



(A California Nonprofit Public Benefit Corporation)

Financial Statements

June 30, 2020 and 2019

SENECA FAMILY OF AGENCIES

Table of Contents

June 30, 2020 and 2019

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-28
Supplementary Information	
Schedule of Expenditures of Alameda County Grants	29
Schedule of Expenditures of Federal and Nonfederal Awards	30-31
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 <i>Government Auditing Standards</i>	32-33
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	34-35
Schedule of Findings and Questioned Costs	36



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, 2020 and 2019, 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, 2020 and 2019, 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 22 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 December 3, 2020, 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.

A handwritten signature in black ink that reads "Gilmore & Associates LLP". The signature is written in a cursive, flowing style.

San Mateo, California
December 3, 2020

SENECA FAMILY OF AGENCIES

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 31,657,922	\$ 5,900,178
Investments	360,727	357,928
Accounts receivable:		
Government agencies	21,782,324	23,999,766
Other	696,847	1,788,260
Prepaid expenses	<u>1,003,769</u>	<u>1,140,797</u>
	55,501,589	33,186,929
Property and equipment - net		
Held and used	53,424,734	33,415,975
Held for sale	<u>2,427,701</u>	<u>4,739,236</u>
	55,852,435	38,155,211
Other assets		
Deposits	1,719,553	2,016,062
Other	<u>45,200</u>	<u>45,200</u>
	<u>1,764,753</u>	<u>2,061,262</u>
	<u>\$ 113,118,777</u>	<u>\$ 73,403,402</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,379,527	\$ 1,669,347
Accrued liabilities	13,908,838	10,640,562
Line of credit	-	2,732,432
Reserves	958,864	793,378
Overpayments	5,508,278	2,032,315
Refundable advances	5,489,305	5,907,303
Bonds payable	<u>1,332,142</u>	<u>882,023</u>
	28,576,954	24,657,360
Long term liabilities		
Reserves, net of current portion	5,231,425	4,113,863
Notes payable	10,000,000	-
Bonds payable	<u>37,774,840</u>	<u>17,605,605</u>
	<u>53,006,265</u>	<u>21,719,468</u>
	81,583,219	46,376,828
Net assets		
Without restrictions	29,680,009	24,596,222
With restrictions	<u>1,855,549</u>	<u>2,430,352</u>
	<u>31,535,558</u>	<u>27,026,574</u>
	<u>\$ 113,118,777</u>	<u>\$ 73,403,402</u>

SENECA FAMILY OF AGENCIES

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020

	Without Restrictions	With Restrictions	Total
Revenue and support			
Contributions			
General	\$ 2,023,781	\$ 2,853,653	\$ 4,877,434
In-kind	540,786	-	540,786
Government contracts	126,270,977	-	126,270,977
Program service fees	3,865,213	-	3,865,213
Special events (net of expenses of \$226,735)	548,016	-	548,016
Other revenue	3,173,430	-	3,173,430
Investment return	43,561	-	43,561
Net assets released from restrictions	3,428,456	(3,428,456)	-
	139,894,220	(574,803)	139,319,417
Expenses			
Program services	116,305,861	-	116,305,861
Support services	18,504,572	-	18,504,572
	134,810,433	-	134,810,433
Changes in net assets	5,083,787	(574,803)	4,508,984
Net assets, beginning of year	24,596,222	2,430,352	27,026,574
Net assets, end of year	\$ 29,680,009	\$ 1,855,549	\$ 31,535,558

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	3,395,606	-	3,395,606
Special events (net of expenses of \$84,793)	517,403	-	517,403
Other revenue	1,492,717	-	1,492,717
Investment return	28,343	-	28,343
Net assets released from restrictions	3,045,124	(3,045,124)	-
	122,120,821	1,220,190	123,341,011
Expenses			
Program services	104,769,045	-	104,769,045
Support services	16,266,163	-	16,266,163
	121,035,208	-	121,035,208
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

SENECA FAMILY OF AGENCIES

Statement of Functional Expenses

Year Ended June 30, 2020

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	\$ 41,555,387	32,490,724	2,773,529	1,208,481	\$ 78,028,121	\$ 632,250	8,693,312	\$ 87,353,683
Payroll taxes and employee benefits	9,624,269	7,524,884	642,352	279,885	18,071,390	146,430	2,013,380	20,231,200
Total Payroll	51,179,656	40,015,608	3,415,881	1,488,366	96,099,511	778,680	10,706,692	107,584,883
Operations								
Advertisement and recruitment	148,893	111,008	68,417	3,735	332,053	32,492	50,592	415,137
Bad debts	109,545	-	-	-	109,545	-	6,426	115,971
Bank fee	1,700	-	-	449	2,149	9,910	117,998	130,057
Clothing	9,414	-	157	-	9,571	-	-	9,571
Conferences and training	289,267	260,227	14,428	14,376	578,298	4,240	109,056	691,594
Contingency reserve	-	-	-	-	-	-	853,772	853,772
Contract services	5,244,999	925,628	94,634	681,181	6,946,442	52,692	1,211,475	8,210,609
Equipment leases	16,381	6,477	3,192	324	26,374	152	6,714	33,240
Family service fees	295,526	-	1,731,505	228	2,027,259	-	-	2,027,259
Food	70,600	186,212	-	-	256,812	-	-	256,812
Fundraising	1,660	250	50	-	1,960	25,100	4,685	31,745
Government fees	41,176	75,070	25,190	9	141,445	112	49,735	191,292
Insurance	202	-	-	-	202	-	713,326	713,528
Interest	609,087	53,600	31,186	23,996	717,869	2,785	360,068	1,080,722
In-kind	136,865	-	1,545	-	138,410	177,253	225,123	540,786
Medical - Non Medi-Cal	36,780	2,351	-	-	39,131	-	31,268	70,399
Occupancy	329,791	587,707	159,813	-	1,077,311	-	95,364	1,172,675
Printing	4,856	5,297	186	44	10,383	6,486	44,103	60,972
Repairs and maintenance	1,187,940	619,509	89,775	8,532	1,905,756	14,929	626,980	2,547,665
Special events	25	85,770	-	-	85,795	-	-	85,795
Subscription and dues	36,965	50,574	3,941	4,813	96,293	50,153	618,278	764,724
Supplies and postage	886,104	615,617	28,130	5,808	1,535,659	15,819	478,751	2,030,229
Telephone	588,552	356,891	56,365	10,431	1,012,239	4,612	181,168	1,198,019
Transportation	947,431	191,035	92,368	9,902	1,240,736	2,911	135,893	1,379,540
Travel	80,160	74,254	4,912	49,362	208,688	413	146,104	355,205
Utilities	327,392	237,111	35,930	554	600,987	2,040	136,962	739,989
Total Expenses Before Depreciation	62,580,967	44,460,196	5,857,605	2,302,110	115,200,878	1,180,779	16,910,533	133,292,190
Depreciation	704,690	315,043	66,018	19,232	1,104,983	4,069	409,191	1,518,243
Total Direct Expenses	63,285,657	44,775,239	5,923,623	2,321,342	116,305,861	1,184,848	\$ 17,319,724	\$ 134,810,433
Allocable Management & General Expense	9,329,164	6,600,478	873,222	342,197	17,145,061	174,663		
Total Expense	\$ 72,614,821	\$ 51,375,717	\$ 6,796,845	\$ 2,663,539	\$ 133,450,922	\$ 1,359,511		

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	815,504	7,528,666
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	42,334	175,348
Insurance	104	-	-	-	104	-	684,488	684,592
Interest	389,040	24,325	28,288	36,345	477,998	3,860	209,451	691,309
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	-	55,274	1,057,490
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	545,464	2,376,399
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	394,676	2,276,097
Telephone	512,381	295,729	56,616	10,017	874,743	6,052	164,868	1,045,663
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	134,919	747,696
Total Expenses Before Depreciation	55,205,618	40,525,767	5,751,701	2,303,441	103,786,527	1,409,370	14,566,270	119,762,167
Depreciation	585,521	299,949	74,264	22,784	982,518	5,686	284,837	1,273,041
Total Direct Expenses	55,791,139	40,825,716	5,825,965	2,326,225	104,769,045	1,415,056	<u>14,851,107</u>	<u>121,035,208</u>
Allocable Management & General Expense	7,803,053	5,709,961	814,830	325,350	14,653,195	197,912		
Total Expense	<u>\$ 63,594,192</u>	<u>\$ 46,535,677</u>	<u>\$ 6,640,795</u>	<u>\$ 2,651,575</u>	<u>\$ 119,422,240</u>	<u>\$ 1,612,968</u>		

SENECA FAMILY OF AGENCIES

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Changes in net assets	\$ 4,508,984	\$ 2,305,803
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,640,805	1,397,680
Amortization of bond issuance costs	34,869	27,913
Gain on disposal of property and equipment	(779,662)	(4,200)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - government agencies	2,217,442	(1,249,849)
Accounts receivable - other	1,091,413	(424,748)
Prepaid expenses	137,028	(338,866)
Deposits	296,509	(441,391)
Increase (decrease) in:		
Accounts payable	(289,820)	353,992
Accrued liabilities	3,268,276	1,308,467
Reserves	1,283,048	1,071,035
Overpayments	3,475,963	111,099
Refundable advances	(417,998)	1,945,865
Net cash provided by operating activities	16,466,857	6,062,800
Cash flows from investing activities		
Proceeds from sale of real estate	2,648,625	4,200
Purchase of property and equipment	(5,991,992)	(6,718,233)
Purchase of investments	(2,799)	(345,864)
Net cash used by investing activities	(3,346,166)	(7,059,897)
Cash flows from financing activities		
Proceeds from Series B bond issue for the reimbursement of property and equipment purchases	1,595,249	332,063
Proceeds from term loan	8,800,000	-
Draws (repayments) on line of credit	(2,732,432)	2,732,432
Principal payments on bonds payable	(1,996,184)	(363,784)
Bond issuance costs	(138,985)	-
Principal payments on term loan	(2,890,595)	(1,168,266)
Proceeds from Paycheck Protection Program loan	10,000,000	-
Net cash provided by financing activities	12,637,053	1,532,445
Net increase in cash	25,757,744	535,348
Cash and cash equivalents, beginning of year	5,900,178	5,364,830
Cash and cash equivalents, end of year	\$ 31,657,922	\$ 5,900,178
Supplemental disclosures		
Interest paid	\$ 1,171,265	\$ 756,828
In-kind contributions for use in operations	540,786	348,827
Noncash transactions related to bond issuance - see Note 10:		
Repayment of taxable loan	5,909,405	-
Purchase of real estate	15,215,000	-
Issuance costs	165,346	-
Original issue discount	115,000	-

See accompanying notes

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

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 more than 180 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 2019-20, Seneca's behavioral health programs provided responsive and individualized services for more than 9,700 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 access to flexible and responsive supports that adapt to their changing needs. Each year, Seneca UE programs provide individualized interventions for over 2,000 students and school climate and culture interventions for over 10,000 students across California and 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. 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 FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - The Organization (continued)

- 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, 2020 and 2019 the Organization acknowledged the following in-kind donations:

	2020	2019
In kind donations for use in programs	\$ 188,736	\$ 123,690
In kind rent	126,927	110,900
Legal services	225,123	114,237
	<u>\$ 540,786</u>	<u>\$ 348,827</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, 2020 and 2019

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, 2020 and 2019

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.

Contributions revenue – Unconditional contributions are recognized as revenue in the period received. Conditional contributions, that is those with measurable performance of other barriers and a right of return – are not recognized until the conditions on which they depend have been met. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Government grants and contracts that serve the general public are treated as conditional contributions if they include a barrier and a right of return or a right of release of the promisor's obligation. Revenue is recognized when a specific barrier is overcome (when performance goals are met or qualifying expenditures are incurred). Conditional contributions received in advance are accounted for as refundable advances until the conditions have been substantially met.

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.

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.

Other revenues - The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received, when the event takes place.

Program services billed to third-party insurers and other nonprofit organizations are recognized as the services are performed.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Accounting pronouncements adopted – Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. It is effective for the reporting periods beginning after December 15, 2018, for nonprofit organizations that are conduit bond obligors for securities traded on a public or over-the-counter market. The Organization adopted this standard on July 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenues have been enhanced in accordance with the standard.

On July 1, 2019, the Organization adopted FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires that the Organization evaluate whether transactions should be accounted for as contributions or as exchange transactions, and determine whether a contribution is conditional. Under this pronouncement, government contracts and grants are considered contributions if they primarily benefit the general public. Adoption did not result in any significant changes in the way the Organization recognizes contribution revenue.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Reclassifications – Certain reclassifications of revenues and expenses have been made to the financial statements for the year ended June 30, 2019 to conform with the year ended June 30, 2020 financial statements presentation. Such reclassifications have no effect on changes in net assets as previously reported.

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:

	2020	2019
Land	\$ 23,238,060	\$ 10,968,290
Buildings	22,070,400	15,434,327
Leasehold improvements	9,198,645	9,196,066
Furniture and equipment	3,099,758	2,723,489
Vehicles	2,020,439	1,850,520
Portable buildings	178,314	178,314
Construction in progress		
Real estate	3,439,725	1,497,545
IT infrastructure	931,288	898,996
	64,176,629	42,747,547
Accumulated depreciation	(10,751,895)	(9,331,572)
	<u>\$ 53,424,734</u>	<u>\$ 33,415,975</u>

For the years ended June 30, 2020 and 2019, depreciation expense was \$1,640,805 and \$1,397,680, respectively. \$122,562 and \$124,639 of depreciation has been netted against rental revenues – see Note 14.

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 March 2025.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 3 - Property and Equipment (continued)

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

	2020	2019
Land	\$ 1,224,703	\$ 873,133
Buildings	3,629,445	4,239,058
Leasehold improvements	1,429,516	1,403,587
	6,283,664	6,515,778
Accumulated depreciation	(939,666)	(436,231)
	<u>\$ 5,343,998</u>	<u>\$ 6,079,547</u>

Total lease income, net of related expenses, for the years ended June 30, 2020 and 2019 is \$13,483 and \$39,555, respectively, and is included in other revenue – see Note 14.

Minimum future rental income from leases is as follows:

Year ending June 30	
2021	\$ 575,086
2022	370,488
2023	265,726
2024	194,002
2025	145,501
	<u>\$ 1,550,803</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, but fell through prior to closing. The property is no longer actively being marketed. The real property was classified as held for sale as of June 30, 2019 but reclassified as held and used at June 30, 2020. The Organization had an option agreement related to this sale and received \$1,500,000 and \$320,000 in option revenue for the years ended June 30, 2020 and 2019, respectively, which is included in other revenue.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 3 - Property and Equipment (continued)

In September 2019, the Organization sold property in Brentwood, California, for \$2,775,000 cash. The Organization recognized a gain of \$792,295, which is included in other revenue. The real property was classified as held for sale as of June 30, 2019.

In August 2020, the Organization sold property in Fairfield, California for \$5,600,000 cash. The Organization will recognize a gain of approximately \$3,000,000 on the sale. The real property was classified as held for sale as of June 30, 2020.

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

Land	\$ 420,217	\$ 2,800,975
Buildings	1,580,815	1,765,542
Leasehold improvements	804,750	438,436
	<u>2,805,782</u>	<u>5,004,953</u>
Accumulated depreciation	<u>(378,081)</u>	<u>(265,717)</u>
	<u>\$ 2,427,701</u>	<u>\$ 4,739,236</u>

Note 4 - Investments

The balances of investment assets measured at fair value as of June 30, 2020 and 2019 are \$360,727 and \$357,928, respectively. Investment return for the years ended June 30, 2020 and 2019, respectively, is included with interest income on the statement of activities as follows:

	<u>2020</u>	<u>2019</u>
Investment return		
Interest and dividends	\$ 44,162	\$ 1,779
Unrealized gains	(4,034)	5,502
Fees	<u>(211)</u>	<u>(43)</u>
	39,917	7,238
Other non-investment interest	<u>3,644</u>	<u>21,105</u>
	<u>\$ 43,561</u>	<u>\$ 28,343</u>

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

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, respectively:

<u>Level 2</u>	<u>2020</u>	<u>2019</u>
Pooled securities	<u>\$ 360,727</u>	<u>\$ 357,928</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, 2020 and 2019, respectively, are \$540,786 and \$348,827 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>2020</u>	<u>2019</u>
Wages	\$ 2,756,054	\$ 2,502,259
Vacation	5,975,575	4,739,682
Deferred FICA employer taxes	1,310,828	-
Payroll taxes and benefits	2,174,494	1,888,279
Private insurance offset	1,062,007	993,400
Other liabilities	<u>629,880</u>	<u>516,942</u>
	<u>\$ 13,908,838</u>	<u>\$ 10,640,562</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 7 - Lines of Credit

The Organization had a line of credit with Wells Fargo Bank for \$4,750,000 at June 30, 2019. Interest was 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 was secured by the organization's accounts, equipment and inventory. There was a \$2,732,432 balance outstanding as of June 30, 2019, which was repaid in July 2019.

The Organization signed a new \$4,750,000 revolving credit agreement with First Republic Bank on July 1, 2019. The line of credit bears interest at the bank's prime rate (3.25% at June 30, 2020). The line of credit is secured by the Organization's accounts, equipment and inventory. There were no borrowings against the line of credit as of June 30, 2020.

The Organization had an irrevocable letter of credit with Wells Fargo Bank for \$150,000 as of June 30, 2019. The letter of credit expired in January 1, 2020. Interest was computed at the bank's prime rate, with a minimum rate of 3.75%, up to the limit allowed by law.

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.

Overpayments also include contract advances from certain counties to facilitate continued operations during the pandemic.

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, \$39,696 and \$36,992 of overpayments were taken into income in the years ended June 30, 2020 and 2019, respectively, and are included in other revenue on the statement of activities.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 9 - Notes Payable

Paycheck Protection Program loan - In May 2020, the Organization was granted a loan (the "Loan") from CRF Small Business Loan Company, LLC in the aggregate amount of \$10,000,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which is in the form of a note dated May 22, 2020, issued to the Organization, matures on May 22, 2022, and bears interest at a rate of 1% per annum. Although the loan document states that the first payment is due on November 22, 2020, the PPP Flexibility Act signed into law on June 5, 2020, revised the law so that payments are not due on PPP loans until forgiveness has been determined.

The Organization is allowed to apply for forgiveness within a 10-month period after the end of the 24-week covered period (which was October 25, 2020). However, if a borrower does not apply for loan forgiveness within 10 months after the last day of the borrower's loan forgiveness covered period, loan payments are no longer deferred, and the borrower must begin making payments on the loan. The end of 10-month forgiveness period is September 22, 2021.

The loan and accrued interest are forgivable after 24 weeks, as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The Organization intends to use the proceeds for the purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness the loan, forgiveness cannot be assured.

Term loan – In July 2019, the Organization signed a new \$8.8 million note payable with First Republic Bank. The one-year term loan was interest-only at a rate of 4.75% with principal due in June 2020 and was secured by real estate and receivables. In December 2019, the Organization repaid this loan with proceeds from the issuance of the new bond payable (see Note 10) and with cash.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 10 - Bonds Payable

Wells Fargo Bank - 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, 2020, and 2019, \$14,644,343 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:

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

First Republic Bank - In December 2019, the Organization issued new California Infrastructure and Economic Development Bank 2019 Tax-Exempt Bonds of \$23,000,000 financed through First Republic Bank for the purpose of refinancing prior indebtedness and acquisition of additional real property to further the Organization's mission. Principal payment began January 2020, including interest at 3.00%, per annum, with final payment due December 2049.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 10 - Bonds Payable (continued)

Proceeds were used for the following purposes:

Principal payment on existing notes payable	\$ 5,909,405
Purchase of real property	15,215,000
Reimbursement for renovation of property	1,595,249
Issuance costs and discounts	<u>280,346</u>
	<u><u>\$ 23,000,000</u></u>

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.

Total bonds payable as of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Total bonds payable	\$ 39,984,376	\$ 18,980,560
Debt issuance costs and discounts, net of amortization	<u>(877,394)</u>	<u>(492,932)</u>
Bonds payable, net	39,106,982	18,487,628
Current portion	<u>(1,332,142)</u>	<u>(882,023)</u>
Bond payable, net	<u><u>\$ 37,774,840</u></u>	<u><u>\$ 17,605,605</u></u>

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

Year ending June 30	
2021	\$ 1,332,142
2022	1,396,695
2023	1,444,319
2024	1,490,487
2025	1,544,277
Thereafter	<u>31,899,062</u>
	<u><u>\$ 39,106,982</u></u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 11 – Net Assets with Restrictions

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

	2020	2019
Subject to expenditure for specified purposes:		
Gates Foundation	\$ 669,364	\$ 885,717
NoCal South County Clinic	333,944	312,944
SoCal Placement	236,846	174,346
San Benito Placement	174,972	208,034
Long Foundation	77,000	541,369
Education Institute	69,340	69,340
Friends Funds - Southern California	56,128	54,908
Monterey Family Ties	46,861	-
Friends Funds - San Luis Obispo	30,409	22,017
Contra Costa Regional Foundation	29,237	-
REACH Program	27,077	27,077
Cypress Peggy Magner Education	16,518	15,798
James Irvine Foundation	-	39,974
Funds and programs with less than \$10,000 at year end	22,678	13,653
	1,790,374	2,365,177
Donor restricted endowment for general use	65,175	65,175
	<u>\$ 1,855,549</u>	<u>\$ 2,430,352</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

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, 2018	\$	65,175
		-
Ending balance June 30, 2019		65,175
		-
Ending balance June 30, 2020	\$	65,175

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 years ended June 30, 2020 and 2019 consist of the following:

	2020	2019
Community based programs	\$ 68,700,954	\$ 60,463,012
Education and school based programs	50,874,944	46,422,965
Foster care and permanency	6,695,079	6,228,781
	<u>\$ 126,270,977</u>	<u>\$ 113,114,758</u>

As of June 30, 2020, and 2019, respectively, the Organization received \$5,489,305 and \$5,907,303 in cost reimbursable grants and contracts that have not been recognized as revenue because qualifying expenditures have not yet occurred. These are shown on the statement of financial position as refundable advances.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 14 - Other Revenue

Other revenue for the years ended June 30, 2020 and 2019 consists of the following:

	2020	2019
Option payments	\$ 1,500,000	\$ 320,000
Gain on sale of property and equipment	792,295	4,200
Family finding and identification services	745,871	762,586
Lease income, net of expenses of \$595,283 and \$541,847, respectively	13,483	39,555
Computer consulting	66,000	66,000
Overpayments recognized	39,696	36,992
Other	16,085	263,384
	<u>\$ 3,173,430</u>	<u>\$ 1,492,717</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, 2020 and 2019, respectively, lease expense was \$1,274,731 and \$1,302,259, including donated rent of \$126,927 and \$110,900.

Minimum future rental payments under these leases are as follows:

<u>Year ending June 30</u>	
2021	\$ 973,906
2022	575,525
2023	81,849
2024	25,425
2025	-
	<u>\$ 1,656,705</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019 are as follows:

	2020	2019
Workers' compensation	\$ 4,190,289	\$ 3,707,241
Contract contingency	2,000,000	1,200,000
	6,190,289	4,907,241
Current portion	(958,864)	(793,378)
	<u>\$ 5,231,425</u>	<u>\$ 4,113,863</u>

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 16 - Other Commitments, Reserves and Contingencies (continued)

Legal claims - The Organization is subject to certain claims and legal that have arisen in the ordinary course of business. The Organization carries professional liability insurance, subject to certain deductible and policy limits, against such claims. Although it is impossible to predict the ultimate outcome of these claims at this time, management believes that the outcome of these matters will not have a material adverse effect on the financial position, operations or liquidity of the Organization.

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, 2020, and 2019, the Organization expensed \$873,809 and \$776,802, respectively, in discretionary contributions; these amounts are included in accrued liabilities as of June 30, 2020 and 2019.

Note 19 - Subsequent Events

Management has evaluated subsequent events through December 3, 2020, the date on which the financial statements were available to be issued.

Sale of real property – See Note 3 for information on sales subsequent to year end. The property involved has been classified as held for sale as of June 30, 2020. In connection with the sale, the Organization paid off \$1,921,549 of Wells Fargo Series A bonds. The bond amortization schedule was recast in September 2020 to reflect the principal payment.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 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 a line of credit available to meet cash flow needs – see Note 7.

The following table reflects the Organization's financial assets as of June 30, 2020, 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 \$348,268 of net assets with board designations at June 30, 2020.

SENECA FAMILY OF AGENCIES

Notes to Financial Statements

June 30, 2020 and 2019

Note 20 - Information Regarding Liquidity and Availability (continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 31,657,922
Accounts receivable - government agencies	21,782,324
Accounts receivable - other	696,847
Investments	360,727
	<u>54,497,820</u>
Donor imposed restrictions:	
Assets restricted for specified purposes	<u>(1,855,549)</u>
Net financial assets after donor-imposed restrictions	52,642,271
Internal designations:	
Assets designated for Central Coast operations	<u>(348,268)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 52,294,003</u>

Note 21 - Uncertainty Due to COVID - 19

The COVID-19 virus is continuing to spread rapidly. The Organization adapted its operations so that a majority of its services are provided remotely through telehealth services. Management believes that the adaptive changes in operations along with the federal government support through the Paycheck Protection Program loan, deferral of employer taxes, and the availability of contingency reserves will be sufficient to protect the Organization from the near-term negative impact related to the COVID-19 pandemic. At this point, the extent to which COVID-19 may impact Organization's operations is uncertain.

Note 22 - Supplemental Fair Value Information

Management's estimate of fair value of real estate holdings as of June 30, 2020 and 2019, which are based on appraisals, discussions with real estate professionals and other public sources of real estate value, is \$76,683,314 and \$59,103,314, respectively.

Supplementary Information

SENECA FAMILY OF AGENCIES

Schedule of Expenditures of Alameda County Grants

Year Ended June 30, 2020

Program Name	ACBH <u>Mental Health</u>	ACBH <u>Full Service Partnership</u>	ACBH <u>I-CESDC and SBBH</u>
Procurement Contract Number	18350	18352	18995
Exhibit Number (or Description)	900121	900121	900121
Contract Period	07/01/19-06/30/20	07/01/19-06/30/21	09/01/19-06/30/20
Contract Amount	\$ <u>26,668,857</u>	\$ <u>734,580</u>	\$ <u>2,080,564</u>
Expenses			
Salaries and PR benefits	\$ 16,784,469	\$ 467,330	\$ 1,308,804
Operating Expenses	1,385,740	45,233	91,775
Admin Allocation	<u>2,502,080</u>	<u>70,580</u>	<u>192,860</u>
Total Expenses	\$ <u>20,672,289</u>	\$ <u>583,143</u>	\$ <u>1,593,439</u>
Amount reimbursed by county	\$ <u>23,472,557</u>	\$ <u>690,571</u>	\$ <u>1,492,397</u>

See auditor's report

SENECA FAMILY OF AGENCIES

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2020

Grantor / Program Title	Federal	Pass-Through	Expenditures		
	CFDA Number	Grantor's Number	Federal	Nonfederal	Total
Department of Health & Human Services:					
Foster Care Title IV-E:					
Passthrough - State of California Department of Social Services	93.658		\$ 1,026,755	\$ 2,180,705	\$ 3,207,460
Pass-through - San Francisco Community College District	93.658		271,901	-	271,901
Pass-through - Contra Costa County, California	93.658	20-151-3/20-301-0	204,748	-	204,748
Pass-through - Marin County, California	93.658		26,812	57,720	84,532
Pass-through - Monterey County, California	93.658		215,133	75,501	290,634
Pass-through - Sonoma County, California	93.658		52,380	112,764	165,144
Pass-through - Riverside County, California	93.658	CS-03817-01	6,000	-	6,000
Pass-through - San Benito County, California	93.658		1,021	-	1,021
Pass-through - San Francisco County, California	93.658		707,219	2,334,086	3,041,305
Pass-through - San Luis Obispo County, California	93.658		33,360	106,205	139,565
Pass-through - Santa Barbara County, California	93.658	BC#19-044	56,000	-	56,000
Pass-through - Santa Cruz County, California	93.658		20,000	-	20,000
Pass-through - Ventura County, California	93.658		140,000	-	140,000
Subtotal - Foster Care Title IV-E			2,761,329	4,866,981	7,628,310
Adoption Assistance:					
Pass-through - State of California Department of Social Services	93.659		530,900	676,306	1,207,206
Pass-through - San Francisco County	93.659		605,242	2,334,086	2,939,328
Subtotal - Adoption Assistance			1,136,142	3,010,392	4,146,534
Unaccompanied Alien Children Program	93.676		1,151,854	-	1,151,854
Temporary Assistance for Needy Families - passthrough San Francisco County, California	93.558		10,487		10,487
Pass-through - State of California Department of Social Services Adoption Opportunities	93.652		25,475	-	25,475
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	CSPP-9023	10,550	-	10,550
Pass-through - California Department of Education Child Development Division, State Preschool Child Care and Development Block Grant	93.575	CSPP-9023	4,846	-	4,846
Pass-through - King County, Washington Child Abuse and Neglect	93.670	90CA1825-01-01	78,578	-	78,578
			5,179,261	7,877,373	13,056,634
Department of Justice:					
Pass-through - Sonoma County, California Keeping Kids in School	16.560	2017-CK-BX-0018	227,359	-	227,359
Department of Education:					
Passthrough - Washington State Office of Superintendant of Public Instruction Title 1 Grants to Local Education Agencies	84.010	20190252	34,484	-	34,484
Department of Agriculture:					
Pass-through - California State Department of Agriculture National Breakfast Program	10.553	161309703	9,550	-	9,550
National Lunch Program	10.555	161309703	22,757	-	22,757
			32,307	-	32,307
Pass-through - California Department of Education:					
Child Development Division State Preschool		CSPP-9023	-	30,604	30,604
			\$ 5,473,411	\$ 7,907,977	\$ 13,381,388

See auditor's report.

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

SENECA FAMILY OF AGENCIES

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2020

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, 2020. 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, 2020, 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 December 3, 2020.

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.

A handwritten signature in black ink that reads "Gilmore & Associates LLP". The script is cursive and fluid, with the letters "G" and "A" being particularly large and stylized.

San Mateo, California
December 3, 2020



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, 2020. 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, 2020.

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, California
December 3, 2020

SENECA FAMILY OF AGENCIES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

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 Title IV-E	\$2,761,329
CFDA#93.676 Unaccompanied Alien Children Program	\$1,151,854
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.