

CENTER FOR FAMILY SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

STRINGARI and STRINGARI
CERTIFIED PUBLIC ACCOUNTANTS

CENTER FOR FAMILY SERVICES, INC.

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Center for Family Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Family Services, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18 to 29 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion of the information marked as "unaudited", the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 January 23, 2019, on our consideration of Center for Family Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center for Family Services, Inc.'s internal control over financial reporting and compliance.



Stringari and Stringari, CPAs

Vineland, New Jersey

January 23, 2019

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

To the Board of Directors of
Center for Family Services, Inc.

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 Center for Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center for Family Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center for Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Center for Family Services, Inc.'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 entity'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 Center for Family Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Stringari and Stringari, CPAs
Vineland, New Jersey
January 23, 2019

CENTER FOR FAMILY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 1,052,551
Accounts Receivable (Net of Allowance - Note #8)	6,780,815
Available for Sale Investments - Fair Value (Note #14)	772,029
Prepaid Expenses	23,036
	<hr/>
<u>Total Current Assets</u>	<u>8,628,431</u>

PROPERTY AND EQUIPMENT:

Buildings, Improvements, and Equipment	19,798,615
Less: Accumulated Depreciation	(8,993,246)
	<hr/>
<u>Net Property and Equipment</u>	<u>10,805,369</u>

OTHER ASSETS

	73,535
	<hr/>
<u>Total Assets</u>	<u>\$19,507,335</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 2,654,123
Accrued Payroll, Payroll Taxes, and Employee Benefits	180,197
Accrued Vacation Liability	641,254
Current Portion of Notes Payable (Note #6)	860,950
Deferred Grant Revenue	693,927
Contract Reimbursements Payable	1,086,328
Other Current Liabilities	6,972
	<hr/>
<u>Total Current Liabilities</u>	<u>6,123,751</u>

LONG-TERM LIABILITIES:

Long-Term Portion of Notes Payable (Note #6)	6,150,680
	<hr/>
<u>Total Long-Term Liabilities</u>	<u>6,150,680</u>
	<hr/>
<u>Total Liabilities</u>	<u>12,274,431</u>

NET ASSETS:

Unrestricted	7,109,516
Temporarily Restricted (Note #7)	123,388
Permanently Restricted	-
	<hr/>
<u>Total Net Assets</u>	<u>7,232,904</u>
	<hr/>
<u>Total Liabilities and Net Assets</u>	<u>\$19,507,335</u>

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

CENTER FOR FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

SUPPORT AND REVENUE

Government Grants	\$40,046,057
Fees and Insurance Reimbursements	10,620,794
Other Grants, Fundraising, and Donations	1,430,732
United Way	28,550
Investment Income	<u>5,371</u>
<u>Total Support and Revenue</u>	52,131,504

OPERATING EXPENSES (Page 7) (51,851,708)

OPERATING SURPLUS 279,796

Non-Operating Changes in Unrestricted Net Assets (Note #10)

Capitalized Grant Funded Equipment	982,766
Depreciation of Grant Funded Equipment	<u>(385,715)</u>

Increase in Unrestricted Net Assets 876,847

Net Assets Released From Restrictions (284,301)

Net Assets Temporarily Restricted (Note #7) 123,388

Decrease in Temporarily Net Assets (160,913)

Increase in Net Assets 715,934

Net Assets at Beginning of Year 6,516,970

Net Assets at End of Year \$ 7,232,904

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

CENTER FOR FAMILY SERVICES, INC.
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2018

Salaries and Wages	\$28,765,901
Payroll Taxes	2,638,717
Retirement Plan Expense	351,358
Employee Benefits and Workers Compensation Insurance	3,887,502
Specific Assistance to Clients	745,165
Consultants and Professional Fees	4,329,870
Material and Supplies	2,860,832
Facility Costs	3,704,650
Advertising and Recruiting	216,876
Dues, Subscriptions, and Licenses	159,780
Fund Raising Expenses	68,329
Meetings, Conferences, and Education	359,410
Client Activities	115,822
Grant Funded Equipment and Improvements	982,766
Telephone	633,759
Travel and Vehicle Expenses	609,830
Depreciation & Amortization	356,411
Interest	242,684
Insurance	615,963
Bad Debts	42,371
Other Expenses	<u>163,712</u>
<u>Total Operating Expenses</u>	<u><u>\$51,851,708</u></u>

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

CENTER FOR FAMILY SERVICES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	<u>\$ 715,934</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	742,126
Increase in Accounts Receivable	(503,599)
Decrease in Prepaid Expenses	128,248
Decrease in Other Assets	(2,639)
Increase in Accounts Payable and Accrued Expenses	64,877
Increase in Contract Reimbursements Payable	455,206
Increase in Deferred Grant Revenue	205,777
Increase in Accrued Payroll & Related Expenses	39,349
Increase in Accrued Vacation	48,388
Decrease in Other Current Liabilities	<u>(47)</u>
<u>Total Adjustments</u>	<u>1,177,686</u>
<u>Net Cash Provided by Operating Activities</u>	<u>1,893,620</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in Investments	(33,533)
Additions to Property and Equipment	<u>(1,365,075)</u>
<u>Net Cash Used by Investing Activities</u>	<u>(1,398,608)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Borrowing on Line of Credit	600,000
Net Principal Repaid on Notes Payable	<u>(282,784)</u>
<u>Net Cash Provided by Financing Activities</u>	<u>317,216</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 812,228

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 240,323

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,052,551

Cash Paid for Interest - \$242,684

Financed Acquisition of Capital Assets - \$912,648

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

CENTER FOR FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. Summary of Significant Accounting Policies

Organization

Center for Family Services, Inc. is a nonprofit corporation organized under the laws of the State of New Jersey in 2000 to provide psychotherapeutic, supportive informational counseling, and advocacy services to individuals and families in Camden, Gloucester, Cumberland, and Cape May Counties, New Jersey. The organization provides its services regardless of the client's ability to pay. A federal Head Start preschool program was added during the 2011-2012 fiscal year.

On July 1, 2000, the organization was created by a merger of three not-for-profit organizations: Together, Inc., Reality House, and Family Counseling Services to form the Center for Family Services, Inc. All assets and liabilities of these organizations have been transferred to the new organization at the completion of the merger.

Method of Accounting

The financial statements have been prepared on the accrual basis, matching revenue received by Center for Family Services, Inc. with contractual and other expenditures incurred.

Funding Sources and Concentration of Credit Risk

Center for Family Services, Inc. is funded in part by the US Department of Health and Human Services, New Jersey Department of Human Services, New Jersey Department of Children and Families, and the New Jersey Department of Health and Senior Services. Center for Family Services, Inc. receives a substantial amount of its support from their programs. A significant reduction in the level of this support, if this were to occur, could have an effect on the Center for Family Services, Inc.'s programs and activities. Cash deposits are maintained with institutions insured by Federal Deposit Insurance. At times, the cash balances exceed federally insured limits. At June 30, 2018, cash exceeded the insured amount by \$1,174,805. Management believes that it is not exposed to any significant credit risk on its cash accounts. Investments in mutual funds and stocks are subject to market risk.

Fixed Assets

Fixed assets are stated at cost, or if donated, at fair market value at the time of donation. Depreciation is provided on a straight line basis over the useful lives of the assets which range from 5 to 30 years. The Organization capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Significant asset classes are buildings (\$13,811,949), equipment (\$4,245,244), and land (\$1,741,422). No assets funded by federal contracts have been capitalized since the federal government retains an interest in the ownership of these assets.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

CENTER FOR FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2. Retirement Plans

The Organization sponsors a 401(k) plan which covers substantially all employees and complies with the requirements of the Employee Retirement Income Security Act. Under the terms of the plan, employees may elect to defer an amount of eligible compensation on a pre-tax basis. This deferral limit is currently \$18,000 for 2017 and \$18,500 for 2018, as indexed for cost of living adjustments. The employer makes a matching contribution of the employee pre-tax contribution in the pay period, subject to a maximum percentage amount. The employer may also elect annually to make a discretionary contribution to the plan without regard to the amount of employee pre-tax contributions. No discretionary 401(k) contribution was accrued during the year ended June 30, 2018. The employee's pre-tax contribution plus investment activity is 100% vested at all times. The Organization also maintains a 403(b) plan which covers all employees.

The Organization has established a deferred compensation plan under Section 457(b) of the Internal Revenue Code covering top-level management. Employer contributions are immediately vested when credited to the account of each participant. Contributions of \$48,200 were accrued during the year ended June 30, 2018 in relation to this plan.

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Expense Allocation

Occupancy costs are not directly assigned to cost centers, but instead are allocated to individual programs based on the percentage of total physical area occupied by each program. These costs are reflected as program expenses in the accompanying financial statements.

Certain administrative costs which are not directly assigned to an appropriate cost center are classified as general and administrative expenses. These costs are allocated to the benefiting programs based on the percentage of total expenses incurred by each program. This allocation is for purposes of computing reimbursements under the terms of certain grant agreements and is not reflected in the accompanying financial statements.

5. Contract Expenditures

Various agency contracts are subject to audit by federal and state agencies. No provisions have been made to reflect any amounts on contracts which may be refundable as a result of these future audits. Provisions have been made for contract liabilities identified as of the report date.

CENTER FOR FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

6. Notes Payable and Long-Term Debt

Notes payable and long-term debt consists of the following:

Six loans with TD Bank were refinanced on July 31, 2008 as a single loan in the amount of \$2,766,000 collateralized by the group of properties. The new loan has a maturity date of September 1, 2028 and calls for monthly payments of \$17,252.46 at an annual interest rate of 4.40%.

The following properties collateralize the loan:

108 Somerdale Road, Voorhees	
22 Little Mill Road, Laurel Springs	
151-153 N. Broad Street, Woodbury	
692 N. Broad Street, Woodbury	
592-594 Benson Street, Camden	
180 White Horse Pike, Clementon	
15-21 Delsea Drive, Glassboro	\$1,705,111
Advance State Funding - Forgivable at \$3,637 per year, secured by property in Glassboro.	3,637
Mortgage - NJ Housing and Mortgage Finance Agency, secured by 554-558 Benson Street property in Camden, 0% interest, matures April 2036. No payments required while the property is used to provide housing.	2,016,145
Mortgage - NJ Department of Human Services, secured by 554-558 Benson Street property in Camden, forgivable over a twenty year period. No payments required. Forgiveness of \$2,500 recognized in the year ended June 30, 2018.	25,000
Mortgage - Federal Home Loan Bank of New York, secured by 554-558 Benson Street property in Camden. No payments required as long as the property is used to provide housing for a fifteen year period, after which the note shall be deemed satisfied. Loan was obtained in 2009.	100,000
Mortgage - City of Camden, secured by 554-558 Benson Street property in Camden. No payments required as long as the property is used to provide housing for a fifteen year period, after which the note shall be deemed satisfied. Loan was obtained in 2009.	100,000
Mortgage - NJ Department of Human Services, purchase money mortgage secured by 128 East High Street property in Glassboro. Forgivable after twenty years. No payments required. Loan was obtained in 2007.	368,123

CENTER FOR FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

6. Notes Payable and Long-Term Debt (continued)

Mortgage - NJ Department of Community Affairs, Division of Housing, secured by property at 128-132 East High Street, Glassboro. Total amount of mortgage note \$218,950. Upon completion of the project, mortgage becomes forgivable at the rate of 10% of the original balance on each anniversary date until totally forgiven. Forgiveness of \$21,895 was recognized in the year ended June 30, 2018.	3,649
Line of Credit - TD Bank - Credit Limit of \$1,250,000. Floating interest rate indexed to the Wall Street Journal Prime Rate. \$600,000 balance outstanding as of June 30, 2018.	600,000
Capital Grant Award from the New Jersey Department of Children and Families for building improvements at the Together Youth Shelter in Glassboro. Total award of \$10,303 to be forgiven at a rate of \$515 per year for 20 years.	6,183
Mortgage - TD Bank, \$80,000 loan secured by property financed June 2012 at 25 & 21 Bellevue Terrace, Collingswood. Interest rate of 3.97%, 15 year amortization, callable after 5 years, prepayment penalty applies. Monthly payment of \$590.15 includes principal and interest.	53,810
Mortgage - TD Bank, \$60,000 loan secured by property financed June 2012 at 1819 45th Street, Pennsauken. Interest rate of 3.97%, 15 year amortization, callable after 5 years, prepayment penalty applies. Monthly payment of \$442.61 includes principal and interest.	40,358
Mortgage - TD Bank, \$184,000 loan secured by property financed May 2012 at 3711 Wexley Way, Vineland. Interest rate of 3.97%, 15 year amortization, callable after 5 years, prepayment penalty applies. Monthly payment of \$1,358.26 includes principal and interest.	123,773
Mortgage - TD Bank, \$204,000 loan secured by property financed June 2012 at 506 S Egg Harbor Road, Winslow. Interest rate of 3.96%, 15 year amortization, callable after 5 years, prepayment penalty applies. Monthly payment of \$1,514.65 includes principal and interest.	137,668
Mortgage - TD Bank, \$96,000 loan secured by property financed June 2012 at 202 Carpenter Street, Clayton. Interest rate of 3.97%, 15 year amortization, callable after 5 years, prepayment penalty applies. Monthly payment of \$711.44 includes principal and interest.	64,366

CENTER FOR FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

6. Notes Payable and Long-Term Debt (continued)

Mortgage - TD Bank, \$169,000 loan secured by property financed June 2012 at 202 Carpenter Street, Clayton. Interest rate of 3.97%, 15 year amortization, callable after 5 years, prepayment penalty applies. Monthly payment of \$1,252.42 includes principal and interest. 113,332

Mortgage - TD Bank, \$196,000 loan secured by property financed February 2016 at 131 N Smith Terrace, Clementon. Interest rate of 4.25%. Monthly payment of \$1,480.48 includes principal and interest. 173,151

Mortgage - TD Bank, \$198,000 loan secured by property financed May 2016 at 60 Trestle Ave, Hammonton. Interest rate of 4.25%. Monthly payment of \$1,494.05 includes principal and interest. 177,319

Mortgage - TD Bank, \$204,000 loan secured by property financed May 2017 at 108 Cooper Road, West Berlin. Interest rate of 4.25%. Monthly payment of \$1,541.26 includes principal and interest. 194,128

Mortgage - Republic Bank, \$88,000 loan secured by property financed October 2016 at 574 Benson Street, Camden. Interest rate of 3.75%. Monthly payment of \$642.28 includes principal and interest. 80,242

Mortgage - Republic Bank, \$700,000 loan secured by property financed July 2017 at 1 Alpha Avenue, Voorhees. Interest rate of 4.25%. Monthly payment of \$4,357.81 includes principal and interest. 681,259

Construction Loan - Republic Bank, \$200,000 loan secured by property at 1 Alpha Avenue, Voorhees. Interest rate is variable, 4.5% as of 6/30/2018. Interest is due monthly. 200,000

Vehicle Loans - secured by the vehicle financed

Ally Bank - 9.64% interest rate, \$239.59 monthly payment, matures 8/2020 5,596

Ally Bank - 8.35% interest rate, \$409.56 monthly payment, matures 8/2021 13,631

Ally Bank - 7.55% interest rate, \$207.76 monthly payment, matures 8/2021 7,163

Ally Bank - 7.15% interest rate, \$304.66 monthly payment, matures 5/2020 6,265

Toyota - 5.95% interest rate, \$331.34 monthly payment, matures 9/2021 11,721

Total 7,011,630

Less Current Portion (860,950)

Long-Term Portion \$ 6,150,680

Schedule of Debt Maturities by Year:

Year Ending June 30, 2019 \$ 860,950

Year Ending June 30, 2020 261,328

Year Ending June 30, 2021 264,384

Year Ending June 30, 2022 256,718

Year Ending June 30, 2023 808,721

Thereafter 4,559,529

\$ 7,011,630

CENTER FOR FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

7. Temporarily Restricted Net Assets

The Organization has recorded temporarily restricted net assets totaling \$123,388 at June 30, 2018. These include amounts received from donors designated for a specific purpose that has not been fulfilled yet. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

8. Allowance For Doubtful Accounts

The agency has established an allowance for uncollectible accounts receivable of \$170,400 as of June 30, 2018. The allowance is based on historical data and management's future expectations. Accounts receivable are stated at the estimated net realizable value, which approximates fair value.

9. Contingencies

The agency received funding in the amount of \$750,000 from the United States Department of Housing and Urban Development (HUD) for the Camden Dreams Supportive Housing Program. This funding agreement for the rehabilitation of 554, 556 and 558 Benson Street, Camden, NJ requires Center for Family Services to utilize the premises for the grant's intended purpose of providing housing for twenty years from the date of construction completion in early 2008. There are no repayment terms or interest payments required as long as compliance with the terms of the grant agreement is maintained. The agency expects to comply with the terms of the agreement and therefore the funding was recorded as revenue at the time of receipt and no liability related to this agreement has been recorded on the financial statements.

10. Non-Operating Changes in Unrestricted Net Assets

The Organization receives government grants that provide funding for the purchase of equipment and, in some cases, real property to be used in the operation of the Organization's programs. The Organization holds title to this property and therefore capitalizes these purchases as assets on its books, however, the Organization is contractually obligated to return the asset to the funding source in the event the program is terminated. During the year ended June 30, 2018, the Organization capitalized \$982,766 of equipment and improvements paid for by government grant funding. Depreciation of grant-funded assets capitalized in the current year and prior years in the amount of \$385,715 has been recorded as a decrease in the net assets of the Organization.

CENTER FOR FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

11. Leases

The Organization leases locations through short term lease agreements which do not commit the Organization beyond a term of one year. Rent expense for the year ended June 30, 2018 was \$1,282,432. The organization has leased vehicles at an annual commitment of approximately \$20,000 per year for the next fiscal year. Security deposits paid for facilities used for the federally funded Head Start program were charged to the contract and funded by the grant and accordingly are not presented on the financial statements as an asset as the deposits revert back to the federal government at the time at which they are refunded.

12. Income Taxes

The Organization is a not-for-profit organization 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. The Organization's Form 990 tax returns are subject to examination by the IRS for a three year period following the date they are filed. Open returns include forms filed for fiscal years ended June 30, 2015, 2016, and 2017. Management believes that no tax liability exists in regard to uncertain tax positions.

13. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through January 23, 2019, the date which the financial statements were available to be issued.

14. Fair Value of Investments

The Organization has made investments in stocks and mutual funds with a fair value of \$772,029 at June 30, 2018. All of the investments are measured at Level 1 of the fair value hierarchy. This means that the value is determined using quoted prices in active markets for identical assets. There were no transfers between levels of the hierarchy during the year ended June 30, 2018. The investments are available to be sold to finance the operations of the Organization if necessary. Unrealized gains and losses are included in the change in net assets for the period.

	<u>Fair Value</u>	<u>Level 1</u>
Money Market Funds	\$ 416,013	\$ 416,013
Stocks and Bonds	11,324	11,324
Mutual Funds	344,692	344,692
	<u>\$ 772,029</u>	<u>\$ 772,029</u>

CENTER FOR FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

15. Merger

In June of 2018 the Board of Trustees of Center for Family Services (CFS) voted to merge Family Service Association (FSA) and its three subsidiary corporations into CFS. The effective date of the merger is January 1, 2019.

FSA and its subsidiaries are all nonprofit corporations with a similar mission and focus as CFS. They primarily serve the Atlantic County region and have similar funding contracts with departments in the State of New Jersey as well as county contracts with Atlantic County.

FSA's financial statements for the fiscal year ending June 30, 2018 show total revenue of \$6,080,534, expenses of \$6,826,530, and net assets of \$2,863,757.

The Executive Staff and Board of Trustees of CFS anticipate that this merger will improve competitiveness in applying for regional and statewide contracts. They anticipate that the merger will also strengthen agency infrastructure and the mission of serving people in need throughout South Jersey.

SUPPLEMENTARY INFORMATION

CENTER FOR FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

<u>Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS - DIRECT</u>			
US Department of Health and Human Services			
- Administration for Children and Families:			
Head Start Program	02CH010163/03	93.600	\$ 7,068,047
Head Start Program	02CH010163/02	93.600	919,464
Early Head Start Program	02HP0014/03	93.600	788,087
Early Head Start Program	02HP0014/02	93.600	373,791
Transitional Living / Homebase / GS	90CX6973/05	93.550	200,842
Empowering Rights of Victims of Human Trafficking	90ZV0124/01	93.598	76,727
Street Outreach Program	90YO2193/03	93.557	45,277
Basic Center Program	90CY688601	93.623	49,456
Basic Center Program	90CY688602	93.623	145,754
Domestic Victims of Human Trafficking	90TV001401	93.327	104,680
Domestic Victims of Human Trafficking	90TV001402	93.327	135,934
Residential Shelter Services	90ZU0215-01	93.676	1,641,621
Residential Shelter Services	90ZU0215-02	93.676	1,437,222
US Department of Health and Human Services			
- Centers for Medicare and Medicaid Services:			
Navigator Exchange	NAVCA150230B	93.332	156,905
Navigator Exchange	NAVCA150230C	93.332	220,818
US Department of Housing and Urban Development:			
Supportive Housing Program	NJ0073L2F031609	14.231	86,326
Supportive Housing Program	NJ0442L2F031602	14.231	160,259
Supportive Housing Program	NJ0348L2F031604	14.231	26,755
Supportive Housing Program	NJ0375L2F031605	14.231	25,883
Supportive Housing Program	NJ0259L2F031607	14.231	36,414
Corporation for National and Community Service:			
VISTA Program	15VSANJ06	94.013	325,215
US Department of Education:			
Promise Neighborhood Implementation Program	12VSANJ004	84.215	<u>3,194,096</u>
<u>Total Federal Expenditures - Direct Awards</u>			<u>\$17,219,573</u>

CENTER FOR FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

(continued)

<u>Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS - INDIRECT</u>			
US Department of Health and Human Services passed through NJ Department of Human Services:			
Child Care and Development Block Grant	TS18022	93.575	\$ 302,308
US Department of Justice passed through NJ Department of Law and Public Safety:			
Services Empowering Rights of Victims	15-VAG-17	16.575	35,348
Services Empowering Rights of Victims	15-VAG-18	16.575	55,646
Services Empowering Rights of Victims	15-VAG-19	16.575	60,954
Services Empowering Rights of Victims	15-VAG-20	16.575	57,674
Services Empowering Rights of Victims	15-VAG-21	16.575	23,367
Services Empowering Rights of Victims	15-VAG-22	16.575	44,645
Services Empowering Rights of Victims	16-VAG-25	16.575	63,643
Services Empowering Rights of Victims	16-VAG-24	16.575	70,642
Services Empowering Rights of Victims	16-VAG-23	16.575	73,678
Services Empowering Rights of Victims	16-VAG-21	16.575	53,866
Services Empowering Rights of Victims	16-VAG-26	16.575	76,703
Services Empowering Rights of Victims	16-VAG-22	16.575	43,244
Stop Violence Against Women Act	16-VAWA-70	16.588	18,534
Stop Violence Against Women Act	16-VAWA-68	16.588	18,623
Stop Violence Against Women Act	16-VAWA-66	16.588	21,977
Stop Violence Against Women Act	15-VAWA-04	16.588	45,000
Stop Violence Against Women Act	15-VAWA-05	16.588	45,000
Stop Violence Against Women Act	15-VAWA-06	16.588	45,000
Stop Violence Against Women Act	15-VAWA-16	16.588	45,000
Stop Violence Against Women Act	15-VAWA-54	16.588	6,045
Stop Violence Against Women Act	15-VAWA-56	16.588	9,733
Stop Violence Against Women Act	15-VAWA-58	16.588	8,101
Stop Violence Against Women Act	15-VAWA-80	16.588	64,211
Stop Violence Against Women Act	15-VAWA-82	16.588	62,915
Stop Violence Against Women Act	16-VAWA-82	16.588	12,541
Stop Violence Against Women Act	16-VAWA-80	16.588	10,917

CENTER FOR FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

(continued)

<u>Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
US Department of Housing and Urban Development passed through Camden County Improvement Authority:			
Community Development Block Grant	PO 198439	14.218	10,000
US Department of Housing and Urban Development passed through Vineland Housing Authority			
Victims of Domestic Violence Cumberland SHP	0376C2F201100	14.231	63,817
US Department of Justice, passed through City of Camden:			
OJJDP (SCDA)	2012-NY-FX-K006	16.819	139,587
Cure4Camden	2013-PB-FX-K005	16.819	360,545
Community-Based Violence Prevention Program	2015-PB-FX-K003	16.123	76,249
Corporation for National and Community Services passed through State of New Jersey, Department of State:			
AmeriCorps	ACFORM-010	94.006	117,039
AmeriCorps	AC17COMP-004	94.006	108,303
AmeriCorps	15ACP-006	94.006	48,885
AmeriCorps	AC18COMP-005	94.006	176,168
AmeriCorps	AC18FORM-014	94.006	28,923
US Department of Agriculture passed through State of New Jersey Department of Agriculture:			
Special Supplemental Nutrition Program	n/a	10.557	113,801
Child and Adult Care Food Program	n/a	10.558	569,883
US Department of Labor passed through NJ Department of Labor and Workforce Development:			
Camden Corps	16207	17.280	<u>331,664</u>
<u>Total Federal Expenditures - Indirect Awards</u>			<u>\$ 3,520,179</u>

CENTER FOR FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

(continued)

SUMMARY OF FEDERAL EXPENDITURES BY CFDA NUMBER

10.557	\$ 113,801
10.558	569,883
14.218	10,000
14.231	399,454
16.123	76,249
16.575	659,410
16.588	413,597
16.819	500,132
17.280	331,664
84.215	3,194,096
93.327	240,614
93.332	377,723
93.550	200,842
93.557	45,277
93.575	302,308
93.598	76,727
93.600	9,149,389
93.623	195,210
93.676	3,078,843
94.006	479,318
94.013	325,215
<u>TOTAL</u>	<u><u>\$20,739,752</u></u>
Total Federal Expenditures - Direct Awards	\$17,219,573
Total Federal Expenditures - Indirect Awards	<u>3,520,179</u>
<u>Total Federal Expenditures</u>	<u><u>\$20,739,752</u></u>

CENTER FOR FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

(continued)

<u>Grantor/Program Title</u>			<u>Grant Number</u>	<u>Expenditures</u>
<u>STATE AWARDS</u>				
NJ Department of Children and Families, Division of Child Protection and Permanency:				
		<u>award</u>		
	<u>contract period</u>	<u>amount</u>		
Psych/Therapeutic Services	7/1/17 - 6/30/18	\$7,334,678	18FFDS	\$ 7,076,701
Multi-Systematic Therapy - MST / Camden Day Partial Care	7/1/17 - 6/30/18	\$927,004	18FADR	845,714
Family Success - Healthy Families - NJ Child Abuse	7/1/17 - 6/30/18	\$764,349	18HVDP	764,349
Services to Women	7/1/17 - 6/30/18	\$2,067,676	18IQDW	2,058,238
Keeping Families Together	10/1/16 - 6/30/18	1,630,833	17JQDS	827,752
NJ Department of Children and Families:				
Direct Support				
Professional Wage Increase	7/1/17 - 6/30/18	\$113,175	n/a	113,175
NJ Department of Human Services, Division of Addiction Services:				
Drug Treatment	7/1/17 - 6/30/18	\$2,373,457	18-448-ADA-0	1,760,327
NJ Department of Community Affairs:				
Shelter Support	11/1/16 - 6/15/18	\$99,500	2017-02149-0087	28,700
Shelter Support	12/1/17 - 8/31/19	\$95,000	2018-02149-0114	55,948
New Jersey Department of Community Affairs, passed through Cooper Foundation:				
Neighborhood Revitalization tax credit programs	3/1/16 - 5/31/19	\$337,220	2017-02240-0295	111,092
Neighborhood Revitalization tax credit programs	3/1/17 - 5/31/19	\$150,000	2017-02240-0295	46,452
New Jersey Department of Law & Public Safety, Juvenile Justice Commission - passed through CPAC:				
Juvenile Detention Alternative Initiative	1/1/17 - 12/31/17	\$30,000	PO19659	16,955
NJ Department of Health and Senior Services:				
Family Healthline	7/1/17 - 6/30/18	\$362,260	DFHS18OTR002	362,260

CENTER FOR FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2018
(continued)

<u>Grantor/Program Title</u>		<u>Grant Number</u>	<u>Expenditures</u>
NJ Department of Children & Families, Division of Child Protection and Permanency, passed through Community Planning & Advocacy Council (CPAC):			
	<i>contract period</i>	<i>award amount</i>	
Family Success Center	1/1/18 - 12/31/18	\$220,000	18ICDP 100,886
Family Success Center	1/1/17 - 12/31/17	\$220,000	17ICDP 107,020
Community Connection	1/1/18 - 12/31/18	\$140,000	n/a 68,560
Family Success Satellite	1/1/17 - 12/31/17	\$50,000	n/a 79,717
Baby Best	1/1/18 - 12/31/18	\$125,000	n/a 58,253
Baby Best	1/1/17 - 12/31/17	\$225,000	n/a 57,029
Girls Circle	1/1/17 - 12/31/17	\$100,000	n/a 36,928
New Jersey Department of Education, Division of Early Childhood Education, Passed through Camden City Board of Education:			
Abbott Preschool Educational Program	7/1/17 - 6/30/18	\$2,212,906	800148 1,973,900
Lindenwold Board of Education - Preschool	9/1/17 - 6/30/18	\$237,000	800788 237,000
<u>Total State Expenditures</u>			<u>\$16,786,956</u>

CENTER FOR FAMILY SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

Note 1 - General Information

The accompanying Schedule of Expenditures of Federal and State Awards presents financial assistance received directly from the federal and state agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations. 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 basic financial statements. Because the Schedule presents only a selected portion of the operations of the Center for Family Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Basis of Presentation

The information in this schedule is presented using the accrual basis of accounting. The amounts presented in this schedule may differ from certain financial reports submitted to federal and state funding agencies due to those reports being submitted on either a cash or a modified accrual basis of accounting.

Note 3 - Subrecipients

No federal expenditures presented on the schedule were provided to subrecipients.

Note 4 - Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CENTER FOR FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal and State Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X no

Identification of major federal and state programs:

<u>CFDA / Contract Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
84.215	Promise Neighborhood
93.676	Residential Shelter Services
NJ Department of Children and Families - 18FFDS	Psych / Therapeutic Services
NJ Department of Education, Passed through Camden City Board of Education	Abbott Preschool Educational Program
NJ Department of Children and Families - 18HVDP	Healthy Families

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings noted.

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

CENTER FOR FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF UNITED WAY OF GLOUCESTER COUNTY AWARDS

YEAR ENDED JUNE 30, 2018

<u>PROGRAM TITLE</u>	<u>EXPENDITURES</u>
Mother Child Residential	<u>\$ 9,000</u>
<u>Total Expenditures</u>	<u>\$ 9,000</u>

See independent auditor's report.

CENTER FOR FAMILY SERVICES, INC.
SCHEDULE OF IOLTA GRANT EXPENDITURES

YEAR ENDED JUNE 30, 2018

<u>GRANT PERIOD/ BUDGET ITEM</u>	<u>BUDGETED AMOUNT (unaudited)</u>	<u>AGENCY REPORTED EXPENDITURES (through 6/30/2018)</u>	<u>AUDIT ADJUSTMENTS</u>	<u>EXPENDITURES PER AUDIT</u>
Gloucester County 2018				
Salaries	\$14,551	\$7,326	\$0	\$7,326
Fringe Benefits	2,249	1,132	0	1,132
<u>TOTAL</u>	<u>\$16,800</u>	<u>\$8,458</u>	<u>\$0</u>	<u>\$8,458</u>
Cumberland County 2018				
Salaries	\$5,386	\$2,811	\$0	\$2,811
Fringe Benefits	1,454	758	0	758
<u>TOTAL</u>	<u>\$6,840</u>	<u>\$3,569</u>	<u>\$0</u>	<u>\$3,569</u>
Gloucester County 2017				
Salaries	\$14,475	\$14,475	\$0	\$14,475
Fringe Benefits	2,325	2,325	0	2,325
<u>TOTAL</u>	<u>\$16,800</u>	<u>\$16,800</u>	<u>\$0</u>	<u>\$16,800</u>
Cumberland County 2017				
Salaries	\$5,992	\$5,992	\$0	\$5,992
Fringe Benefits	848	848	0	848
<u>TOTAL</u>	<u>\$6,840</u>	<u>\$6,840</u>	<u>\$0</u>	<u>\$6,840</u>

QUESTIONED COSTS:

None

EQUIPMENT PURCHASED:

None

AUDIT ADJUSTMENTS:

None

See independent auditor's report.

CENTER FOR FAMILY SERVICES, INC.
SCHEDULE OF HEAD START PROGRAM EXPENDITURES
THROUGH JUNE 30, 2018

	<u>(12 months)</u> <u>8/1/2016 to</u> <u>7/31/2017</u>	<u>(11 months)</u> <u>8/1/2017 to</u> <u>6/30/2018</u>
Salaries and Wages	\$ 5,643,870	\$ 5,423,271
Payroll Taxes	492,459	500,205
Employee Benefits & Workers Compensation Insurance	1,052,161	975,159
Equipment	124,121	133,725
Consultants and Professional Fees	618,879	815,805
Material and Supplies	1,095,530	785,621
Facility Costs	1,733,219	1,479,089
Advertising and Recruiting	26,691	13,710
Licenses	4,897	1,934
Conferences and Training	41,792	29,514
Activities and Field Trips	24,489	7,221
Telephone (net of reimbursements)	(3,509) ¹	70,501 ²
Travel and Vehicle Expenses	51,393	59,664
Insurance	89,685	92,191
Overhead Contribution	853,828	776,902
<u>Total Expenditures</u>	<u>\$11,849,505</u>	<u>\$11,164,512</u>

See independent auditor's report.

1) Includes an e-rate reimbursement of \$79,065 for telephone service.

2) There was no e-rate reimbursement in this 11 month period.

CENTER FOR FAMILY SERVICES, INC.
SCHEDULE OF VOLUNTEER IN-KIND SERVICES - HEAD START PROGRAM
YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Volunteers donated significant amounts of time to the Head Start program during the year ended June 30, 2018. Although the dollar value of these services is not reflected in the accompanying financial statements, these volunteers are essential to the success of the program and the program could not exist without them. The Organization has calculated the following values for the in-kind contributions made by volunteers for the year ended June 30, 2018:

Wages & Salaries	\$ 174,424
Fringes	52,327
Travel / Mileage	2,373
Program Supplies	12,169
Parent Training / Socialization	<u>34,939</u>
<u>TOTAL</u>	<u>\$ 276,232</u>

See independent auditor's report.

Stringari and Stringari, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS

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Brian Stringari Sr, CPA

MEMBERS
AMERICAN INSTITUTE
of CERTIFIED PUBLIC ACCOUNTANTS

NEW JERSEY SOCIETY
of CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
Center for Family Services, Inc.

Report on Compliance for Each Major Program

We have audited Center for Family Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey OMB Circular 15-08 State Grant Compliance Supplement* that could have a direct and material effect on each of Center for Family Services, Inc.'s major federal and state programs for the year ended June 30, 2018. Center for Family Services, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Center for Family Services, Inc.'s major federal and state 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; 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); and State of New Jersey, Department of the Treasury, Office of Management and Budget Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance, and New Jersey OMB Circular 15-08 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 or state program occurred. An audit includes examining, on a test basis, evidence about Center for Family Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of Center for Family Services, Inc.'s compliance with those requirements.

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of Center for Family Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered Center for Family Services, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal or state 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 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 Center for Family Services, Inc.'s 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 or state 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 or state 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.



Stringari and Stringari, CPAs
Vineland, New Jersey
January 23, 2019