decrease) in:						
Accounts payable	(1,234)	–	–	–	–	(1,234)
Accrued vacation payable	(13,359)	–	–	–	–	(13,359)
Accrued retirement payable	835	–	–	–	–	835
Deferred revenue	53,013	–	–	–	–	53,013
Operating transfers in (out)	93,954	(55,343)	(6,759)	(3,853)	(27,999)	–
Total adjustments	127,241	(19,793)	58,352	(7,454)	3,830	162,176
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (570,986)	\$ 188,858	\$ 241,452	\$ 5,798	\$ 33,440	\$ (101,438)

See Notes to Financial Statements.

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**COMMUNITY HUMAN SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 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, in accordance with governmental accounting and financial reporting standards, include funds and account groups 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 – In accordance with generally accepted accounting principles (GAAP) applicable to governmental units, the accounts of the Agency are organized into one proprietary type fund, the Enterprise Fund.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." Accordingly, the Agency has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's discussion and Analysis – for State and Local Governments*. This statement provided for the most significant change in financial reporting in over twenty years and called for a phased implementation based on size of government starting with the year ending June 30, 2002. The Agency implemented the basic model for the year ending June 30, 2004.

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

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

Cash and Cash Equivalents – The Agency considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Agency uses the straight-line method to amortize loan fees over the life of the loans involved.

Deferred Revenue – Deferred revenue represents unearned receipts of revenue.

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 expenditures 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. The unpaid amount will be paid from available resources.

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 Assets – Net assets represent the difference between assets and liabilities and are classified into the following net asset categories:

- **Invested in Capital Assets, Net of Related Debt** – Invested in capital assets, net of related debt 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 assets invested in capital assets, net of related debt excludes unspent debt proceeds.
- **Restricted** – Restricted net assets 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 net assets consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events – Subsequent events have been evaluated through October 18, 2012, which is the date the financial statements were available to be issued.

Income Taxes – The Agency is exempt from Federal and State taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Management evaluated the Agency's tax positions and concluded that the Agency had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Agency is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Fair Value Measurements – The Agency measures its assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements.

As noted above, the guidance establishes a three level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statement.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurements.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table presents the financial instruments carried at fair value as of June 30, 2012, by caption on the statement of financial position by the SFAS 157 valuation hierarchy defined above:

<u>ASSETS</u>	<u>Level 1</u>
Investments	\$ 33,519

Fair value for Level 1 is based upon quoted market price. Inputs are obtained from various sources including market participants, dealers, brokers and financial institutions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

NOTE 2. DEPOSITS AND INVESTMENTS

The carrying amount of the Agency's deposits as of June 30, 2012 with financial institutions was as follows:

Checking and savings	\$ 277,079
Investments – certificates of deposits	18,967
Investments – marketable securities	<u>14,552</u>
Total	<u>\$ 310,598</u>

Custodial Credit Risk Related to 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, 2012, \$ –0– of the Agency's bank balances (including certificates of deposit of \$18,967 were exposed to custodial credit risk as follows:

Total deposit amounts	\$ 361,585
Insured by FDIC	<u>361,585</u>
Uncollateralized (including bank balances of \$ –0– that are collateralized with securities held by the pledging financial institution's agent but not in the name of the Agency).	<u>\$ –</u>

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk Related to 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, 2012, the following amounts were exposed to custodial credit risk:

Total investment balance	\$	14,552
Less:		
Investments not subject to categorization		<u> —</u>
Insured or registered or securities held by the entity or its agent.	\$	<u>14,552</u>

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. The Agency holds its entire investment in equity securities with two issuers that make up approximately 43% of total investments as of June 30, 2012.

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, 2012 consist of the following:

Outpatient Mental Health	\$	82,270
Monterey County (Mental Health Services Act)		50,896
Methadone Clinic		61,532
Genesis House		58,603
Family to Family		34,251
Miscellaneous		32,505
Superkids Contract		22,056
Safe Passage		10,761
Elm House		16,136
DSS – FSC		6,005
DSS – CAP		<u>1,215</u>
Total	\$	<u>376,230</u>

NOTE 4. CAPITAL ASSETS

Capital assets at June 30, 2012 were summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated - Land	\$ 486,495	\$ —	\$ 486,495
Capital assets, being depreciated:			
Buildings and improvements	3,171,253	34,827	3,206,080
Office equipment	274,782	18,600	293,382
Transportation equipment	199,656	—	199,656
Furniture and fixtures	127,591	—	127,591
Leasehold improvements	82,322	3,900	86,222
Operating and other equipment	<u>77,104</u>	<u>—</u>	<u>77,104</u>
Subtotal	3,932,708	57,327	3,990,035
Less accumulated depreciation	<u>1,433,703</u>	<u>100,226</u>	<u>1,533,929</u>
Total capital assets, being depreciated	<u>2,499,005</u>	<u>(42,899)</u>	<u>2,456,106</u>
Capital assets – net	<u>\$ 2,985,500</u>	<u>\$ (42,899)</u>	<u>\$ 2,942,601</u>

NOTE 5. NOTES PAYABLE

Notes payable at June 30, 2012 consist of the following:

Note payable to Santa Barbara Bank & Trust, interest at 6.75%, due in monthly installments of \$6,849, including interest through December 2013, at which time all outstanding principal and interest are due and payable. Collateralized by Sonoma Street property.	\$ 815,064
Note payable to Santa Barbara Bank & Trust, interest at 7.00%, due in monthly installments of \$2,500, including interest, through July 30, 2030. Collateralized by Sonoma Street property.	<u>333,600</u>
Total forward	\$ 1,148,664

NOTE 5. NOTES PAYABLE (Continued)

Total forward \$ 1,148,664

Note payable to California Department of Housing and Community Development (HCD), interest at 3% per annum until 2013, repayment deferred as long as the financed property is used as an emergency shelter, a transitional housing facility, or a safe haven. The Note will be forgiven after 7 years, however, a transfer or conveyance of the property within 10 years after such forgiveness will result in immediate repayment of the loan, including all outstanding principal and accrued interest. 92,547

Note payable to Santa Barbara Bank & Trust, variable interest (7.23% at June 30, 2012), due in monthly installments of \$1,353, including interest, through September 2013. Collateralized by Pearl Street property. 21,359

Note payable to Santa Barbara Bank & Trust, variable interest (3.50% at June 30, 2012), due in monthly installments of \$1,606, including interest, through July 2012. Collateralized by Broadway Street Property. 4,900

Total notes payable 1,267,470

Less current portion 125,656

Long-term debt \$ 1,141,814

Total interest charged to expense during the year ended June 30, 2012 amounted to \$85,655.

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

	<u>Interest</u>	<u>Principal</u>
2013	\$ 79,784	\$ 125,656
2014	76,279	71,157
2015	73,333	43,164
2016	70,325	46,738
2017	67,106	49,003
2018 – 2022	281,339	299,206
2023 – 2027	157,674	422,871
2028 – 2031	21,022	209,675
Total	\$ 826,862	\$ 1,267,470

NOTE 6. LEASE COMMITMENTS

During the fiscal year ended June 30, 2012 the Agency leased buildings for its Off-Main Clinic and FSA counseling office as well as its administrative office.

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

2013	\$ 153,338
2014	154,793
2015	110,267
2016	60,203
2017	<u>5,016</u>
Total	<u>\$ 483,617</u>

NOTE 7. 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 5.0% 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 \$43,238 for the year ended June 30, 2012. Total payroll was \$1,808,269 and covered payroll was \$1,538,585.

NOTE 8. JOINT POWERS AGENCY MEMBERS

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

City of Carmel
City of Marina
City of Pacific Grove
City of Seaside
Carmel Unified School District
Monterey County Office of Education
Monterey Peninsula Unified School
District
Santa Rita Union School District

City of Del Rey Oaks
City of Monterey
City of Salinas
City of Sand City
Pacific Grove Unified School District
Monterey Peninsula Community College
District
North Monterey County Unified School
District

SUPPLEMENTAL INFORMATION

COMMUNITY HUMAN SERVICES
SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES:	MHSA Percent Education	Family to Family	Outpatient Mental Health - Managed Care	MHSA HIV/AIDS	MHSA CLBT	Perinatal	Guests House	Elm House Maintenance and Dining	Recovery	Schools and Superfidi	DSS FISC	Self Referral	Supervised Violence	Domestic Violence	Street Outreach Services	Safe Paragard	Daily Program	General	Total
Grants	\$ 165,000	\$ 191,373	\$ 181,365	\$ 10,120	\$ 34,120	\$ 269,332	\$ 465,973	\$ 47,528	\$ 691,280	\$ 180,467	\$ 50,955	\$ 3,770	\$ 14,792	\$ 15,953	\$ 55,902	\$ 66,832	\$ 100,000	\$ 95,523	\$ 2,614,440
Charges and fees	629	-	-	-	800	18,792	137,619	6,138	155,510	-	-	-	-	-	-	-	-	-	463,764
Joint Powers Agency	-	-	12,294	-	-	-	10,056	-	-	-	-	-	-	-	-	-	-	-	138,093
United Way funding	-	-	2,750	9,576	9,576	-	-	-	-	-	-	-	-	-	-	-	-	-	48,044
Contributions	200	625	-	-	-	6,691	20,323	72,386	241	17,824	10,075	175	500	9,000	275	17,800	40,000	73,424	212,289
Miscellaneous income	-	-	-	-	-	43	129	-	125	-	-	-	-	-	125	-	-	20,451	20,878
Total Revenues	165,829	191,998	196,409	19,696	44,496	294,758	634,100	126,052	847,056	196,416	61,030	3,945	31,245	64,902	67,107	117,925	143,492	235,012	3,577,508
EXPENSES:																			
Salaries	65,499	95,157	138,791	22,421	25,043	122,970	200,104	26,575	317,775	86,377	34,798	1,529	30,494	44,361	36,122	63,344	61,133	49,640	1,808,269
Employee benefits	17,832	30,122	38,972	6,316	7,243	44,387	44,387	8,287	84,978	24,329	5,990	460	3,665	4,463	3,345	13,739	11,483	17,659	138,822
Professional fees	8,095	9,495	6,969	-	-	71	212	413	75,457	25,433	1,969	744	3,394	3,594	3,510	-	-	1,379	60,442
Professional fees	21,214	1,021	3,574	669	6,267	4,476	12,669	413	20,460	3,017	-	93	325	985	944	1,884	1,861	722	178,994
Utilities and maintenance	4,150	3,623	10,998	-	-	18,502	55,700	11,037	18,814	2,957	31	900	2,618	2,633	1,449	2,521	9,669	34,014	181,329
Operating supplies	835	5,333	1,838	5	7	3,644	10,781	9,286	18,814	2,957	-	107	382	480	283	2,686	4,971	7,552	85,096
Medical supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food and laboratory fees	-	-	-	-	-	864	2,590	-	1,144	9,727	12	4	4	4	4	184	31	-	46,770
Insurance	2,504	1,442	3,470	1,030	1,305	18,864	57,247	15	10,217	2,340	1,505	4	481	1,511	1,463	1,912	2,329	10,944	86,462
Auto and travel	808	6,695	1,726	24	65	2,167	6,597	538	1,574	538	305	74	202	1,311	1,07	1,736	608	1,57	53,241
Telephone	392	2,116	5,043	22	30	4,737	4,737	1,108	7,427	2,348	61	306	984	1,002	616	3,733	1,108	1,962	36,649
Fees and licenses	1	5	187	-	-	1,374	4,122	-	8,910	35	-	-	181	195	252	35	-	-	43,152
Conferences and meetings	341	464	602	158	203	452	1,142	132	3,668	2,657	285	25	195	245	328	1,747	427	192	15,521
Copy machines	597	790	635	-	-	1,504	4,512	-	3,405	207	-	83	318	350	330	267	-	375	21,046
Advertising	620	1,284	-	-	-	513	1,539	-	1,242	218	-	-	-	-	-	218	-	-	21,925
Equipment rent	-	-	-	-	-	781	781	-	-	-	-	-	-	-	-	-	-	-	7,247
Miscellaneous	21	(3)	(1)	-	-	34	104	-	168	159	-	21	42	86	-	43	2	5,518	7,659
Diet	-	-	-	-	-	400	82	-	421	400	-	-	-	-	-	400	-	-	670
Client costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,988
Printing and publications	2,015	96	203	-	-	595	1,439	-	191	340	-	11	45	45	38	153	565	150	2,446
Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,206
Interest - Net	51	-	712	-	-	20,342	61,055	-	1,635	-	-	51	102	102	-	1,635	189	-	7,319
Total before depreciation	124,776	157,746	213,735	30,645	40,163	229,061	475,056	58,098	656,951	164,762	44,956	4,545	45,772	61,185	49,011	97,527	95,130	85,533	691,245
Depreciation	1,252	805	1,733	16	47	16,746	18,520	20,077	6,739	5,865	-	58	1,048	1,586	-	5,436	13,974	32	3,326,537
Total expenses	126,028	158,551	215,468	30,661	40,210	245,807	494,016	78,175	663,710	170,627	44,956	4,603	46,820	62,771	49,011	102,963	109,304	85,565	697,517
Net income before distribution	39,801	33,447	(19,059)	(10,965)	4,286	48,951	146,084	47,877	183,346	27,789	16,074	(658)	(15,575)	2,131	18,096	14,962	34,188	28,475	(442,205)
Management distribution	36,185	40,611	49,913	7,911	10,247	63,147	126,112	20,011	169,934	43,889	11,440	1,160	12,010	16,091	13,602	26,271	28,078	22,694	150,745
NET INCOME (LOSS)	\$ 3,616	\$ (7,164)	\$ (69,042)	\$ (18,876)	\$ (6,001)	\$ (14,196)	\$ 13,972	\$ 27,866	\$ 13,412	\$ (16,100)	\$ 4,604	\$ (1,818)	\$ (27,585)	\$ (13,960)	\$ 5,404	\$ (11,309)	\$ 6,110	\$ 5,781	\$ 255,911
																			150,745

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REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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**INDEPENDENT AUDITORS' 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 the financial statements of *Community Human Services (a Joint Powers Agency of California local governments)* as of and for the year ended June 30, 2012, and have issued our report thereon dated October 18, 2012. 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.

Internal Control Over Financial Reporting

Management of *Community Human Services* is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered *Community Human Services'* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Community Human Services'* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of *Community Human Services'* internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting as item 2012-1. 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Community Human Services in a separate letter dated October 18, 2012.

Community Human Services' response to the findings identified in our audit are described in the accompanying Corrective Action Plan as item 2012-1. We did not audit Community Human Services' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, the Controller's Office of the State of California, and other grantors and is not intended to be and should not be used by anyone other than those specified parties.

October 18, 2012

A handwritten signature in black ink, reading "Kazuki Wayland". The signature is written in a cursive, flowing style.

**REPORTS REQUIRED BY
OMB CIRCULAR A-133**

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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Directors
Community Human Services
Monterey, California**

Compliance

We have audited the compliance of *Community Human Services* with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. *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*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of *Community Human Services'* management. Our responsibility is to express an opinion on *Community Human Services'* compliance based on our audit.

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 *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. Our audit does not provide a legal determination on *Community Human Services'* compliance with those requirements.

In our opinion, *Community Human Services* complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of *Community Human Services* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered *Community Human Services'* internal control over compliance with requirements that could

have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, the Controller's Office of the State of California and the other grantors and not intended to be and should not be used by anyone other than those specified parties.

October 18, 2012

A handwritten signature in black ink, appearing to read "Kazushi Wajford". The signature is fluid and cursive, with the first name "Kazushi" and last name "Wajford" clearly distinguishable.

COMMUNITY HUMAN SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Health and Human Services			
Pass Through -			
County of Monterey, California			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	A-11498	
Residential Program			\$ 389,645
Perinatal Program			81,999
Youth Treatment Program			<u>34,348</u>
U.S. Department of Health and Human Services			
Direct Program -			
Administration for Children, Youth and Families -			
Runaway and Homeless Youth	93.623	90CY258001	180,467
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	90YO005503	100,000
Pass Through -			
County of Monterey, California			
CSAT Adult Drug Court Grant	93.243	N/A	71,541
Adoption Assistance	93.659	N/A	34,572
Community Services Block Grant	93.569	N/A	14,792
Foster Care Title/V-E First Five/Stuart Grant	93.658	N/A	23,121
Promoting Safe and Stable Families	93.556	N/A	63,565
U.S. Housing and Urban Development			
Direct Program -			
Supportive Housing Program			
Transitional Housing	14.235	N/A	95,523
Pass Through -			
Cities of Salinas, Seaside and Monterey, California			
Community Development Block Grant	14.218	N/A	53,000
Pass Through -			
Department of Housing and Community Development of the State of California			
Emergency Shelter Grant Program	14.231	N/A	<u>47,528</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 1,190,101</u>

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COMMUNITY HUMAN SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal financial 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 OMB Circular A-133, *"Audits of States, Local Governments and Non-Profit Organizations."* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**COMMUNITY HUMAN SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over the program:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified No

Type of auditors' report issued on compliance for the major program: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Identification of Major Programs

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

II. FINANCIAL STATEMENT FINDINGS

A. Reportable Conditions in Internal Control

2012-1 Lack of Timely Reconciliations

Condition: We became aware that 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 of material errors that could go unnoticed unless a conscientious effort is made to strictly reinforce this procedure.

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. 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.

B. Compliance Findings

There are no compliance findings.

III. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There are no findings and questioned costs.

COMMUNITY HUMAN SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.

**COMMUNITY HUMAN SERVICES
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY:

2012-1 Lack of Timely Reconciliations

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. 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.

Corrective Action Taken or Planned:

Lack of Timely Reconciliations

Reconciliations should be done on a monthly basis. In fiscal year 2011-12, we started reconciliations within Peachtree at the recommendation of the auditor, but continued to reconcile in Quicken, too, as a back-up until we were confident with the Peachtree reconciliations. Double reconciliations and a learning curve with Peachtree were compounded by not having a precise balance at the beginning of the fiscal year because the audit was not final and Peachtree building a balance the first two or three months of use. This resulted in late reconciliations. Starting this fiscal year, CHS will reconcile the bank statements to the cash account upon receipt of the bank statements each month. Additionally, the CFO will dedicate more time to review the monthly reconciliation process.