



(A California Nonprofit Public Benefit Corporation)

Financial Statements

June 30, 2019 and 2018

SENECA FAMILY OF AGENCIES

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Independent Auditors' Report

To the Audit Committee
Seneca Family of Agencies

Report on the Financial Statements

We have audited the accompanying financial statements of Seneca Family of Agencies (a California non-profit public benefit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 circumstance, 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 Seneca Family of Agencies as of June 30, 2019 and 2018, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and nonfederal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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. The accompanying schedule of expenditures of Alameda County grants is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental fair value information in Note 21 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 November 26, 2019, on our consideration of Seneca Family of Agencies' 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 Seneca Family of Agencies' internal control over financial reporting compliance.

Gilman & Associates LLP

San Mateo, CA
November 26, 2019

SENECA FAMILY OF AGENCIES

Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 5,900,178	\$ 5,364,830
Investments	357,928	12,064
Accounts receivable:		
Government agencies	23,999,766	22,749,917
Other	1,788,260	1,363,512
Prepaid expenses	1,140,797	801,931
	<u>33,186,929</u>	<u>30,292,254</u>
Property and equipment - net		
Held and used	33,415,975	30,056,155
Held for sale	4,739,236	2,778,504
	<u>38,155,211</u>	<u>32,834,659</u>
Other assets		
Deposits	2,016,062	1,574,671
Other	45,200	45,200
	<u>2,061,262</u>	<u>1,619,871</u>
	<u><u>\$ 73,403,402</u></u>	<u><u>\$ 64,746,784</u></u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,669,347	\$ 1,315,357
Accrued liabilities	10,640,562	9,332,095
Line of credit	2,732,432	-
Reserves	793,378	519,873
Overpayments	2,032,315	1,921,216
Deferred revenue	5,907,303	3,961,438
Notes payable	-	66,763
Bonds payable	882,023	329,937
	<u>24,657,360</u>	<u>17,446,679</u>
Long term liabilities		
Reserves, net of current portion	4,113,863	3,316,333
Notes payable, net of current portion	-	1,101,503
Bonds payable	17,605,605	18,161,499
	<u>21,719,468</u>	<u>22,579,335</u>
	<u>46,376,828</u>	<u>40,026,014</u>
Net assets		
Without restrictions	24,596,222	23,510,609
With restrictions	2,430,352	1,210,162
	<u>27,026,574</u>	<u>24,720,771</u>
	<u><u>\$ 73,403,402</u></u>	<u><u>\$ 64,746,785</u></u>

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Without Restrictions	With Restrictions	Total
Revenue and support			
Contributions			
General	\$ 178,043	\$ 4,265,314	\$ 4,443,357
In-kind	348,827	-	348,827
Government contracts	113,114,758	-	113,114,758
Program service fees - health insurance	3,395,606	-	3,395,606
Special events (net of expenses of \$222,228)	517,403	-	517,403
Other revenue	2,034,563	-	2,034,563
Interest income	28,343	-	28,343
Net assets released from restrictions	3,045,124	(3,045,124)	-
	122,662,667	1,220,190	123,882,857
Expenses			
Program services	104,769,045	-	104,769,045
Support services	16,808,009	-	16,808,009
	121,577,054	-	121,577,054
Changes in net assets	1,085,613	1,220,190	2,305,803
Net assets, beginning of year	23,510,609	1,210,162	24,720,771
Net assets, end of year	\$ 24,596,222	\$ 2,430,352	\$ 27,026,574

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	Without Restrictions	With Restrictions	Total
Revenue and support			
Contributions			
General	\$ 658,732	\$ 1,873,572	\$ 2,532,304
In-kind	387,203	-	387,203
Government contracts	103,218,234	-	103,218,234
Program service fees - health insurance	2,976,623	-	2,976,623
Special events (net of expenses of \$84,793)	113,092	-	113,092
Other revenue	2,942,690	-	2,942,690
Interest income	22,523	-	22,523
Net assets released from restrictions	2,342,491	(2,342,491)	-
	112,661,588	(468,919)	112,192,669
Expenses			
Program services	96,376,050	-	96,376,050
Support services	14,755,198	-	14,755,198
	111,131,248	-	111,131,248
Changes in net assets	1,530,340	(468,919)	1,061,421
Net assets, beginning of year	21,980,269	1,679,081	23,659,350
Net assets, end of year	\$ 23,510,609	\$ 1,210,162	\$ 24,720,771

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Functional Expenses

Year Ended June 30, 2019

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	\$ 36,261,310	\$ 28,694,246	\$ 2,787,007	\$ 1,072,610	\$ 68,815,173	\$ 739,818	\$ 7,796,466	\$ 77,351,457
Payroll taxes and employee benefits	8,604,192	6,808,657	661,309	254,512	16,328,670	175,546	1,849,969	18,354,185
Total Payroll	44,865,502	35,502,903	3,448,316	1,327,122	85,143,843	915,364	9,646,435	95,705,642
Operations								
Advertisement and recruitment	141,299	104,977	89,223	3,913	339,412	21,026	33,153	393,591
Bad debts	85,390				85,390			85,390
Bank fee	806	-	-	974	1,780	14,930	25,479	42,189
Clothing	7,607	-	(200)	-	7,407	-	-	7,407
Conferences and training	300,523	267,177	15,783	17,268	600,751	8,455	128,398	737,604
Contingency reserve	-	-	-	-	-	-	725,011	725,011
Contract services	4,480,640	1,196,420	114,274	792,991	6,584,325	128,837	818,748	7,531,910
Equipment leases	15,915	8,356	4,769	47	29,087	196	5,258	34,541
Family service fees	122,354	-	1,576,449	-	1,698,803	-	-	1,698,803
Food	74,138	239,879	46	-	314,063	-	-	314,063
Fundraising	-	250	-	-	250	108,607	6,219	115,076
Government fees	22,405	91,202	19,276	8	132,891	123	44,365	177,379
Insurance	104	-	-	-	104	-	684,488	684,592
Interest	389,040	24,325	28,288	36,345	477,998	3,860	302,884	784,742
In-kind	110,829	-	-	-	110,829	123,761	114,237	348,827
Medical - Non Medi-Cal	14,760	691	-	-	15,451	-	16,661	32,112
Occupancy	351,342	561,992	88,882	-	1,002,216	-	154,603	1,156,819
Printing	5,724	4,799	651	1,360	12,534	16,710	51,616	80,860
Repairs and maintenance	1,033,846	664,803	104,729	18,092	1,821,470	9,465	693,183	2,524,118
Special events	4	145,148	-	-	145,152	-	-	145,152
Subscription and dues	19,780	35,816	1,661	6,349	63,606	17,563	372,652	453,821
Supplies and postage	1,033,517	783,289	43,161	5,683	1,865,650	15,771	394,679	2,276,100
Telephone	512,381	295,729	56,616	10,017	874,743	6,052	170,212	1,051,007
Transportation	1,173,984	268,790	122,905	16,443	1,582,122	7,111	184,668	1,773,901
Travel	125,098	70,100	4,835	66,285	266,318	9,094	209,505	484,917
Utilities	318,630	259,121	32,037	544	610,332	2,445	201,023	813,800
Total Expenses Before Depreciation	55,205,618	40,525,767	5,751,701	2,303,441	103,786,527	1,409,370	14,983,477	120,179,374
Depreciation	585,521	299,949	74,264	22,784	982,518	5,686	409,476	1,397,680
Total Direct Expenses	55,791,139	40,825,716	5,825,965	2,326,225	104,769,045	1,415,056	<u>\$ 15,392,953</u>	<u>\$ 121,577,054</u>
Allocable Management & General Expense	8,087,749	5,918,290	844,560	337,221	15,187,820	205,133		
Total Expense	<u>\$ 63,878,888</u>	<u>\$ 46,744,006</u>	<u>\$ 6,670,525</u>	<u>\$ 2,663,446</u>	<u>\$ 119,956,865</u>	<u>\$ 1,620,189</u>		

See accompanying notes.

SENECA FAMILY OF AGENCIES

Statement of Functional Expenses

Year Ended June 30, 2018

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	\$ 31,983,812	\$ 27,368,264	\$ 3,228,443	\$ 1,348,338	\$ 63,928,857	\$ 710,245	\$ 7,086,905	\$ 71,726,007
Payroll taxes and employee benefits	7,117,613	6,090,479	718,451	300,057	14,226,600	158,057	1,577,126	15,961,783
Total Payroll	39,101,425	33,458,743	3,946,894	1,648,395	78,155,457	868,302	8,664,031	87,687,790
Operations								
Advertisement and recruitment	132,579	115,795	32,737	5,920	287,031	9,605	1,807	298,443
Bank fees	107	-	-	1,655	1,762	7,716	31,239	40,717
Clothing	4,933	-	-	-	4,933	-	-	4,933
Conferences and training	194,943	271,693	19,297	44,988	530,921	8,915	102,672	642,508
Contingency reserve	-	-	-	-	-	-	15,000	15,000
Contract services	4,048,169	1,061,024	167,884	908,861	6,185,938	79,728	882,373	7,148,039
Equipment leases	32,986	5,138	4,234	11	42,369	200	10,881	53,450
Family service fees	87,805	11	1,764,967	-	1,852,783	-	-	1,852,783
Food	75,260	229,790	219	-	305,269	-	-	305,269
Fundraising	275	-	-	-	275	46,707	11,310	58,292
Government fees	37,797	71,722	25,435	-	134,954	1,349	70,079	206,382
Insurance	100	-	-	-	100	-	633,929	634,029
Interest	297,700	22,465	33,359	32,285	385,809	7,174	376,016	768,999
In-kind	106,090	16,240	670	-	123,000	127,165	137,038	387,203
Medical-Non Medi Cal	23,116	788	36	-	23,940	3	17,273	41,216
Occupancy	374,437	544,011	105,029	-	1,023,477	836	105,339	1,129,652
Printing	2,261	4,812	654	1,011	8,738	7,502	10,393	26,633
Repairs and maintenance	785,996	588,542	97,963	17,894	1,490,395	10,889	660,771	2,162,055
Special events	299	119,768	-	-	120,067	-	-	120,067
Subscription and dues	20,501	34,171	3,482	11,784	69,938	16,511	377,457	463,906
Supplies and postage	873,997	603,695	49,030	28,333	1,555,055	20,312	341,512	1,916,879
Telephone	476,679	285,481	74,230	11,454	847,844	5,698	152,578	1,006,120
Transportation	1,108,523	272,311	158,059	11,727	1,550,620	5,413	209,160	1,765,193
Travel	99,027	110,715	13,853	77,832	301,427	2,445	180,678	484,550
Utilities	272,838	259,550	42,023	89	574,500	2,687	173,293	750,480
Total Expenses Before Depreciation	48,157,843	38,076,465	6,540,055	2,802,239	95,576,602	1,229,157	13,164,829	109,970,588
Depreciation	449,422	247,695	84,459	17,872	799,448	8,810	352,402	1,160,660
Total Direct Expenses	48,607,265	38,324,160	6,624,514	2,820,111	96,376,050	1,237,967	<u>\$ 13,517,231</u>	<u>\$ 111,131,248</u>
Allocable Management & General Expense	6,730,957	5,306,988	917,338	390,519	13,345,802	171,429		
Total Expense	<u>\$ 55,338,222</u>	<u>\$ 43,631,148</u>	<u>\$ 7,541,852</u>	<u>\$ 3,210,630</u>	<u>\$ 109,721,852</u>	<u>\$ 1,409,396</u>		

See accompanying notes

SENECA FAMILY OF AGENCIES

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ 2,305,803	\$ 1,061,421
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	1,397,680	1,160,660
Amortization of bond issuance costs	27,913	25,687
Gain on asset disposal	(4,200)	(1,132,288)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - government agencies	(1,249,849)	(4,181,359)
Accounts receivable - other	(424,748)	98,396
Pledges receivable	-	117,200
Prepaid expenses	(338,866)	(208,955)
Deposits	(441,391)	(274,956)
Increase (decrease) in:		
Accounts payable	353,992	(369,706)
Accrued liabilities	1,308,467	522,412
Reserves	1,071,035	(23,987)
Overpayments	111,099	(95,925)
Deferred revenue	1,945,865	950,868
Net cash provided (used) by operating activities	<u>6,062,800</u>	<u>(2,350,532)</u>
Cash flows from investing activities		
Cash proceeds from sale of property and equipment	4,200	1,616,767
Purchase of property and equipment	(6,718,233)	(8,745,598)
Purchase of investments	(345,864)	(292)
Net cash used by investing activities	<u>(7,059,897)</u>	<u>(7,129,123)</u>
Cash flows from financing activities		
Cash from Series B bond issue	-	3,960,093
Cash from Series A bond issue for the reimbursement of property and equipment purchases	332,063	1,621,795
Draws on line of credit (net)	2,732,432	-
Principal payments on bonds payable	(363,784)	-
Principal payments on notes payable	(1,168,266)	(17,669)
Net cash provided by financing activities	<u>1,532,445</u>	<u>5,564,219</u>
Net increase (decrease) in cash	535,348	(3,915,436)
Cash and cash equivalents, beginning of year	<u>5,364,830</u>	<u>9,280,266</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,900,178</u></u>	<u><u>5,364,830</u></u>
Supplemental disclosures		
Interest paid	\$ 756,828	735,754
In-kind contributions for use in operations	348,827	387,203
Noncash transactions:		
Note receivable issued on sale of property	-	338,000
Notes payable paid upon sale of property	-	1,234,577
Refinance of notes payable and bonds payable, including issuance costs, using tax exempt bonds. See Note 10.	-	4,622,686

See accompanying notes.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 1 - The Organization

Seneca Family of Agencies was founded in 1985 with the simple but profound promise to help children and families through the most difficult times of their lives, regardless of the challenges or circumstances they face. Across the agency, Seneca's service provision is driven by its underlying agency philosophy and clinical treatment model Unconditional Care®, which ensures that youth and families receive individualized, comprehensive, and holistic supports to address their unique needs. Seneca's work bridges child- and family-service systems to create integrated and comprehensive continuums of care. Today, Seneca offers a full spectrum of behavioral health, permanency and placement, education, and juvenile justice services that impact more than 18,000 youth and families annually, including 187 program sites across 18 counties in California and two in Washington State.

Behavioral Health Services: Seneca provides a range of community-, clinic-, residential-, and school-based behavioral health services. The agency's services include individual, group, and family therapy, Wraparound, Therapeutic Behavioral Services (TBS), Intensive Care Coordination, Intensive Home-Based Services, Mobile Crisis Response Teams, Crisis Stabilization Units, Partial Hospitalization programs, and crisis residential treatment services. In fiscal year 2018-19, Seneca's behavioral health programs provided responsive and individualized services for 9,398 youth and their families.

Permanency and Placement Services: Seneca provides a wide array of permanency-focused programs and services to help ensure that every child has a safe and loving place to call home. Our continuum of permanency programs serves approximately 1,000 children each year and includes Visitation services, Family Finding and Engagement, case management for kinship caregivers, and Foster Family Agency (FFA) and Adoption Agency (AA) services.

Education: Seneca's education services are driven by its nationally recognized Unconditional Education® (UE) model. UE is built on the vision that all children can succeed in inclusive educational settings when provided with ready access to a flexible and responsive set of supports that adapts to their changing needs. Currently, Seneca provides its trauma-informed UE services with a focus on prevention and early intervention in 51 schools across nine districts in California and 21 schools in Washington State. In addition, Seneca operates five nonpublic schools and 19 counseling-enriched classrooms throughout the Bay Area, which provide therapeutic services for students with profound behavioral and social-emotional challenges.

Innovation: Seneca is committed constantly improving its service through regularly advancing innovative approaches, researching and incorporating best practices in the field, and striving to provide comprehensive services that thoroughly address families' needs.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 1 - The Organization (continued)

Examples include:

- Creation of the National Institute for Permanent Family Connectedness (NIPFC), which works to promote permanency for youth through training, consultation, and advocacy on the Family Finding and Engagement model.
- Seneca's Institute for Advanced Practice (SIAP), which provides over 6,000 hours of training annually for staff, county partners, and community-based providers in a wide range of evidence-based and best practices.

Behavioral health accreditation by The Joint Commission since 2010, reflecting the agency's desire to use the highest standard of practice in care and treatment

Volunteer professional services and in-kind donor participation – During the years ended June 30, 2019 and 2018 the Organization acknowledged the following in-kind donations:

	<u>2019</u>	<u>2018</u>
In kind donations for use in programs	\$ 123,690	\$ 165,744
In kind rent	110,900	84,421
Legal services	<u>114,237</u>	<u>137,038</u>
	<u>\$ 348,827</u>	<u>\$ 387,203</u>

Note 2 - Summary of Significant Accounting Policies

Basis of accounting - The accrual method of accounting is used, which reflects revenue when earned and expenses as incurred.

Basis of presentation - Resources are classified for accounting and reporting purposes into two classes of net assets, according to externally imposed restrictions:

Net assets without restrictions - Net assets that are not subject to donor-imposed stipulations, which represent the expendable resources that are available for operations at management's discretion.

Net assets with restrictions - Net assets subject to donor-imposed stipulations. Some donor stipulations are temporary, and can be fulfilled by actions of the Organization pursuant to those stipulations or by the passage of time. Other donor stipulations require the resources be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and cash equivalents - Cash and cash equivalents include cash, money market accounts, and demand deposits held by financial institutions, and other highly liquid investments with a maturity of three months or less.

Accounts receivable - Accounts receivable includes receivables from governmental agencies and private foundations, as well as receivables related to rents, service and consulting income. The Organization uses an allowance method in order to reserve for potential uncollectible accounts receivable.

Property and equipment - Property and equipment in excess of \$1,500 are stated at cost if purchased or at fair market value at the date of donation if donated, with the exception of assets purchased for the group homes, which are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Contributions and pledges receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments - The Organization values its investments at fair value. Gains and losses (including investments bought, sold, and held during the year) are reflected in the statement of activities as investment return. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

Fair value measurements - Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices on active markets for identical assets

Level 2 inputs - quoted prices on active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

The Organization is required to measure three types of assets and the related revenues at fair value: unconditional promises to give (pledges receivable), certain investments, and in-kind contributions. The specific techniques used to measure fair value for each element are described in the notes that relate to each element.

Revenue recognition – The Organization reports cash contributions as 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. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

In-kind contributions - Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A number of unpaid volunteers have made significant contributions of their time and perform a variety of tasks that assist the Organization with its programs. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Functional allocation of expenses - The Organization has in place a cost allocation plan employed to allocate indirect expenses among programs and administrative services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

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.

Income taxes - The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d, and is considered by the IRS to be an organization other than a private foundation.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in the Organization's federal and state exempt organization and business income returns are more likely than not to be sustained upon examination.

Reclassifications – Prior year accounts receivable from government agencies and other accounts receivable have been reclassified for presentation purposes, to be consistent with the current year presentation. The reclassification did not result in a change in total accounts receivable.

Prior year net assets have been reclassified from three net asset classes to two, as required with the adoption of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, implemented by the Organization effective July 1, 2018 and applied retrospectively to the prior period. The change combined temporarily restricted net assets and permanently restricted net assets into net assets with restrictions.

Note 3 - Property and Equipment

Classification as Held and Used: As of June 30, property and equipment held for use in operations consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 10,968,290	\$ 9,724,229
Buildings	15,434,327	14,693,243
Leasehold improvements	9,196,066	7,156,532
Furniture and equipment	2,723,488	2,403,193
Vehicles	1,850,520	1,778,917
Portable buildings	178,314	178,314
Construction in progress		
Real estate	1,497,545	1,753,876
IT infrastructure	<u>898,997</u>	<u>545,937</u>
	42,747,547	38,234,241
Accumulated depreciation	<u>(9,331,572)</u>	<u>(8,178,086)</u>
	<u>\$33,415,975</u>	<u>\$ 30,056,155</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 3 - Property and Equipment (continued)

For the year ended June 30, 2019 and 2018, depreciation expense was \$1,397,680 and \$1,160,660, respectively.

The Organization is evaluating the use of a former group home in Crockett, California, and accordingly, it is classified as held and used as of June 30, 2019 and 2018.

The Organization leases a portion of its commercial space at various locations to other organizations, and leases land in Oakland, California, to a telecommunications company. Leases are for various terms expiring through December 2021.

Fixed assets included in property and equipment held and used that are utilized in leasing activities are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,037,083	\$ 1,262,690
Buildings	6,507,096	5,239,978
Leasehold improvements	1,403,587	1,104,670
Construction in progress	<u>360,246</u>	<u>-</u>
	10,308,012	7,607,338
Accumulated depreciation	<u>(533,628)</u>	<u>(248,260)</u>
	<u>\$ 9,774,384</u>	<u>\$ 7,359,078</u>

Total lease income for the year ended June 30, 2019 and 2018 is \$581,402 and \$391,458, respectively, and is included in other revenue.

Minimum future rental income from leases is as follows:

<u>Year ending June 30,</u>	
2020	\$ 277,393
2021	76,121
2022	<u>37,021</u>
	<u>\$ 390,535</u>

Classification as Held for Sale – In March 2018, the Organization entered into an agreement for the sale of real property located in Oakland, California. The sale was amended in December 2018 and September 2019, including adjusting the purchase price to \$10,995,000. Closing is scheduled for December 5, 2019. The Organization will recognize a gain of \$8,112,000 on the sale.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 3 - Property and Equipment (continued)

The Organization has an option agreement related to this sale, and received \$320,000 and \$275,000 in option revenue for years ended June 30, 2019 and 2018, respectively, which is included in other revenue. Subsequent to year end, the Organization received \$1,200,000 in additional option payments and fees. In addition, the Organization will receive a \$2.5 million nonrefundable entitlement approval fee no later than July 2020.

In September 2019, the Organization sold property in Brentwood, California for \$2,775,000 cash. The Organization will recognize a gain of \$795,000 on the sale.

After the sales, the Organization will consolidate the portion of its operations at these sites to other existing locations.

As of June 30, total property and equipment held for sale consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,800,975	\$ 2,656,764
Buildings	1,765,542	201,740
Leasehold Improvements	<u>438,436</u>	<u>-</u>
	5,004,953	2,858,504
Accumulated depreciation	<u>(265,717)</u>	<u>(80,000)</u>
	<u>\$ 4,739,236</u>	<u>\$ 2,778,504</u>

Note 4 - Investments

The balances of investment assets measured at fair value as of June 30, 2019 and 2018 are \$357,928 and \$12,064, respectively. Investment return for the year ended June 30, 2019 and 2018, respectively, is included with interest income on the statement of activities as follows:

	<u>2019</u>	<u>2018</u>
Investment return:		
Interest and dividends	\$ 1,779	\$ 396
Unrealized gains	5,502	-
Fees	<u>(43)</u>	<u>-</u>
	7,238	396
Other non-investment interest	<u>21,105</u>	<u>21,569</u>
	<u>\$ 28,343</u>	<u>\$ 22,523</u>

All investment return is classified as unrestricted in the statement of activities.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 5 - Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value on a recurring basis as of June 30, 2019 and 2018, respectively:

<u>Level 2</u>	<u>2019</u>	<u>2018</u>
Pooled securities	<u>\$ 357,928</u>	<u>\$ 12,064</u>

The fair value of pooled securities has been measured on a recurring basis using quoted prices in active markets for the same or similar assets (Level 2 inputs).

Transactions measured at fair value on a non-recurring basis during the years ended June 30, 2019 and 2018, respectively, are \$348,827 and \$387,203 of in-kind contributions.

The fair values of in-kind contributions are measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs). The fair values of pledged contributions are measured on a non-recurring basis, based on the value provided by the donor at the date of the pledge (Level 3 inputs).

Note 6 - Accrued Liabilities

Accrued liabilities as of June 30, consist of the following:

	<u>2019</u>	<u>2018</u>
Wages	\$ 2,502,259	\$ 2,184,603
Paid time off	4,739,682	4,142,504
Payroll taxes and benefits	1,888,279	1,751,783
Private insurance offset	993,400	807,273
Other liabilities	<u>516,942</u>	<u>445,632</u>
	<u>\$10,640,562</u>	<u>\$ 9,332,095</u>

Note 7 - Lines of Credit

The Organization has a line of credit with a bank for \$4,750,000 which will expire January 10, 2020. Interest is computed at the bank's prime rate, with a minimum rate of 3.75% and a maximum rate up to the limit allowed by law. The line of credit is secured by the organization's accounts, equipment and inventory. There is a \$2,732,432 balance outstanding as of June 30, 2019.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 7 - Lines of Credit (continued)

Subsequent to year end, the Organization repaid the outstanding balance and transferred its \$4,750,000 line of credit to a new bank.

The Organization has an irrevocable letter of credit with a bank for \$150,000 as of June 30, 2019 and \$200,000 as of June 30, 2018. The letter of credit will expire in January 2020. Interest is computed at the bank's prime rate, with a minimum rate of 3.75%, up to the limit allowed by law. There was no balance outstanding at June 30, 2019 and 2018.

Note 8 - Liability for Overpayments Received

Timing differences in recording terminations from the various programs result in receipts for services relating to children who have left the programs. These receipts may be refundable to the county agencies providing the funds. Accordingly, the Organization records these amounts as a liability. The Organization is contacted by county agencies on a child-by-child basis or a contract basis regarding the repayment process.

If no action or response to inquiries on overpayments is received by the Organization five years subsequent to receipt of funds, the funds are recognized as income. Under this policy, \$36,992 and \$128,382 of overpayments were taken into income in the year ended June 30, 2019 and 2018, respectively, and are included in other revenue on the statement of activities.

Note 9 - Notes Payable

Notes payable as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Note payable to bank, secured by real property, payable in monthly installments of \$8,783, including interest at 4.57%, due September 2033.	\$ -	\$1,152,857
Note payable to state agency, secured by real property, payable in monthly installments of \$1,408.66, including interest at 3.00%, due September 2019.	-	15,409
Total notes payable	\$ -	\$1,168,266
Current portion	-	(66,763)
	<u>\$ -</u>	<u>\$1,101,503</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 9 - Notes Payable (continued)

Subsequent to year end, the Organization signed a new \$8.8 million note payable with First Republic Bank. The one-year term loan is interest-only at a rate of 4.75% with principal due in June 2020 and is secured by real estate and receivables. The Organization expects to refinance this loan prior to its due date.

Note 10 - Bonds Payable

In December 2016, the Organization began issuing tax exempt bonds financed through Wells Fargo Bank. Total bonds to be issued are not to exceed \$19,500,000, with sale of taxable bonds not to exceed \$16,000,000 for the purpose of refinancing prior indebtedness, funding of certain capital projects and the acquisition of additional real and personal property to further the Organization's mission. The Organization had until December 2018 to roll existing debt into the tax-exempt bonds as well as utilize the taxable bonds. As of June 30, 2019, and 2018, respectively, \$14,644,343 and \$14,312,281 of California Infrastructure and Economic Development Bank Tax-Exempt Revenue Bonds Series 2016A have been issued under the agreement. Principal payments began January 2019 including interest at 3.42% with final payment due December 2038.

In December 2017, the Organization issued a second series of tax-exempt bonds financed through Wells Fargo Bank. As of June 30, 2019, and 2018, \$4,700,000 of California Infrastructure and Economic Development Bank Tax-Exempt Revenue Bonds Series 2016B have been issued under this agreement. Principal payments began February 2019 including interest at 2.94% with final payment due January 2039.

Cumulative use of bond proceeds is shown below:

	<u>2019</u>	<u>2018</u>
Principal payment on existing notes payable	\$ 8,929,064	\$ 8,929,064
Principal payment on existing bonds payable	2,001,186	2,001,186
Reimbursement for purchase and renovation of property and equipment	8,059,487	7,727,425
Issuance costs	<u>354,606</u>	<u>354,606</u>
	<u>\$19,344,343</u>	<u>\$19,012,281</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 10 - Bonds Payable (continued)

As required by the terms of the bond regulatory agreement, the Organization must satisfy certain restrictive covenants which, among other terms, requires the maintenance of certain financial ratios and operational levels, places limits on other indebtedness, and requires certain informational reports. The Organization has pledged security interests in certain real property.

Bonds payable as of June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Total bonds payable	\$ 18,980,560	\$ 19,012,281
Debt issuance costs, net of amortization	(492,932)	(520,845)
Bonds payable, net	18,487,628	18,491,436
Current portion	(882,023)	(329,937)
	<u>\$ 17,605,605</u>	<u>\$ 18,161,499</u>

Expected maturities for the bonds, net of bond amortization, are as follows:

Year ending June 30,	
2020	\$ 882,023
2021	914,816
2022	947,014
2023	980,315
2024	1,013,423
Thereafter	<u>13,750,037</u>
	<u>\$ 18,487,628</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 11 – Net Assets with Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purposes:		
Gates Foundation	\$ 885,717	\$ 21,297
Long Foundation	541,369	-
NoCal South County Clinic	312,944	286,444
San Benito Placement	208,034	166,068
SoCal Placement	174,346	154,346
Education Institute	69,340	69,340
Friends Funds – Southern California	54,908	54,318
James Irvine Foundation	39,974	122,764
REACH Stars Program	27,077	27,077
Friends Funds – San Luis Obispo	22,017	13,911
Cypress Peggy Magner Education	15,798	-
Family Ties	-	129,591
Pfeiffer Foundation	-	20,000
Corazza Scholarship Fund	-	17,415
Education Fund	-	16,621
Salinas Rotary MH	-	14,775
Parent Child Interactive Therapy	-	10,738
Funds and programs with less than \$10,000		
at year end	<u>13,653</u>	<u>20,282</u>
	2,365,177	1,144,987
 Donor restricted endowment supporting general operations		
	<u>65,175</u>	<u>65,175</u>
	<u>\$2,430,352</u>	<u>\$1,210,162</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 12 - Endowments

Contributions to the Organization's endowment funds are subject to donor restrictions that stipulate the original principal is to be held and invested by the Organization indefinitely, and only the income may be expended for unrestricted or specified purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. The Organization's endowment funds are held in cash and investment accounts.

Changes to the endowment net assets are as follows:

Beginning balance July 1, 2017	\$ 65,175
	-
Ending balance June 30, 2018	65,175
	-
Ending balance June 30, 2019	<u>\$ 65,175</u>

All investment returns related to endowment assets were transferred to unrestricted net assets, as directed by the board spending policy.

Note 13 - Government Contract Revenues

Government contract revenues for the year ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Community based programs	\$ 60,463,012	\$ 52,618,267
Education and school based programs	46,422,965	44,101,190
Foster care and permanency	<u>6,228,781</u>	<u>6,498,777</u>
	<u>\$113,114,758</u>	<u>\$103,218,234</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 14 - Other Revenue

Other revenue for the year ended June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Family finding and identification services	\$ 762,586	\$ 743,466
Lease income	581,402	391,458
Option payments	320,000	275,000
Computer consulting	66,000	66,000
Overpayments recognized	36,992	128,382
Gain on sale of property and equipment	4,200	1,132,288
Other	<u>263,383</u>	<u>206,096</u>
	<u>\$ 2,034,563</u>	<u>\$2,942,690</u>

Note 15 - Operating Lease Commitments

The Organization leases facilities and equipment under operating leases expiring in various years through March 2023. For the years ended June 30, 2019 and 2018, respectively, lease expense was \$1,302,259 and \$1,267,523, including donated rent of \$110,900 and \$84,421.

Minimum future rental payments under these leases are as follows:

<u>Year ending June 30,</u>	
2020	\$ 753,064
2021	314,989
2022	282,404
2023	<u>44,764</u>
	<u>\$ 1,395,221</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 16 - Other Commitments, Reserves and Contingencies

Pursuant to county, state and federal requirements for funding community service centers, the Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations.

The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the organization has no provision for the possible disallowance of program costs on its financial statements.

The Organization is primarily funded through county, state and federal government contracts, which are subject to political, financial and operational risks which may affect the ongoing funding of contracts. To protect from any fiscal impact of changing contract terms potentially leading to sudden and unexpected loss of revenue, the Organization established a contracts contingency reserve. The reserve is based on a percentage of certain program revenues.

The Organization is fully self-insured through the state of California for its workers' compensation insurance costs. The Organization is liable for costs up to \$500,000 per claim, with state and third-party insurance coverage for costs in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not yet reported.

Total reserves on the statement of financial position as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Workers' compensation	\$ 3,707,241	\$ 3,361,217
Contracts contingency	<u>1,200,000</u>	<u>474,989</u>
	\$ 4,907,241	3,836,206
Current portion	<u>(793,378)</u>	<u>(519,873)</u>
	<u>\$ 4,113,863</u>	<u>\$ 3,316,333</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 17 - Concentration of Credit Risk

The Organization maintains cash balances and money market accounts at various financial institutions, which are FDIC insured up to the limits allowed by law. At times such balances may exceed the insurance limit. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant credit risk related to cash.

Note 18 - Retirement Plan

All employees with over 1,000 hours of service are covered by a 403(b) tax deferred annuity plan. Employees are eligible to participate in the plan immediately and are eligible for employer discretionary contributions after 24 months of service. Participants may elect to defer a percentage of their salaries, up to the amounts allowed by law. Employer contributions are at the discretion of the board of directors. For the year ended June 30, 2019, and 2018, the Organization expensed \$776,802 and \$720,879, respectively, in discretionary contributions; these amounts are included in accrued liabilities as of June 30, 2019 and 2018.

Note 19 - Subsequent Events

Management has evaluated subsequent events through November 26, 2019, the date on which the financial statements were available to be issued.

Purchase of real property for use in operations – In March 2018, the Organization entered into an agreement to purchase property in Oakland, California, for \$15.65 million. The Organization has deposited \$550,100 in escrow through June 30, 2019 toward the sale and has paid \$300,000 in options to extend the due diligence period to December 2019 as allowed by the agreement. The Organization is concurrently leasing buildings on the property for \$7,000 per month in order to perform property renovations.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 19 - Subsequent Events (continued)

In September 2019, the Organization purchased real estate in San Francisco, California for \$2.5 million cash.

Sale of real property – See Note 3 for information on sales subsequent to year end. The properties involved has been classified as Held for Sale as of June 30, 2019 and 2018.

Bank debt – See Note 7 for information on the July 2019 repayment and subsequent transfer of the Organization's line of credit. See Note 9 for information on additional debt incurred in July 2019.

Note 20 - Information Regarding Liquidity and Availability

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Organization receives support without donor restrictions.

The Organization considers investment income without donor restrictions, appropriated earnings from donor restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long terms obligations will be discharged. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. The Organization also has lines of credit available to meet cash flow needs – see Note 7.

SENECA FAMILY OF audit19 AGENCIES

Notes to Financial Statements

June 30, 2019 and 2018

Note 20 - Information Regarding Liquidity and Availability (continued)

The following table reflects the Organization's financial assets as of June 30, 2019, excluding amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions – see Note 11. Amounts not available to meet general expenditures within one year also may include net assets designated by the board for particular purposes. There were \$344,980 of net assets with board designations at June 30, 2019.

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 5,900,128
Accounts receivable – government agencies	23,999,766
Accounts receivable – other	1,788,260
Investments	<u>357,928</u>
	32,046,082
Donor imposed restrictions:	
Assets restricted for specified purposes	(<u>2,430,352</u>)
Net financial assets after donor-imposed restrictions	29,615,730
Internal designations:	
Assets designated for Central Coast operations	(<u>344,980</u>)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$29,270,750</u>

In addition to the above, the Organization has a loan commitment from First Republic Bank for \$8.8 million. The funds are available in July 2019 and will be used for the purchase of property and equipment used in operations and the refinancing of existing debt.

Note 21 - Supplemental Fair Value Information

Management's estimate of fair value of real estate holdings as of June 30, 2019 and 2018, which are based on appraisals, discussions with real estate professionals and other public sources of real estate value, is \$59,103,314 and \$54,125,814, respectively.

Supplementary Information

Seneca Family of Agencies

Schedule of Expenditures of Alameda County Grants

Year Ended June 30, 2019

Program Name	Behavioral Health Care Services	BHCS Mental Health - Full Service Partnership
Procurement Contract Number	16509	17292
Board P.O	9632	
Exhibit Number (or Description)	900121	900121
Contract Period	07/01/18-06/30/19	10/01/18-6/30/20
Contract Amount	\$ <u>25,880,280</u>	\$ <u>540,525</u>
Expenses		
Salaries and PR benefits	\$ 17,198,462	\$ 205,419
Operating Expenses	1,632,976	19,608
Admin Allocation	<u>2,617,049</u>	<u>31,504</u>
Total Expenses	\$ <u>21,448,487</u>	\$ <u>256,531</u>
Amount reimbursed by county	\$ <u>20,906,986</u>	\$ <u>274,955</u>

SENECA FAMILY OF AGENCIES

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2019

Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		
			Federal	Nonfederal	Total
Department of Health & Human Services:					
Foster Care Title IV-E:					
Passthrough - State of California Department of Social Services	93.658		\$ 1,070,344	\$ 2,136,330	\$ 3,206,674
Pass-through - San Francisco Community College District	93.658		195,932	-	195,932
Pass-through - Contra Costa County, California	93.658	20-151-2	163,774	-	163,774
Pass-through - Marin County, California	93.658		37,697	82,022	119,719
Pass-through - Monterey County, California	93.658		193,404	49,804	243,208
Pass-through - Orange County, California	93.658		4,000	-	4,000
Pass-through - Riverside County, California	93.658	CS-03817	56,000	-	56,000
Pass-through - San Benito County, California	93.658		58,000	-	58,000
Pass-through - San Francisco County, California	93.658		853,891	1,593,950	2,447,841
Pass-through - San Luis Obispo County, California	93.658		4,135	8,996	13,131
Pass-through - Sonoma County, California	93.658		26,000	-	26,000
Pass-through - Santa Barbara County, California	93.658	BC#17-224	64,000	-	64,000
Pass-through - Santa Cruz County, California	93.658		26,000	-	26,000
Pass-through - Ventura County, California	93.658		70,000	-	70,000
Subtotal - Foster Care Title IV-E			2,823,177	3,871,102	6,694,279
Adoption Assistance:					
Pass-through - State of California Department of Social Services	93.659		592,314	780,147	1,372,461
Pass-through - San Francisco County	93.659		676,221	1,593,950	2,270,171
Subtotal - Adoption Assistance			1,268,535	2,374,097	3,642,632
Pass-through - State of California Department of Social Services					
Adoption Opportunities	93.652		14,583	-	14,583
Pass-through - California Department of Education					
Child Development Division, State Preschool					
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	CSP-8022	10,550	-	10,550
Pass-through - California Department of Education					
Child Development Division, State Preschool					
Child Care and Development Block Grant	93.575	CSP-8022	4,846	-	4,846
Pass-through - King County, Washington					
Child Abuse and Neglect	93.670	90CA1825-01-01	74,943	-	74,943
			4,196,634	6,245,199	10,441,833
Department of Justice:					
Pass-through - Sonoma County, California					
Keeping Kids in School	16.560	2017-CK-BX-0018	221,528	-	221,528
Department of Education:					
Passthrough - Washington State Office of Superintendent of Public Instruction					
Title 1 Grants to Local Education Agencies	84.010	20190252	4,378	-	4,378
Department of Agriculture:					
Pass-through - California State Department of Agriculture					
National Breakfast Program	10.553	161309703	9,662	-	9,662
National Lunch Program	10.555	161309703	27,525	-	27,525
			37,187	-	37,187
Pass-through - California Department of Education:					
Child Development Division					
State Preschool		CSP-8022	-	37,257	37,257
			\$ 4,459,727	\$ 6,282,456	\$ 10,742,183

See auditors' report.

See accompanying notes to schedule of expenditures of federal and nonfederal awards.

SENECA FAMILY OF AGENCIES

Notes to Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and nonfederal awards includes the federal grant activity of Seneca Family of Agencies under programs of the federal government for the year ended June 30, 2019. 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). Because the schedule presents only a selected portion of the operations of Seneca Family of Agencies, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Seneca Family of Agencies.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Seneca Family of Agencies has elected to not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Audit Committee of
Seneca Family of Agencies

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 Seneca Family of Agencies (a California non-profit public benefit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Seneca Family of Agencies' 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 Seneca Family of Agencies' internal control. Accordingly, we do not express an opinion on the effectiveness of the Seneca Family of Agencies' 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 in 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 Seneca Family of Agencies' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Gilmae & Associates LLP

San Mateo, CA
November 26, 2019



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Audit Committee of
Seneca Family of Agencies

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Seneca Family of Agencies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Seneca Family of Agencies' major federal programs for the year ended June 30, 2019. Seneca Family of Agencies' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of Seneca Family of Agencies' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seneca Family of Agencies' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Seneca Family of Agencies' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Seneca Family of Agencies complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Seneca Family of Agencies is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Seneca Family of Agencies' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seneca Family of Agencies' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilmore & Associates LLP

San Mateo, CA
November 26, 2019

SENECA FAMILY OF AGENCIES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Seneca Family of Agencies.
2. No significant deficiencies related to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of non-compliance material to financial statements of Seneca Family of Agencies, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.
5. The auditors report on compliance for the major federal award programs for Seneca Family of Agencies expresses an unmodified auditors' report on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) were identified.
7. The programs tested as major programs include:

CFDA#93.658 Foster Care	\$2,823,177
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8. The dollar threshold used to distinguish between type A and type B programs is \$750,000
9. Seneca Family of Agencies was determined to be a low-risk auditee.

Financial Statement Findings

No matters were reported.

Findings and Questioned Costs – Major Federal Awards Program Audit

No matters were reported.