

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Family Service**

We have audited the accompanying financial statements of Family Service (a non-profit organization) and Family Service of Billings Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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. 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 Family Service and Family Service of Billings Foundation, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Meachek, Papp & Associates, P.C.
January 15, 2018

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and equivalents	\$ 437,736	\$ 126,592
Unconditional promises to give	393	11,263
Current portion pledges receivable	335,726	---
Inventories	142,089	231,752
Prepaid expenses	<u>7,900</u>	<u>9,323</u>
Total Current Assets	<u>923,844</u>	<u>378,930</u>
Assets Limited as to Use		
Foundation investments	<u>1,324,376</u>	<u>1,233,977</u>
Other Assets		
Investments	1,448,408	796,304
Pledges, receivable, net of current portion	962,378	---
Funds held in trust	<u>4,782</u>	<u>4,035</u>
Total Other Assets	<u>2,415,568</u>	<u>800,339</u>
Property and Equipment		
Land and improvements	82,984	82,984
Building and improvements	370,505	359,389
Equipment	<u>290,153</u>	<u>290,153</u>
	743,642	732,526
Less accumulated depreciation	<u>(470,132)</u>	<u>(430,804)</u>
Net property and equipment	<u>273,510</u>	<u>301,722</u>
Total Assets	<u>\$ 4,937,298</u>	<u>\$ 2,714,968</u>

See accompanying notes to combined financial statements.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts payable	\$ 2,679	\$ 1,385
Accrued expenses		
Wages and paid leave	48,715	35,893
Taxes, other than income taxes	46	800
Gift annuity payable	<u>24,625</u>	<u>19,586</u>
Total Current Liabilities	<u>76,065</u>	<u>57,664</u>
Net Assets		
Unrestricted		
Invested in capital assets	273,510	301,722
Unreserved	<u>1,533,703</u>	<u>1,322,635</u>
	1,807,213	1,624,357
Temporarily restricted	2,400,108	425,042
Permanently restricted	<u>653,912</u>	<u>607,905</u>
Total Net Assets	<u>4,861,233</u>	<u>2,657,304</u>
Total Liabilities and Net Assets	<u>\$ 4,937,298</u>	<u>\$ 2,714,968</u>

See accompanying notes to combined financial statements.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public Support				
Public support, net	\$ 478,599	\$ 2,227,315	\$ 46,007	\$ 2,751,921
Sales to public	289,987			289,987
Special events, net of direct benefit	228,990			228,990
United Way support	28,750			28,750
Grants	70,250	54,500		124,750
Program reimbursements	5,090			5,090
Total fundraising	<u>1,101,666</u>	<u>2,281,815</u>	<u>46,007</u>	<u>3,429,488</u>
Donated goods and services	<u>3,046,915</u>			<u>3,046,915</u>
Total public support	<u>4,148,581</u>	<u>2,281,815</u>	<u>46,007</u>	<u>6,476,403</u>
Revenue				
Investment income	13,164	116,600		129,764
Miscellaneous	6,764			6,764
Total revenue	<u>19,928</u>	<u>116,600</u>		<u>136,528</u>
Net assets released from restrictions	<u>423,349</u>	<u>(423,349)</u>		<u>---</u>
Total public support and revenue	<u>4,591,858</u>	<u>1,975,066</u>	<u>46,007</u>	<u>6,612,931</u>
Expenses				
Program services	3,929,993			3,929,993
Supporting services	127,581			127,581
Fundraising	351,428			351,428
Total expenses	<u>4,409,002</u>			<u>4,409,002</u>
Change in Net Assets	182,856	1,975,066	46,007	2,203,929
Net Assets, Beginning of Year	<u>1,624,357</u>	<u>425,042</u>	<u>607,905</u>	<u>2,657,304</u>
Net Assets, End of Year	<u>\$ 1,807,213</u>	<u>\$ 2,400,108</u>	<u>\$ 653,912</u>	<u>\$ 4,861,233</u>

See accompanying notes to combined financial statements.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public Support				
Public support, net	\$ 397,356	\$ 84,358	\$ 81,580	\$ 563,294
Sales to public	258,261			258,261
Special events, net of direct benefit	202,442			202,442
United Way support	30,000			30,000
Grants		83,500		83,500
Program reimbursements		3,833		3,833
Total fundraising	<u>888,059</u>	<u>171,691</u>	<u>81,580</u>	<u>1,141,330</u>
Donated goods and services	<u>2,289,401</u>			<u>2,289,401</u>
Total public support	<u>3,177,460</u>	<u>171,691</u>	<u>81,580</u>	<u>3,430,731</u>
Revenue				
Investment income	(93)	(28,994)		(29,087)
Miscellaneous	4,571			4,571
Total revenue	<u>4,478</u>	<u>(28,994)</u>		<u>(24,516)</u>
Net assets released from restrictions	<u>302,890</u>	<u>(302,890)</u>		<u>---</u>
Total public support and revenue	<u>3,484,828</u>	<u>(160,193)</u>	<u>81,580</u>	<u>3,406,215</u>
Expenses				
Program services	3,099,705			3,099,705
Supporting services	167,323			167,323
Fundraising	164,931			164,931
Total expenses	<u>3,431,959</u>			<u>3,431,959</u>
Change in Net Assets	52,869	(160,193)	81,580	(25,744)
Net Assets, Beginning of Year	<u>1,571,488</u>	<u>585,235</u>	<u>526,325</u>	<u>2,683,048</u>
Net Assets, End of Year	<u>\$ 1,624,357</u>	<u>\$ 425,042</u>	<u>\$ 607,905</u>	<u>\$ 2,657,304</u>

See accompanying notes to combined financial statements.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 401,673	\$ 51,257	\$ 128,594	\$ 581,524
Assistance to individuals	146,507			146,507
Benefits	51,008	6,653	16,263	73,924
Payroll taxes	43,394	5,660	13,836	62,890
Special events			9,710	9,710
Supplies	15,247	11,688	38,710	65,645
Occupancy	34,440	24,853		59,293
Postage	321	6,003	2,935	9,259
Insurance		3,225		3,225
Volunteer appreciation	144		1,661	1,805
Transportation	16,038	87	500	16,625
Advertising and printing	6,859	1,143	14,862	22,864
Professional fees	11,622	2,682	3,576	17,880
Communications and technology	13,039	4,193	4,192	21,424
Capital campaign fees			113,625	113,625
Property tax				---
Outside services	4,154	958	1,278	6,390
Repair and maintenance	4,103	316		4,419
Training and conferences	266	2,225	1,686	4,177
Miscellaneous	480	480		480
	<u>748,815</u>	<u>121,423</u>	<u>351,428</u>	<u>1,221,666</u>
Donated goods and services	3,148,006			3,148,006
Uncollectible pledges				---
Depreciation	<u>33,172</u>	<u>6,158</u>		<u>39,330</u>
Total expenses	<u>\$3,929,993</u>	<u>\$ 127,581</u>	<u>\$ 351,428</u>	<u>\$4,409,002</u>

See accompanying notes to combined financial statements.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 385,595	\$ 104,337	\$ 54,104	\$ 544,036
Assistance to individuals	157,239			157,239
Benefits	55,869	6,641	6,182	68,692
Payroll taxes	41,672	10,614	5,171	57,457
Special events			5,815	5,815
Supplies	12,969	5,468	9,659	28,096
Occupancy	37,035	12,625		49,660
Postage	632	414	2,387	3,433
Insurance		3,184		3,184
Volunteer appreciation	522		2,383	2,905
Transportation	20,489		1,368	21,857
Advertising and printing	12,671	382	24,888	37,941
Professional fees	12,258	3,177	575	16,010
Communications	5,039	8,294	1,496	14,829
Capital campaign fees			47,668	47,668
Property tax				---
Outside services	6,039	1,620		7,659
Repair and maintenance		1,430	1,015	2,445
Training and conferences	1,289	2,684	1,043	5,016
Miscellaneous	688	295		983
	<u>750,006</u>	<u>161,165</u>	<u>163,754</u>	<u>1,074,925</u>
Donated goods and services	2,317,497			2,317,497
Uncollectible pledges			1,177	1,177
Depreciation	<u>32,202</u>	<u>6,158</u>		<u>38,360</u>
Total expenses	<u>\$3,099,705</u>	<u>\$ 167,323</u>	<u>\$ 164,931</u>	<u>\$3,431,959</u>

See accompanying notes to combined financial statements.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,203,929	\$ (25,744)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	39,330	38,360
Net public support restricted to capital asset acquisition	(2,072,907)	---
(Gain) loss on beneficial interest	(747)	281
Unrealized (gain) loss on investments	(96,852)	55,241
(Gain) loss on sale of investments	(4,618)	420
Distribution (receipt) of in-kind donations	89,663	39,775
Uncollectible pledges	---	1,177
Change in assets and liabilities:		
Unconditional promises to give	10,870	(2,649)
Inventories	---	---
Prepaid expenses	1,423	580
Accounts payable	1,294	(20,125)
Accrued expenses	17,107	3,221
Contributions restricted for long-term purposes:		
Income realized on collapsed residual interest	(1,229)	(4,472)
Endowment contributions	(44,778)	(77,108)
Net cash and cash equivalents provided by (used in) operating activities	<u>142,485</u>	<u>8,957</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,081,332)	(255,246)
Proceeds from sale of investments	440,299	194,460
Purchase of property and equipment	(11,118)	(100,034)
Net cash and cash equivalents (used in) provided by investing activities	<u>\$ (652,151)</u>	<u>\$ (160,820)</u>

Continued...

See accompanying notes to combined financial statements.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection on contributions restricted for long-term purposes:		
Investment in permanent endowment	\$ 46,007	\$ 81,580
Proceeds from capital asset acquisition campaign	2,219,683	
Distribution of capital campaign proceeds	(146,776)	
Pledges made during the period, net of adjustment	(1,519,026)	
Pledges received during the period	<u>220,922</u>	
Net cash and cash equivalents provided by financing activities	<u>820,810</u>	<u>81,580</u>
Net Change in Cash and Cash Equivalents	311,144	(70,283)
Cash and Cash Equivalents at Beginning of Year	<u>126,592</u>	<u>196,875</u>
Cash and Cash Equivalents at End of Year	<u>\$ 437,736</u>	<u>\$ 126,592</u>

See accompanying notes to combined financial statements.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 - Activities and Significant Accounting Policies

Nature of Activities - Family Service (the Agency) is a non-profit organization that provides basic assistance such as food, shelter and clothes to families and individuals in need. Family Service is recognized as a not-for-profit organization exempt from income taxes under Section 501(c) of the Internal Revenue Code.

The Family Service of Billings Foundation, Inc. (the Foundation) was incorporated as a non-stock organization in 1994 to receive and administer funds exclusively for the benefit of charitable organizations. In October 2007, the Foundation passed a resolution to limit support of charitable organizations to only Family Service.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c) of the Internal Revenue Code. The Internal Revenue Service has issued a final determination letter that specifically excludes the Foundation from the definition of a private foundation under Section 509(a).

Basis of Accounting - The accompanying combined financial statements have been prepared on the accrual basis of accounting. The accompanying financial statements include the combined assets, liabilities, net assets, changes in net assets, and cash flows for Family Service and Family Service of Billings Foundation, Inc.

Cash and Cash Equivalents - The Agency and Foundation consider all highly liquid investments with an original maturity of three (3) months or less to be cash equivalents for purposes of the statements of cash flows. Certain short-term investments (money market funds) held by the Directors may not have been classified as cash equivalents as they may be considered an integral part of the entities' investment strategy.

Property and Equipment - All purchased property and equipment is carried at cost. Donations of property and equipment are recorded as support at their estimated fair value. Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives of assets, which range from five (5) to forty (40) years. Expenditures for major renewals and betterments that extend the useful life of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Agency and Foundation have established a threshold amount of \$1,000 for items with a life of one year or more in determining when an item will be capitalized or expensed.

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 - Activities and Significant Accounting Policies (continued)

Income Taxes - Both Family Service and Family Service Foundation, Inc. are non-profit corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Agency and the Foundation have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of section 509(a) of the Internal Revenue Code.

Use of Estimates - The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the accompanying combined financial statements include, primarily, the valuation of donated items received and depreciation expense.

Public Support and Revenue - Public support and revenue is generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded when the written promise to give is received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates (applicable to the years in which the promises are received) to discount the amounts. The majority of the promises to give are received from a broad base of contributors. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at the end of each fiscal year.

Revenue and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Board of Directors adopted a policy whereby if temporary restrictions are accomplished within the fiscal year, the support shall be classified as unrestricted.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distributions are recorded in unrestricted net assets. Investment earnings with restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 - Activities and Significant Accounting Policies (continued)

Public Support and Revenue (continued) -

Contributions of donated non-cash assets that are used within the Agency are recorded at their fair values in the period received. Donated non-cash assets that are provided to program participants without charge are not recognized as public support. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Non-cash items suitable for sale in the Agency store are recognized as unrestricted income when sold and are valued at the selling price of the item. The Agency recognized income of donated furnishings, clothing, and other miscellaneous items amounting to \$289,987 and \$258,261 for the years ended June 30, 2017 and 2016, respectively.

Family Service reports the fair value of gifts of donated food and grocery product over which it has control (variance power) as unrestricted public support and, shortly thereafter, as expense when granted to individuals. During the years ended June 30, 2017, the Agency distributed approximately 1.388 million pounds of donated product received. The approximate average wholesale value of one pound of donated product, determined to be \$1.73, was based upon a study performed by a national organization, and considered to be a commonly accepted amount for valuation purposes. For the period ended June 30, 2017, the Agency recognized \$3,046,915 in donated food product received and \$3,148,006 in donated product distributed.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organizations. The value of these contributed services does not meet the requirements for recognition in the financial statements and has not been recorded.

Inventories - Inventories consist of donated furnishings and other household items. The Agency has elected to estimate the fair market value of donated assets using subsequent sales value. The method has been applied consistently and the estimated fair market value is not expected to be materially different from that value determined using a more detailed method.

Inventory also consists of undistributed donated food and grocery product over which the Agency has control (variance power) received as restricted public support. The receipt of undistributed donated food and grocery product is recognized as temporarily restricted until such a time as the inventory is distributed. The method of valuation used includes applying an average wholesale value of one pound of donated product at the national level, which was determined to be \$1.73 for 2017.

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 - Activities and Significant Accounting Policies (continued)

Investments - The endowment includes both donor-restricted funds and funds designated by the Foundation Board of Directors to function as endowments. The net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on existence or absence of donor imposed restrictions. The Foundation adheres to the Uniform Prudent Management of Institutional Funds Act of 2006. The new law eliminates the historical dollar threshold and establishes prudent spending guidelines that consider both the duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in a gift agreement or similar document, the Foundation may now spend the amount of the principal and income of an endowment fund, even from an underwater fund, after considering factors listed in the Act.

The Foundation recognizes all financial assets at their fair value as defined as an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering assumptions, the Foundation adheres to the establishment of a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs such as quoted prices in an active market;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions; based on reasonable and commonly accepted assertions.

The Foundation is required to provide additional disclosures under reporting standards as part of its financial statements. Those additional disclosures are included in Note 4.

Functional Allocation of Expenses - The cost of providing the entities' various programs and other activities has been summarized on a functional basis and, accordingly, certain indirect costs have been reasonably allocated among the programs and supporting services benefited based on consistently applied methods.

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 - Activities and Significant Accounting Policies (continued)

Funds Held in Trust - The Agency has been designated to receive the remaining assets under various charitable remainder trusts. The assets of charitable remainder trusts have been included in the financial statements to the extent of the Agency's beneficial fair value interests. The Agency's beneficial fair value interests are measured at the present value of the Agency's estimated future cash receipts from the trusts' assets. Changes in beneficial fair value interests are reported in the statement of activities as investment income (loss).

Note 2 - Unconditional Promises to Give

Unconditional promises to give, all of which are anticipated to be received within one year, at June 30 consist of:

	<u>2017</u>	<u>2016</u>
Operations/grant receivable	\$ 293	\$ 1,163
Sponsorships	<u>100</u>	<u>10,100</u>
	393	11,263
Less: inter-organizational transfers unsettled	<u>---</u>	<u>---</u>
	<u>\$ 393</u>	<u>\$ 11,263</u>

Management has considered the collectibility of the unconditional promises and has determined that no allowance for bad debt is warranted. Therefore, no such allowance has been recognized as of June 30, 2017.

Management recognized, as a reduction to current year's support, approximately \$0 and \$1,177 in uncollectible pledges for the period ended June 30, 2017 and 2016. The pledges were deemed uncollectible due to lack of timely payment or as a misapplication of payment received and written off directly by management.

Note 3 – Pledges receivable

The Agency initiated a fundraising campaign for the purpose of raising capital to purchase, renovate, and occupy commercial real estate. All funds donated or pledged to be donated to the campaign are temporarily restricted to the purchase of the real estate and related campaign expenses.

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 3 - Pledges receivable (continued)

Pledges receivable are recognized after the receipt of a signed donor pledge document and are as follows:

	<u>2017</u>	<u>2016</u>
Pledges received during the reporting period	\$ 1,605,142	\$ ---
Less: payments received during period	<u>(220,922)</u>	<u> </u>
	1,384,220	
Net present value adjustment for multi-year pledge agreements	<u>(86,116)</u>	<u> </u>
	1,298,104	
Less: scheduled pledges receivable within twelve Months	<u>(335,726)</u>	<u> </u>
Pledges receivable, net of current portion	<u>\$ 962,378</u>	<u>\$ ---</u>

Future scheduled receivables of pledges to be received as of June 30, 2017 are as follows:

Year ended June 30, 2018	\$ 335,726
2019	316,096
2020	290,147
2021	280,300
2022	<u>75,835</u>
	<u>\$ 1,298,104</u>

Pledges scheduled to be received over a period exceeding the immediately following fiscal year have been discounted for the effect of present value calculations. Payments scheduled to be received in future periods have been discounted at a rate of 2.4%, the IRS published rate under Section 7520, where the discount is recognized as an adjustment to contributions in the statement of activities. The discount recognized as an adjustment to contribution in the periods ended June 30, 2017 and 2016 is \$86,116 and \$0, respectively.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 4 - Assets Limited As To Use and Funds Held in Trust

Investments, notwithstanding Foundation investments, are stated at fair value and include the following at June 30:

	<u>2017</u>	<u>2016</u>
Cash equivalents	\$ 636,664	\$ 557,858
Bonds	764,687	197,138
Equities	<u>47,057</u>	<u>41,308</u>
	<u>\$ 1,448,408</u>	<u>\$ 796,304</u>

Funds held in trust, stated at their fair market value, consist of the following for the periods ended June 30:

	<u>2017</u>	<u>2016</u>
Charitable remainder trusts		
Contributions receivable (third party trustee)	<u>\$ 4,782</u>	<u>\$ 4,035</u>

Fair market value changes in the beneficial interest are determined by the actuarial status of the primary trust beneficiaries, the quality of the underlying trust assets, and other items specifically noted with trust documents. The beneficial interest to the charity is calculated annually based on the above inputs.

Investment gain (loss) for all combined investments consists of the following for the periods ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 34,975	\$ 48,045
Net realized gain (loss) on sales	4,618	420
Unrealized gain (loss)	96,852	(55,241)
Changes in beneficial interests	746	(281)
Investment advisory fees	<u>(7,427)</u>	<u>(22,030)</u>
	<u>\$ 129,764</u>	<u>\$ (29,087)</u>

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 4 - Assets Limited As To Use and Funds Held in Trust (continued)

The following table sets forth the level, within the fair value hierarchy, the fair values of investments and other assets as of June 30, 2017 and 2016:

	Quoted Prices In Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Total
June 30, 2017:				
Investments				
Money market funds	\$ 728,210	\$	\$	\$ 728,210
Fixed income/bonds		1,306,256		1,306,256
Domestic equity	680,206	58,112		738,318
Funds held in trust	<u> </u>	<u> </u>	<u>4,782</u>	<u>4,782</u>
	<u>\$ 1,408,416</u>	<u>\$ 1,364,368</u>	<u>\$ 4,782</u>	<u>\$ 2,777,566</u>
	Quoted Prices In Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Total
June 30, 2016:				
Investments				
Money market funds	\$ 753,648	\$	\$	\$ 753,648
Fixed income/bonds		579,183		579,183
Domestic equity	697,450			697,450
Funds held in trust	<u> </u>	<u> </u>	<u>4,035</u>	<u>4,035</u>
	<u>\$ 1,451,098</u>	<u>\$ 579,183</u>	<u>\$ 4,035</u>	<u>\$ 2,034,316</u>

Observable input fair values include certificate of deposits and bonds. Money market accounts, mutual funds and stocks are included in quoted prices in active markets. Leasehold interest fair value is the present value of the fair market rents.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 5 - Foundation Investments

The Foundation funds, carried at fair market value and invested in a variety of securities with varying yields and maturity dates, are as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Money Market Funds	\$ 91,545	\$ 195,790
Bonds	541,569	382,045
Equities	<u>691,262</u>	<u>656,142</u>
Net Fair Market Value	<u>\$ 1,324,376</u>	<u>\$ 1,233,977</u>

The cash and investments activity of the Foundation for the years ended June 30 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Beginning Equity Value	\$ 1,216,987	\$ 1,210,327
Additional Contributions Received:		
Unrestricted	---	215
Permanently restricted endowments	46,007	81,580
Loss on capital asset disposal	---	---
Investment Earnings:		
Interest and dividends	26,296	40,202
Realized gains (losses)	4,566	(1,984)
Unrealized gains (losses)	92,419	(46,022)
Investment fees	---	(11,891)
Operating costs, expenses, and other disbursements	<u>(83,925)</u>	<u>(55,440)</u>
Ending Equity Value	<u>\$ 1,302,350</u>	<u>\$ 1,216,987</u>

The Foundation maintains deferred liabilities on gift annuities received in current and prior periods. Payments required to be made to donors include repayment of basis and interest and are scheduled beyond five years from June 30, 2017 total \$24,625.

Of the total Foundation net assets as of June 30, 2017, \$653,912 is permanently restricted as the contributions were received as permanent endowments.

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 5 – Foundation Investments (continued)

The Foundation holds temporarily restricted net assets that consist of funds received as income or investment income designated for a specific purpose where the specific purpose has not yet been met or funds have not yet been accessed in the amount of \$118,915 and \$79,560 as of June 30, 2017 and 2016, respectively.

The Foundation holds unrestricted funds of \$529,522 as of June 30, 2017.

Note 6 – Endowment Funds

The Foundation's endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Montana Prudent management of Institutional Funds Act (MTMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MTMIFA.

In accordance with MTMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policy of the Foundation.

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 6 - Endowment Funds (continued)

The composition of endowment net assets by fund as of June 30, 2017 and 2016, is as follows:

June 30, 2017:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 653,912	\$ 653,912
Board restricted	<u>468,073</u>	<u>118,915</u>		<u>586,988</u>
	<u>\$ 468,073</u>	<u>\$ 118,915</u>	<u>\$ 653,912</u>	<u>\$ 1,240,900</u>

June 30, 2016:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 607,905	\$ 607,905
Board restricted	<u>355,827</u>	<u>79,560</u>		<u>435,387</u>
	<u>\$ 355,827</u>	<u>\$ 79,560</u>	<u>\$ 607,905</u>	<u>\$ 1,043,292</u>

Changes in endowments net assets for the years ended June 30, 2017 and 2016, are as follows:

June 30, 2017:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 355,827	\$ 79,560	\$ 607,905	\$ 1,043,292
Investment returns:				
Interest/dividends		26,296		26,296
Net appreciation		96,985		96,985
Contributions	6,266		44,778	51,044
Appropriation of assets for collapsed annuity	(1,229)		1,229	---
Appropriation of assets by management	<u>107,209</u>	<u>(83,926)</u>		<u>23,283</u>
End of year	<u>\$ 468,073</u>	<u>\$ 118,915</u>	<u>\$ 653,912</u>	<u>\$ 1,240,900</u>

Continued...

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 6 - Endowment Funds (continued)

June 30, 2016:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 449,666	\$ 154,695	\$ 526,325	\$ 1,130,686
Investment returns:				
Interest/dividends		30,307		30,307
Net appreciation		(38,111)		(38,111)
Contributions	8,813		77,108	85,921
Appropriation of assets for collapsed annuity	(4,472)		4,472	---
Appropriation of assets by management	<u>(98,180)</u>	<u>(67,331)</u>	<u> </u>	<u>(165,511)</u>
End of year	<u>\$ 355,827</u>	<u>\$ 79,560</u>	<u>\$ 607,905</u>	<u>\$ 1,043,292</u>

The Foundation, under the Montana administrative rules, is required to disclose certain endowment considerations as follows:

The Foundation adopted the policy to report earnings from all donor-restricted endowment funds as temporarily restricted until funds are appropriated consistent with donors' restrictions. Any depreciation of asset value in excess of historic dollar value is recognized firstly as a reduction, but not below zero, in temporarily restricted net assets and secondly as a reduction in unrestricted net assets. The Foundation's endowment spending policy does not require periodic distribution of income or principal at this time. The Foundation investment objective is to earn long-term returns comprised of capital appreciation and current income sufficient to maintain the Agency level of services and programs in relation to inflation. The policy includes a ROR performance benchmark of 7.7%. The Foundation will achieve returns through balanced investment in implementation peer groups, or relative risk investment segments. The Foundation's risk tolerance includes the acceptance of interim market fluctuations and rates of return in order to achieve the longer-term ROR objectives.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 7 - Restricted Net Assets

The combined organizations hold temporarily restricted net assets available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Client services and immediate needs assistance	\$ 50,243	\$ 130,099
Commercial real estate	2,122,907	---
Family Advocacy	6,756	13,752
Undistributed food donations	96,506	197,596
Undistributed endowment earnings	118,915	79,560
Funds held in trust	<u>4,781</u>	<u>4,035</u>
	<u>\$ 2,400,108</u>	<u>\$ 425,042</u>

The Foundation holds permanently restricted net assets as of June 30, 2017 and 2016, to be held in perpetuity with additional restrictions on income generated by investments as follows:

	<u>2017</u>	<u>2016</u>
Undesignated permanently restricted net assets	\$ 627,922	\$ 581,915
Designated permanently restricted net assets:		
Linda Robbins Emergency Care Fund	990	990
Back to School program	<u>25,000</u>	<u>25,000</u>
	<u>\$ 653,912</u>	<u>\$ 607,905</u>

Note 8 - Pension Plan

The Agency implemented a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) effective July 1, 2000. Under the SIMPLE plan, employees who are expected to earn at least \$5,000 in the first year and have surpassed the probationary period may contribute a percentage of their compensation not to exceed \$12,000 in employee contributions per year to the plan. The Agency will contribute a matching contribution on a \$1:1 ratio not to exceed 3% of the employees' compensation. The total employer pension plan expense for the year ended June 30, 2017 and 2016, was \$11,660 and \$11,543, respectively.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 9 - Related Party Transactions

Family Service of Billings Foundation, Inc. (Foundation) was formed to undertake, promote, develop, support, and carry on charitable and educational activities through contributions to any charitable or governmental organization. In October 2007, the Foundation unanimously resolved to restrict its support to only the Agency. The Organizations share two common board members. For the years ended June 30, 2017 and 2016, the Foundation provided \$76,500 and \$53,657, respectively, in financial support for charitable purposes to the Agency.

The Agency employed the Foundation Director under a contract agreement during the period. The contract provided that the employee's compensation, related taxes, and any operating expenses would be paid by the Agency without a recognized responsibility for repayment by the Foundation. The employee was covered by all employment policies and procedures of the Agency and, therefore, allowed to participate in any employment benefits provided therein. The Foundation Director continued to be supervised by the Foundation Board of Directors.

Note 10 - Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Agency's and Foundation's deposits held at individual institutions in excess of the federally insured limit of \$250,000 may not be returned to it. The Agency and Foundation do not have a policy for custodial credit risk; however, the financial institutions which have been utilized by the entities are considered high in quality and do not pose any known risk of loss. The Agency and Foundation periodically will exceed the FDIC established insured depository limit during the fiscal year.

Note 11 - Special events

Special events support includes a reduction for benefits provided directly to participants in the amount of \$31,682 and \$22,997, respectively, for the periods ended June 30, 2017 and 2016.

Note 12 - Rent

The Agency occupies warehouse space on a month-to-month basis. Warehouse rent expense for the years ended June 30, 2017 and 2016, amounted to \$7,223 and \$7,200, respectively.

**FAMILY SERVICE AND
FAMILY SERVICE OF BILLINGS FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Note 13 - Subsequent Events

The Agency and Foundation have not had any subsequent financial events through January 15, 2018, which is the date the financial statements were available to be issued, for type I events requiring recording or disclosure in the financial statements for the year ended June 30, 2017.

SUPPLEMENTARY INFORMATION

**FAMILY SERVICE
SUPPLEMENTAL SCHEDULE
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and equivalents	\$ 437,736	\$ 126,592
Unconditional promises to give	393	11,263
Current portion pledges receivable	335,726	---
Inventories	142,089	231,752
Prepaid expenses	<u>7,900</u>	<u>9,323</u>
Total Current Assets	<u>923,844</u>	<u>378,930</u>
 Other Assets		
Investments	1,448,408	796,304
Pledges receivable, net of current portion	962,378	---
Funds held in trust	<u>4,782</u>	<u>4,035</u>
Total Other Assets	<u>2,415,568</u>	<u>800,339</u>
 Property and Equipment		
Land and improvements	82,984	82,984
Building and improvements	370,505	359,389
Equipment	<u>281,372</u>	<u>281,372</u>
	734,861	723,745
Less accumulated depreciation	<u>(463,950)</u>	<u>(424,620)</u>
Net property and equipment	<u>270,911</u>	<u>299,125</u>
 Total Assets	 <u>\$ 3,610,323</u>	 <u>\$ 1,478,394</u>

Continued...

**FAMILY SERVICE
SUPPLEMENTAL SCHEDULE
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts payable	\$ 2,679	\$ 1,385
Accrued expenses		
Wages and paid leave	48,715	35,893
Taxes, other than income taxes	<u>46</u>	<u>800</u>
Total Current Liabilities	<u>51,440</u>	<u>38,078</u>
Net Assets		
Unrestricted		
Invested in capital assets	270,911	299,125
Unreserved	<u>1,006,779</u>	<u>795,710</u>
	1,277,690	1,094,835
Temporarily restricted	<u>2,281,193</u>	<u>345,481</u>
Total Net Assets	<u>3,558,883</u>	<u>1,440,316</u>
Total Liabilities and Net Assets	<u>\$ 3,610,323</u>	<u>\$ 1,478,394</u>

**FAMILY SERVICE
SUPPLEMENTAL SCHEDULE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public Support				
Public support, net	\$ 555,098	\$ 2,227,315	\$	\$ 2,782,413
Sales to public	289,987			289,987
Special events, net of direct benefit	228,990			228,990
United Way support	28,750			28,750
Grants	70,250	54,500		124,750
Program reimbursements	5,090			5,090
Total fundraising	<u>1,178,165</u>	<u>2,281,815</u>		<u>3,459,980</u>
Donated goods and services	<u>3,046,915</u>			<u>3,046,915</u>
Total public support	<u>4,225,080</u>	<u>2,281,815</u>		<u>6,506,895</u>
Revenue				
Investment income	13,164	746		13,910
Miscellaneous	<u>6,764</u>			<u>6,764</u>
Total revenue	<u>19,928</u>	<u>746</u>		<u>20,674</u>
Net assets released from restrictions	<u>346,849</u>	<u>(346,849)</u>		<u>---</u>
Total public support and revenue	<u>4,591,857</u>	<u>1,935,712</u>		<u>6,527,569</u>
Expenses				
Program services	3,929,993			3,929,993
Supporting services	127,581			127,581
Fundraising	<u>351,428</u>			<u>351,428</u>
Total expenses	<u>4,409,002</u>			<u>4,409,002</u>
Change in Net Assets	182,855	1,935,712		2,118,567
Net Assets, Beginning of Year	<u>1,094,835</u>	<u>345,481</u>	<u>---</u>	<u>1,440,316</u>
Net Assets, End of Year	<u>\$ 1,277,690</u>	<u>\$ 2,281,193</u>	<u>\$ ---</u>	<u>\$ 3,558,883</u>

Continued...

**FAMILY SERVICE
SUPPLEMENTAL SCHEDULE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public Support				
Public support, net	\$ 397,141	\$ 84,358	\$	\$ 481,499
Sales to public	258,261			258,261
Special events, net of direct benefit	202,442			202,442
United Way support	30,000			30,000
Grants	53,657	83,500		137,157
Program reimbursements		3,833		3,833
Total fundraising	<u>941,501</u>	<u>171,691</u>		<u>1,113,192</u>
Donated goods and services	<u>2,289,401</u>			<u>2,289,401</u>
Total public support	<u>3,230,902</u>	<u>171,691</u>		<u>3,402,593</u>
Revenue				
Investment income	(93)			(93)
Miscellaneous	4,571			4,571
Total revenue	<u>4,478</u>			<u>4,478</u>
Net assets released from restrictions	<u>256,751</u>	<u>(256,751)</u>		<u>---</u>
Total public support and revenue	<u>3,492,131</u>	<u>(85,060)</u>		<u>3,407,071</u>
Expenses				
Program services	3,101,125			3,101,125
Supporting services	171,991			171,991
Fundraising	166,360			166,360
Total expenses	<u>3,439,476</u>			<u>3,439,476</u>
Change in Net Assets	52,655	(85,060)		(32,405)
Net Assets, Beginning of Year	<u>1,042,180</u>	<u>430,541</u>	<u>---</u>	<u>1,472,721</u>
Net Assets, End of Year	<u>\$ 1,094,835</u>	<u>\$ 345,481</u>	<u>\$ ---</u>	<u>\$ 1,440,316</u>

**FAMILY SERVICE
SUPPLEMENTAL SCHEDULE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 401,673	\$ 51,257	\$ 128,594	\$ 581,524
Assistance to individuals	146,507			146,507
Benefits	51,008	6,653	16,263	73,924
Payroll taxes	43,394	5,660	13,836	62,890
Special events			9,710	9,710
Supplies	15,247	11,688	38,710	65,645
Occupancy	34,440	24,853		59,293
Postage	321	6,003	2,935	9,259
Insurance		3,225		3,225
Volunteer appreciation	144		1,661	1,805
Transportation	16,038	87	500	16,625
Advertising and printing	6,859	1,143	14,862	22,864
Professional fees	11,622	2,682	3,576	17,880
Communications and technology	13,039	4,193	4,192	21,424
Capital campaign fees			113,625	113,625
Property tax				---
Outside services	4,154	958	1,278	6,390
Repair and maintenance	4,103	316		4,419
Training and conferences	266	2,225	1,686	4,177
Miscellaneous	480	480		480
	<u>748,815</u>	<u>121,423</u>	<u>351,428</u>	<u>1,221,666</u>
Donated goods and services	3,148,006			3,148,006
Uncollectible pledges				---
Depreciation	<u>33,172</u>	<u>6,158</u>		<u>39,330</u>
Total expenses	<u>\$3,929,993</u>	<u>\$ 127,581</u>	<u>\$ 351,428</u>	<u>\$4,409,002</u>

Continued...

**FAMILY SERVICE
SUPPLEMENTAL SCHEDULE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 385,595	\$ 104,337	\$ 54,104	\$ 544,036
Assistance to individuals	157,239			157,239
Benefits	55,869	6,641	6,182	68,692
Payroll taxes	41,672	10,614	5,171	57,457
Special events			5,815	5,815
Supplies	12,969	5,468	9,165	27,602
Occupancy	37,035	12,625		49,660
Postage	632	414	2,387	3,433
Insurance		3,184		3,184
Volunteer appreciation	522		2,383	2,905
Transportation	20,489		654	21,143
Advertising and printing	12,671	382	24,888	37,941
Professional fees	12,258	3,177		15,435
Communications and technology	5,039	8,294	1,496	14,829
Capital campaign fees			47,668	47,668
Property tax				---
Outside services	7,459	6,288	3,212	16,959
Repair and maintenance		1,430	1,015	2,445
Training and conferences	1,289	2,684	1,043	5,016
Miscellaneous	688	295		983
	<u>751,426</u>	<u>165,833</u>	<u>165,183</u>	<u>1,082,442</u>
Donated goods and services	2,317,497			2,317,497
Uncollectible pledges			1,177	1,177
Depreciation	<u>32,202</u>	<u>6,158</u>		<u>38,360</u>
Total expenses	<u>\$3,101,125</u>	<u>\$ 171,991</u>	<u>\$ 166,360</u>	<u>\$3,439,476</u>

**FAMILY SERVICE
SUPPLEMENTAL SCHEDULE
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,118,567	\$ (32,405)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	39,330	38,360
(Gain) loss on beneficial interest	(746)	281
Net public support restricted to capital asset acquisition	(2,072,907)	---
Unrealized (gain) loss on investments	(4,433)	9,219
Distribution (receipt) of inkind donations	89,663	39,775
(Gain) loss on sale of investments	(52)	(1,564)
Uncollectible pledges	---	1,177
Change in assets and liabilities:		
Unconditional promises to give	10,870	(2,649)
Prepaid expenses	1,423	580
Accounts payable	1,294	(22,789)
Accrued expenses	<u>12,068</u>	<u>(1,119)</u>
 Net cash and cash equivalents provided by (used in) operating activities	 <u>195,077</u>	 <u>28,866</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(805,247)	(43,040)
Proceeds from sale of investments	157,627	43,925
Purchase of property and equipment	<u>(11,116)</u>	<u>(100,034)</u>
 Net cash and cash equivalents provided by (used in) investing activities	 <u>(658,736)</u>	 <u>(99,149)</u>

Continued...

**FAMILY SERVICE
SUPPLEMENTAL SCHEDULE
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital asset acquisition campaign	\$ 2,219,683	
Distribution of capital campaign proceeds	(146,776)	
Pledges made during the period, net of adjustment	(1,519,026)	
Pledges received during the period	<u>220,922</u>	
 Net cash and cash equivalents provided by financing activities	 <u>774,803</u>	 <u>---</u>
 Net Change in Cash and Cash Equivalents	 311,144	 (70,283)
 Cash and Cash Equivalents at Beginning of Year	 <u>126,592</u>	 <u>196,875</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 437,736</u>	 <u>\$ 126,592</u>
 SUPPLEMENTAL DISCLOSURES		
 Interest paid	 <u>\$ ---</u>	 <u>\$ ---</u>
 Income taxes paid	 <u>\$ ---</u>	 <u>\$ ---</u>