



(A California Nonprofit Public Benefit Corporation)

and Subsidiary

Consolidated Financial Statements

June 30, 2022

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Table of Contents

June 30, 2022

	<u>Page</u>
Independent Auditors' Report	1-3
Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities and Changes in Net Assets	5-6
Consolidated Statement of Functional Expenses	7-8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10-34
Supplementary Information	
Schedule of Expenditures of Alameda County Grants	35
Schedule of Expenditures of Federal and Nonfederal Awards	36-37
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>	38-39
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	40-42
Schedule of Findings and Questioned Costs	43



Independent Auditors' Report

To the Audit Committee
Seneca Family of Agencies and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Seneca Family of Agencies (a California nonprofit public benefit corporation) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seneca Family of Agencies and subsidiary as of June 30, 2022, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seneca Family of Agencies and subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seneca Family of Agencies and subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Seneca Family of Agencies and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seneca Family of Agencies and subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal 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 consolidated 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 consolidated financial statements. The supplemental fair value information in Note 25 is presented for purposes of additional analysis and is not required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, schedule of Alameda County grants, and supplemental fair value information are fairly stated, in all material respects, in relation to the consolidated 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 2, 2022, on our consideration of Seneca Family of Agencies and subsidiary's internal control over financial reporting and on our tests of controls of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Seneca Family of Agencies and subsidiary's 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 and subsidiary's internal control over financial reporting and compliance.

Report on Nonconsolidated Comparative Information

We have previously audited Seneca Family of Agencies' financial statements for the year ended June 30, 2021, and our report dated December 10, 2021, expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

San Mateo, California
December 2, 2022

Gilmore & Associates LLP

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Consolidated Statement of Financial Position
June 30, 2022

(With Comparative Information about Seneca Family of Agencies as of
June 30, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 24,128,083	\$ 21,601,425
Investments	393,318	10,458,879
Accounts receivable:		
Government agencies	30,175,988	24,855,871
Other	3,987,384	1,487,673
Prepaid expenses	1,574,237	1,219,156
	<u>60,259,010</u>	<u>59,623,004</u>
Property and equipment - net		
Held and used	54,889,710	52,602,241
Held for sale	7,753,092	329,085
	<u>62,642,802</u>	<u>52,931,326</u>
Other assets		
Deposits	1,981,207	1,825,369
Software development costs	430,080	931,288
Other	45,200	45,200
	<u>2,456,487</u>	<u>2,801,857</u>
	<u><u>\$ 125,358,299</u></u>	<u><u>\$ 115,356,187</u></u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,954,804	\$ 1,441,477
Accrued liabilities	15,203,749	16,706,455
Line of credit	-	1,206,970
Reserves	1,032,193	1,037,249
Overpayments	9,556,325	9,555,801
Refundable advances	4,168,450	4,475,438
Note payable	142,150	-
Bonds payable	975,523	822,611
	<u>33,033,194</u>	<u>35,246,001</u>
Long term liabilities		
Reserves, net of current portion	7,180,989	6,703,155
Note payable, net of current portion	7,308,478	-
Bonds payable, net of current portion	38,611,984	36,955,140
	<u>53,101,451</u>	<u>43,658,295</u>
	<u>86,134,645</u>	<u>78,904,296</u>
Net assets		
Without restrictions	37,581,743	35,111,753
With restrictions	1,641,911	1,340,138
	<u>39,223,654</u>	<u>36,451,891</u>
	<u><u>\$ 125,358,299</u></u>	<u><u>\$ 115,356,187</u></u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022

	Without Restrictions	With Restrictions	Total
Revenue and support			
Contributions			
General	\$ 926,540	\$ 5,065,938	\$ 5,992,478
In-kind	502,518	-	502,518
Government contracts	131,625,077	-	131,625,077
Program service fees	8,144,207	-	8,144,207
Special events (net of expenses of \$200,040)	376,405	-	376,405
Other revenue	3,699,307	-	3,699,307
Investment return	(33,417)	-	(33,417)
Net assets released from restrictions	4,764,165	(4,764,165)	-
	150,004,802	301,773	150,306,575
Expenses			
Program services	126,263,153	-	126,263,153
Support services	21,271,659	-	21,271,659
	147,534,812	-	147,534,812
Changes in net assets	2,469,990	301,773	2,771,763
Net assets, beginning of year	35,111,753	1,340,138	36,451,891
Net assets, end of year	\$ 37,581,743	\$ 1,641,911	\$ 39,223,654

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Consolidated Statement of Activities and Changes in Net Assets

Comparative Information about Seneca Family of Agencies
for the Year Ended June 30, 2021

	Without Restrictions	With Restrictions	Total
Revenue and support			
Contributions			
General	\$ 500,065	\$ 3,536,810	\$ 4,036,875
In-kind	509,393	-	509,393
Government contracts	124,387,546	-	124,387,546
Program service fees	5,388,452	-	5,388,452
Special events (net of expenses of \$71,855)	288,400	-	288,400
Other revenue	4,707,119	-	4,707,119
Investment return	111,213	-	111,213
Net assets released from restrictions	4,052,221	(4,052,221)	-
	139,944,409	(515,411)	139,428,998
Expenses			
Program services	115,905,995	-	115,905,995
Support services	18,606,670	-	18,606,670
	134,512,665	-	134,512,665
Changes in net assets	5,431,744	(515,411)	4,916,333
Net assets, beginning of year	29,680,009	1,855,549	31,535,558
Net assets, end of year	\$ 35,111,753	\$ 1,340,138	\$ 36,451,891

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	\$ 50,030,983	\$ 30,573,269	\$ 2,755,023	\$ 1,669,452	\$ 85,028,727	\$ 983,877	\$ 10,181,215	\$ 96,193,819
Payroll taxes and employee benefits	11,742,264	7,183,006	647,276	392,228	19,964,774	231,156	2,392,015	22,587,945
Total Payroll	61,773,247	37,756,275	3,402,299	2,061,680	104,993,501	1,215,033	12,573,230	118,781,764
Operations								
Advertisement and recruitment	139,501	83,546	66,390	4,644	294,081	54,723	87,946	436,750
Bad debts	105,495	-	-	-	105,495	-	-	105,495
Bank fee	4,390	89	342	-	4,821	4,204	30,932	39,956
Clothing	3,602	-	99	-	3,700	-	-	3,700
Conferences and training	185,482	235,283	7,319	12,379	440,463	978	72,932	514,373
Contingency reserve	-	-	-	-	-	-	624	624
Contract services	4,675,316	802,035	75,649	561,707	6,114,708	15,272	1,835,336	7,965,315
Equipment leases	16,390	8,162	3,480	184	28,216	343	7,119	35,677
Family service fees	669,645	-	1,626,133	-	2,295,778	-	-	2,295,778
Food	46,459	84,967	32	-	131,458	-	-	131,458
Fundraising	1,222	-	-	-	1,222	29,432	9,241	39,895
Government fees	46,288	13,719	6,592	1,274	67,873	198	158,081	226,153
Insurance	-	-	-	-	-	-	842,609	842,609
Interest	497,247	82,249	45,386	14,324	639,205	3,128	387,080	1,029,413
In-kind	169,547	-	7,166	-	176,713	88,660	138,145	403,518
Medical - Non Medi-Cal	29,994	41,971	318	-	72,284	60	22,539	94,883
Occupancy	836,246	669,991	146,992	-	1,653,229	-	11,739	1,664,967
Printing	1,336	1,720	-	508	3,564	19,506	11,547	34,617
Repairs and maintenance	1,091,247	797,941	106,818	10,527	2,006,532	9,057	419,814	2,435,403
Special events	911	135,592	-	-	136,503	-	-	136,503
Subscription and dues	390,442	171,508	20,976	8,284	591,211	50,246	656,065	1,297,522
Supplies and postage	1,835,067	735,509	21,426	2,726	2,594,728	27,080	448,814	3,070,621
Telephone	668,913	367,290	65,688	16,944	1,118,834	3,961	226,964	1,349,759
Transportation	672,652	101,685	65,766	1,259	841,363	2,232	139,322	982,916
Travel	235,538	61,570	13,134	8,701	318,943	2,072	58,360	379,375
Utilities	352,512	196,268	45,889	3,816	598,485	3,294	92,327	694,106
Impairment loss	-	-	-	-	-	-	931,288	931,288
Total Expenses Before Depreciation	74,448,688	42,347,372	5,727,894	2,708,955	125,232,909	1,529,478	19,162,053	145,924,440
Depreciation	634,417	298,161	77,240	20,426	1,030,244	6,080	574,048	1,610,372
Total Direct Expenses	75,083,105	42,645,533	5,805,134	2,729,381	126,263,153	1,535,558	<u>19,736,101</u>	<u>147,534,812</u>
Allocable Management & General Expense	11,595,170	6,585,798	896,493	421,501	19,498,963	237,138		
Total Expense	<u>\$ 86,678,275</u>	<u>\$ 49,231,331</u>	<u>\$ 6,701,627</u>	<u>\$ 3,150,882</u>	<u>\$ 145,762,116</u>	<u>\$ 1,772,696</u>		

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Consolidated Statement of Functional Expenses

Comparative Information about Seneca Family of Agencies
for the Year Ended June 30, 2021

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	\$ 45,143,311	\$ 29,119,048	\$ 2,551,059	\$ 1,449,315	\$ 78,262,733	\$ 762,737	\$ 8,226,206	\$ 87,251,676
Payroll taxes and employee benefits	10,910,913	7,037,928	616,578	350,292	18,915,711	184,350	1,988,205	21,088,266
Total Payroll	56,054,224	36,156,976	3,167,637	1,799,607	97,178,444	947,087	10,214,411	108,339,942
Operations								
Advertisement and recruitment	146,708	72,266	44,589	3,381	266,944	23,525	26,679	317,148
Bad debts	87,464	-	-	-	87,464	-	-	87,464
Bank fee	6,709	-	-	236	6,945	12,368	183,021	202,334
Clothing	9,683	-	(871)	-	8,812	-	-	8,812
Conferences and training	157,492	130,130	8,641	4,432	300,695	777	24,000	325,472
Contingency reserve	-	-	-	-	-	-	869,972	869,972
Contract services	4,952,994	649,386	86,612	486,665	6,175,657	26,491	1,495,125	7,697,273
Equipment leases	16,477	5,877	3,196	42	25,592	130	4,781	30,503
Family service fees	705,215	-	1,534,921	-	2,240,136	3,500	-	2,243,636
Food	58,342	46,672	-	-	105,014	-	-	105,014
Fundraising	440	-	-	-	440	14,814	358	15,612
Government fees	33,786	46,647	23,871	3,135	107,439	19	163,253	270,711
Insurance	-	-	-	-	-	-	682,010	682,010
Interest	506,267	58,822	42,745	15,227	623,061	2,800	1,363,753	1,989,614
In-kind	163,821	-	8,835	-	172,656	42,312	294,425	509,393
Medical - Non Medi-Cal	51,889	24,115	469	-	76,473	43	38,807	115,323
Occupancy	724,769	761,930	163,757	-	1,650,456	-	14,383	1,664,839
Printing	3,604	875	306	6	4,791	4,316	9,315	18,422
Repairs and maintenance	1,505,002	438,546	90,156	14,944	2,048,648	7,321	347,418	2,403,387
Special events	-	36,584	-	-	36,584	-	-	36,584
Subscription and dues	112,983	46,152	2,817	7,584	169,536	45,718	534,485	749,739
Supplies and postage	810,969	583,065	7,914	3,965	1,405,913	30,488	353,838	1,790,239
Telephone	658,792	334,199	54,967	15,890	1,063,848	3,607	78,273	1,145,728
Transportation	359,114	63,663	39,272	1,098	463,147	521	100,432	564,100
Travel	240,554	11,915	-	-	252,469	-	21,488	273,957
Utilities	289,285	115,039	36,371	3,402	444,097	1,428	85,653	531,178
Total Expenses Before Depreciation	67,656,583	39,582,859	5,316,205	2,359,614	114,915,261	1,167,265	16,905,880	132,988,406
Depreciation	658,088	244,033	67,036	21,577	990,734	4,088	529,437	1,524,259
Total Direct Expenses	68,314,671	39,826,892	5,383,241	2,381,191	115,905,995	1,171,353	<u>17,435,317</u>	<u>134,512,665</u>
Allocable Management & General Expense	10,173,513	5,931,075	801,680	354,610	17,260,878	174,439		
Total Expense	<u>\$ 78,488,184</u>	<u>\$ 45,757,967</u>	<u>\$ 6,184,921</u>	<u>\$ 2,735,801</u>	<u>\$ 133,166,873</u>	<u>\$ 1,345,792</u>		

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Consolidated Statement of Cash Flows

Year Ended June 30, 2022

**(With Comparative Information about Seneca Family of Agencies
for the Year Ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Changes in net assets	\$ 2,771,763	\$ 4,916,333
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,736,861	1,643,572
Bond issuance cost write off	-	842,540
Impairment of internally developed software	931,288	-
Amortization of bond issuance and debt issuance costs	17,446	37,609
Gain on disposal of property and equipment	(1,607,324)	(2,926,034)
Other disposals	14,128	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - government agencies	(5,320,117)	(3,073,547)
Accounts receivable - other	(2,499,711)	(790,826)
Prepaid expenses	(355,081)	(215,387)
Deposits	(155,838)	(105,816)
Increase (decrease) in:		
Accounts payable	513,327	61,950
Accrued liabilities	(1,502,706)	2,797,617
Reserves	472,778	1,550,115
Overpayments	524	4,047,523
Refundable advances	(306,988)	(1,013,867)
Net cash provided (used) by operating activities	<u>(5,289,650)</u>	<u>7,771,782</u>
Cash flows from investing activities		
Proceeds from sale of real estate	1,918,881	5,369,968
Purchase of property and equipment	(11,774,022)	(2,097,685)
Payments for software development costs	(430,080)	-
Sale of investments	10,065,561	(10,098,152)
Net cash (used) by investing activities	<u>(219,660)</u>	<u>(6,825,869)</u>
Cash flows from financing activities		
Proceeds from Series B bond issue for the reimbursement of property and equipment purchases	-	2,060,440
Draws on line of credit	3,555,499	5,347,515
Principal payments on bonds payable	(1,745,640)	(8,410,365)
Note payable issuance costs	(163,822)	-
Principal payments on note payable	(9,460)	-
Proceeds from bond drawdown component	3,538,860	-
Proceeds from note payable	2,860,531	-
Repayment of Paycheck Protection Program loan	-	(10,000,000)
Net cash provided (used) by financing activities	<u>8,035,968</u>	<u>(11,002,410)</u>
Net increase (decrease) in cash	2,526,658	(10,056,497)
Cash and cash equivalents, beginning of year	21,601,425	31,657,922
Cash and cash equivalents, end of year	<u>\$ 24,128,083</u>	<u>\$ 21,601,425</u>
Supplemental disclosures		
Interest paid	\$ 1,151,379	\$ 1,254,648
Noncash transactions - see Note 26		

See accompanying notes

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

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 2021-22, Seneca's behavioral health programs provided responsive and individualized services for more than 9,400 youth and their families.

Educational services - 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 1,500 students and school climate and culture interventions for over 6,700 students across California and Washington state. in addition, Seneca operates five nonpublic schools and 18 counseling-enriched classrooms throughout the bay area, which provide therapeutic services for students with profound behavioral and social-emotional challenges.

Foster care and permanency - 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 1,200 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.

Other program services - 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:

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 1 - The Organization (continued)

- 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 4,000 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.

Formation of subsidiary - Effective January 1, 2022, the Organization formed Alliance for Community Advocacy (d.b.a. Just Advocates), a 501(c)(3) nonprofit created to advocate on behalf of children and families with agencies and other governmental authorities at the local, state and national levels. Seneca has committed to providing \$2 million in funding to Just Advocates over the next five years. During the year ended June 30, 2022, Seneca provided \$600,000 of this funding. Just Advocates has a December 31 fiscal year end.

Note 2 - Summary of Significant Accounting Policies

Principles of consolidation - The accompanying consolidated financial statements include the accounts of the Seneca Family of Agencies and its subsidiary Alliance for Community Advocacy (d.b.a. Just Advocates). Seneca controls and has an economic interest in its subsidiary. All significant intercompany accounts have been eliminated in consolidation.

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 AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

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.

Software development costs - The Organization capitalizes qualified software development costs. Capitalized costs are amortized over the estimated software life on a straight-line basis, beginning when the software is available for use. If the events and circumstances surrounding software development begin to exhibit impairment indicators, the Organization evaluates whether the capitalized software costs are recoverable (see Note 7).

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:

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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.

In-kind contributions – Contributed nonfinancial assets include donated supplies for use in programs, donated rent, donated professional services and other in-kind contributions which are recorded at the respective fair values of the goods or services received (see Note 16). In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management as follows:

- fixed operating costs charged to each appropriate funding stream are either allocated equally, or in reasonable proportion to the benefit provided or other equitable relationship.
- direct service costs, including maintenance costs and non-payroll costs associated with recruitment and advertising, are allocated based on the total of direct payroll salaries to total activity costs.
- shared costs to all programs include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization, including costs associated with the executive office, human resources, accounting, information technology, data collection, research and evaluation, the Organization's diversity, equity and inclusion initiative, and quality assurance. Allocation to each program is determined based on a ratio of total allocable costs to total direct program costs.

Use of estimates - The preparation of consolidated 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 - Seneca and its subsidiary Just Advocates are exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d, and are considered by the IRS to be organizations 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.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 2 - Summary of Significant Accounting Policies (continued)

Reclassification - A reclassification of certain capitalized software development costs has been made to the accompanying prior year financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported assets or net assets.

Adopted accounting pronouncement - For the year ended June 30, 2022, the Organization elected to adopt Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contribution of cash or other financial assets. The standard also increases the disclosure requirements for contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the consolidated financial statements, with the exception of the increased disclosures (see Note 16).

Future adoption of accounting standard – Effective for its annual financial statements for year ending June 30, 2023, the Organization will adopt a new accounting standard issued by the Financial Accounting Standards Board that will require significant changes in accounting for operating leases under which the Organization is a lessee and a lessor. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. Management is in the process of determining the effects of this change on the Organization's future financial statements and the related retrospective adjustments.

Note 3 – Contract Balances for Program Service Fees

The timing of revenue recognition, billings and cash collections for non-governmental program service fees results in billed receivables. Amounts are billed as work progresses in accordance with contractual terms on a monthly basis. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets.

The beginning and ending contract asset balances as of June 30, are as follows:

	2022	2021	2020
Contract assets, included in Accounts			
Receivable - Other	\$ 3,070,329	\$ 1,113,584	\$ 616,965

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 4 - Property and Equipment

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

	2022	2021
Land	\$ 22,868,621	\$ 23,632,704
Buildings	27,272,914	22,424,639
Leasehold improvements	11,203,079	12,577,326
Furniture and equipment	2,663,205	2,586,303
Vehicles	1,674,062	1,973,629
Portable buildings	178,314	178,314
Construction in progress		
Real estate	173,002	-
	66,033,197	63,372,915
Accumulated depreciation	(11,143,487)	(10,770,674)
	<u>\$ 54,889,710</u>	<u>\$ 52,602,241</u>

For the years ended June 30, 2022 and 2021, depreciation expense was \$1,736,861 and \$1,643,572, respectively. \$126,489 and \$119,311 of depreciation has been netted against rental revenues (see Note 17).

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 June 2025.

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

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 4 - Property and Equipment (continued)

	2022	2021
Land	\$ 2,856,061	\$ 1,932,522
Buildings	3,782,225	3,173,949
Leasehold improvements	1,155,448	1,118,026
	<u>7,793,734</u>	<u>6,224,497</u>
Accumulated depreciation	<u>(1,406,604)</u>	<u>(1,231,574)</u>
	<u><u>\$ 6,387,130</u></u>	<u><u>\$ 4,992,923</u></u>

Total lease income, net of related expenses, for the years ended June 30, 2022 and 2021 is \$219,033 and \$401,949, respectively, and is included in other revenue (see Note 17).

Minimum future rental income from leases is as follows:

Year ending June 30	
2023	\$ 220,158
2024	198,558
2025	<u>132,719</u>
	<u><u>\$ 551,435</u></u>

Classification as Held for Sale: On September 29, 2021, the Organization sold property in San Leandro, California for \$1,980,000 cash. The Organization recognized a gain of \$1,607,324 on the sale. The real property was classified as held for sale as of June 30, 2021.

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

	2022	2021
Land	\$ 4,241,871	\$ 145,644
Buildings	2,048,475	339,835
Furniture and equipment	830,126	785,591
Leasehold improvements	1,239,601	257,003
	<u>8,360,073</u>	<u>1,528,073</u>
Accumulated depreciation	<u>(606,981)</u>	<u>(1,198,988)</u>
	<u><u>\$ 7,753,092</u></u>	<u><u>\$ 329,085</u></u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 5 - Investments

The balances of investment assets measured at fair value as of June 30, 2022 and 2021 are \$393,318 and \$10,458,879, respectively. Investment return (loss) for the years ended June 30, 2022 and 2021, respectively, is included with interest income on the statement of activities as follows:

	<u>2022</u>	<u>2021</u>
Investment return		
Interest and dividends	\$ 38,575	\$ 22,398
Unrealized gains (losses)	(73,016)	88,535
	<u>(34,441)</u>	<u>110,933</u>
Other non-investment interest	1,024	280
	<u><u>\$ (33,417)</u></u>	<u><u>\$ 111,213</u></u>

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

Note 6 - 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, 2022 and 2021, respectively:

<u>Level 2</u>	<u>2022</u>	<u>2021</u>
Certificate of deposit	\$ -	\$ 10,002,123
Pooled securities	393,318	456,756
Total investments	<u><u>\$ 393,318</u></u>	<u><u>\$ 10,458,879</u></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).

The certificate of deposit is valued at principal plus accrued interest, which approximates fair value due to the short-term nature of these investments (term of one year or less) (Level 2 inputs).

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 6 - Fair Value Measurements (continued)

Transactions measured at fair value on a non-recurring basis during the years ended June 30, 2022 and 2021, respectively, are \$502,518 and \$509,393 of in-kind contributions (see Note 16).

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 7 - Software Development Costs

Capitalized software development costs at June 30 consist of the following:

	2022	2021
Licensed software development costs	\$ 430,080	\$ -
Internally developed software costs	931,288	931,288
Impairment loss	(931,288)	-
Accumulated amortization	-	-
	<u>\$ 430,080</u>	<u>\$ 931,288</u>

In February 2022, management determined that it was no longer cost effective to internally develop electronic medical records software, and determined the fair value of capitalized costs incurred to date to be \$0, as the Organization has no ability to recover the costs. Accordingly, an impairment loss of \$931,288 is recognized in the year ended June 30, 2022.

No amortization has been recorded for the year ended June 30, 2022, since the licensed software is still in the development stage and has not been placed in service.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 8 - Accrued Liabilities

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

	2022	2021
Wages	1,052,699	\$ 1,173,324
Vacation	7,964,237	7,243,695
Deferred FICA employer taxes	1,914,021	3,827,925
Payroll taxes and benefits	2,425,781	2,465,529
Private insurance offset	1,186,581	1,119,537
Other liabilities	660,430	876,445
	<u>\$ 15,203,749</u>	<u>\$ 16,706,455</u>

Note 9 - Line of Credit

The Organization has a \$4,750,000 revolving credit agreement with First Republic Bank. The line of credit matures on January 1, 2023, and bears interest at the bank's prime rate (4.75% and 3.25% per annum at June 30, 2022 and 2021, respectively). The line of credit is secured by the Organization's accounts, equipment and inventory. At June 30, 2022 and 2021, the outstanding balance under this line of credit was \$0 and \$1,206,970, respectively.

The line of credit is subject to reporting and financial related covenants and management believes the Organization was in compliance with all covenants as of June 30, 2022 and 2021.

Note 10- 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, \$207,297 and \$214,742 of overpayments were taken into income in the years ended June 30, 2022 and 2021, respectively, and are included in other revenue on the statement of activities (see Note 17).

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 10 - Liability for Overpayments Received (continued)

Overpayments also include contract advances from certain counties to facilitate continued operations during the pandemic, and amounts owed for county cost reconciliation reports prepared annually.

Note 11 - Note Payable

Note payable as of June 30, 2022 consist of the following:

Note payable to First Republic Bank, secured by real property, payable in monthly installments of \$34,299, including interest at 3.45%, due April 1, 2052.	\$ 7,613,540
Less debt issuance costs, net of amortization	<u>(162,912)</u>
Note payable, net	7,450,628
Current portion	<u>(142,150)</u>
	<u><u>\$ 7,308,478</u></u>

Debt maturities of note payable, net of amortization, are as follows:

<u>Year ending June 30</u>	
2023	\$ 142,150
2024	146,684
2025	152,805
2026	158,430
2027	164,256
Thereafter	<u>6,686,303</u>
	<u><u>\$ 7,450,628</u></u>

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 and accrued interest were forgivable after 24 weeks, as long as the Organization used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and to maintain its payroll levels.

The Organization paid off the full amount of PPP loan in the amount of \$10,000,000, plus accrued interest of \$109,315 on June 25, 2021.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 12 - 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 were 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, 2021, \$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, 2021, \$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 Wells Fargo Tax-Exempt Revenue bonds proceeds is shown below:

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

The Wells Fargo Bank Tax- Exempt Revenue Bonds Series 2016A and 2016B were paid off in April 2021 with the proceeds from the issuance of a 2021 tax-exempt bond of \$42,000,000 financed through the First Republic Bank.

First Republic Bank – 2019 Tax-Exempt Bonds - In December 2019, the Organization issued a 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. The bond was paid off in

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 12 - Bonds Payable (continued)

April 2021 with proceeds from the issuance of a new 2021 tax-exempt bond financed through the First Republic Bank.

Proceeds from issuance of 2019 Tax-Exempt Bonds 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>

First Republic Bank – 2021 Tax-Exempt Bonds - In April 2021, the Organization issued a California Infrastructure and Economic Development Bank 2021 Tax-Exempt Bonds of \$42,000,000 financed through First Republic Bank for the purpose of refinancing prior indebtedness and acquisition of additional real property to further the Organization's mission.

The 2021 Tax-Exempt Bond includes a Bond Component of \$37,158,841 and a Drawdown Component with the maximum advances amount of \$4,841,159.

As of June 30, 2022, and 2021, \$42,000,000 and \$37,158,841, respectively, of California Infrastructure and Economic Development Bank Tax-Exempt Revenue Bonds have been issued under the agreement. Principal payments began April 2021 including interest at 2.60% with final payment due April 1, 2051. At June 2022 and 2021, the outstanding Bond Component balance was \$34,764,879 and \$36,475,352, respectively.

At June 30, 2021 the outstanding advances under the drawdown component were \$1,302,399. The drawdown component was payable in monthly interest payments, at the bank's prime rate of 2.60%, until March 31, 2022. At April 1, 2022 the outstanding balance of \$4,841,159 was converted to a bond term-loan payable in principal and interest payments based on 29-year amortization schedule with final payment due April 1, 2051. At June 30, 2022, the outstanding bond term-loan balance is \$4,822,628.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 12 - Bonds Payable (continued)

Proceeds from issuance of 2021 Tax-Exempt Bonds, including draw-down component, were used for the following purposes:

Principal payments on Wells Fargo 2016A bond	\$ 8,369,124
Principal payments on Wells Fargo 2016B bond	957,475
Principal payments of First Republic Bank 2019 bond	22,437,496
First Republic Bank line of credit repayment	4,140,545
Reimbursement for property renovations	2,060,540
Reimbursement for purchase of real property	3,538,760
Issuance costs and discounts	<u>496,060</u>
	<u><u>\$ 42,000,000</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.

Bonds payable as of June 30, 2022 consist of the following:

	Bond Component	Drawdown Component converted to Term-Loan	Total
Bond payable, gross	\$ 35,241,649	\$ 4,822,628	\$ 40,064,277
Debt issuance costs, net of amortization	<u>(476,770)</u>	<u>-</u>	<u>(476,770)</u>
Bonds payable, net	34,764,879	4,822,628	39,587,507
Current portion	<u>(860,503)</u>	<u>(115,020)</u>	<u>(975,523)</u>
Bond payable, net	<u><u>\$ 33,904,376</u></u>	<u><u>\$ 4,707,608</u></u>	<u><u>\$ 38,611,984</u></u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 12 - Bonds Payable (continued)

Bond payable as of June 30, 2021, consisted of the following:

	Bond Component	Drawdown Component	Total
Bond payable, gross	\$ 36,968,658	\$ 1,302,399	\$ 38,271,057
Debt issuance costs, net of amortization	(493,306)	-	(493,306)
Bonds payable, net	36,475,352	1,302,399	37,777,751
Current portion	(822,611)	-	(822,611)
Bond payable, net	<u>\$ 35,652,741</u>	<u>\$ 1,302,399</u>	<u>\$ 36,955,140</u>

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

Year ending June 30	Bond Component	Term-loan Component	Total
2023	\$ 860,503	\$ 115,020	\$ 975,523
2024	883,580	118,046	1,001,626
2025	907,264	121,153	1,028,417
2026	931,571	124,340	1,055,911
2027	956,518	127,612	1,084,130
Thereafter	30,225,443	4,216,457	34,441,900
	<u>\$ 34,764,879</u>	<u>\$ 4,822,628</u>	<u>\$ 39,587,507</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 13 - Net Assets with Restrictions

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

	2022	2021
Subject to expenditure for specified purposes:		
NoCal South County Clinic	\$ 152,753	\$ 348,675
Monterey Family Ties	335,750	298,542
San Benito Placement	243,986	143,986
Todo Por Mi Familia	228,920	116,013
All in OC	161,600	-
GAIT	252,174	76,233
Education Institute	69,340	69,340
Friends Funds - Southern California	58,449	58,449
SoCal Placement	-	47,335
Friends Funds - San Luis Obispo	30,409	30,409
REACH Program	-	27,077
Mosaic	-	24,500
Cypress Funds	33,173	23,323
Funds and programs with less than \$10,000 at year end	10,182	11,081
	<u>1,576,736</u>	<u>1,274,963</u>
Donor restricted endowment for general use	65,175	65,175
	<u>\$ 1,641,911</u>	<u>\$ 1,340,138</u>

Note 14 - 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.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 14 - Endowments (continued)

Changes to the endowment net assets are as follows:

Beginning balance July 1, 2020	\$ 65,175
	-
Ending balance June 30, 2021	<u>65,175</u>
	-
Ending balance June 30, 2022	<u><u>\$ 65,175</u></u>

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

Note 15 - Government Contract Revenues

Government contract revenues for the years ended June 30, 2022 and 2021 consist of the following:

	2022	2021
Community based programs	\$ 76,529,836	\$ 71,985,141
Education and school based programs	46,344,645	44,746,912
Foster care and permanency	7,744,401	7,655,493
Other government funding	<u>1,006,195</u>	<u>-</u>
	<u><u>\$ 131,625,077</u></u>	<u><u>\$ 124,387,546</u></u>

As of June 30, 2022, and 2021, respectively, the Organization received \$4,168,450 and \$4,475,438 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 consolidated statement of financial position as refundable advances.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 16 - Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the years ended June 30:

	2022	2021
Donations for use in programs	\$ 101,148	\$ 77,635
Rent	164,225	137,333
Legal services	138,145	294,425
Donated real estate	99,000	-
	<u>\$ 502,518</u>	<u>\$ 509,393</u>

Donated goods and supplies for use in programs are valued at the U.S. wholesale price (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution.

The Organization receives donated professional services that would typically be purchases if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value when the contribution is made and are expensed when the services are rendered. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered.

The Organization also receives the use of donated facilities rent for certain program operations and supporting services. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation. Fair value is estimated using the average price per square foot of rental listings in the Organization's service area. Donated rent is valued at the fair value of similar properties available in commercial real estate listing.

During the year ended June 30, 2022, the Organization received a charitable contribution of \$99,000 for a portion of purchased real estate located in Marina, California. The donation was capitalized as part of the real estate purchase price.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 17 - Other Revenue

Other revenue for the years ended June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Gain on sale of property and equipment	\$ 1,607,324	\$ 2,926,034
Family finding and identification services	646,842	531,525
Lease income, net of expenses of \$590,610 and \$523,631, respectively	219,033	401,949
Computer consulting	66,000	66,000
Overpayments recognized	207,297	214,742
Miscellaneous program revenues and cost settlements	719,476	433,617
Legal settlement income	125,000	-
Other	108,335	133,252
	<u>\$ 3,699,307</u>	<u>\$ 4,707,119</u>

Note 18 - Operating Lease Commitments

The Organization leases 26 facilities and various office equipment under operating leases expiring in various years through June 2025. Management expects that in the normal course of business, the leases will be renewed or replaced by other leases. The Organization also operates programs in Ventura County for which it is allowed the use of facilities from a government agency at no cost (see Note 16). Management expects this arrangement to continue as long as the related programs are operating.

For the years ended June 30, 2022 and 2021, respectively, lease expense was \$1,864,869 and \$1,832,675 including donated rents of \$164,225 and \$137,333, respectively.

Minimum future rental payments under these leases are as follows:

<u>Year ending June 30</u>	
2023	\$ 861,266
2024	291,752
2025	<u>148,320</u>
	<u>\$ 1,301,338</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 19 - 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 consolidated 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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Workers' compensation	\$ 5,461,259	\$ 4,936,214
Contract contingency	<u>2,751,923</u>	<u>2,804,190</u>
	8,213,182	7,740,404
Current portion	<u>(1,032,193)</u>	<u>(1,037,249)</u>
	<u>\$ 7,180,989</u>	<u>\$ 6,703,155</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 19 - Other Commitments, Reserves and Contingencies (continued)

Legal claims

In January 2021, the Organization was named as a defendant in a complaint by a former foster child, who was placed in a home in 2001 by an agency acquired by the Organization in 2016. At this time, management has determined that the possibility of an unfavorable outcome is reasonably possible; however, the Organization's share of loss is expected to be within insurance policy limits and therefore will not have a material adverse effect on the financial position, operations, or liquidity of the Organization. The litigation is expected to be resolved through mediation in 2023.

In June 2022, the Organization was notified of a claim related to a former employee's actions in 2002-2003 involving a foster child. This matter is expected to be settled in December 2022 within the Organization's insurance policy limits.

Note 20 - 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 21 - 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, 2022, and 2021, the Organization expensed \$1,443,031 and \$870,249, respectively, in discretionary contributions; these amounts are included in accrued liabilities as of June 30, 2022 and 2021.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 22 - Subsequent Events

Management has evaluated subsequent events through December 2, 2022, the date on which the consolidated financial statements were available to be issued.

Purchase of real properties for use in operations – In July 2022, the Organization purchased real property in Paso Robles, California, for \$640,000 cash. In August 2022, the Organization purchased real property in Lake Forest, California, for \$1,025,000 cash.

Note 23 - 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 9).

The following table reflects the Organization's financial assets as of June 30, 2022, 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 13. Amounts not available to meet general expenditures within one year also may include net assets designated by the board for particular purposes. At June 30, 2022 and 2021, net assets with board designations were \$380,707 and \$441,542, respectively.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 23 - Information Regarding Liquidity and Availability (continued)

Following is the summary of financial assets available at June 30:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 24,128,083	\$ 21,601,425
Accounts receivable - government agencies	30,175,988	24,855,871
Accounts receivable - other	3,987,384	1,487,673
Investments	<u>393,318</u>	<u>10,458,879</u>
	58,684,773	58,403,848
Donor imposed restrictions:		
Assets restricted for specified purposes	<u>(1,641,911)</u>	<u>(1,340,138)</u>
Net financial assets after donor-imposed restrictions	57,042,862	57,063,710
Internal designations:		
Assets designated for Central Coast operations	<u>(380,707)</u>	<u>(441,542)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 56,662,155</u>	<u>\$ 56,622,168</u>

Note 24 - Uncertainty Due to COVID - 19

The COVID-19 virus is continuing to mutate and spread. The Organization has implemented extensive measures to protect the health and safety of its employees, clients and community and continues to adopt day to day operations to safely carry out its mission. The Organization continues to monitor and assess the COVID implications on its operations and take necessary actions to mitigate potential adverse consequences. The economic impact brought by, and the duration of COVID-19 pandemic is difficult to assess or predict. There is uncertainty over how the future development of the pandemic will impact the Organization's operations.

Note 25 - Supplemental Fair Value Information

Management's estimate of fair value of real estate holdings as of June 30, 2022 and 2021, which are based on appraisals, discussions with real estate professionals and other public sources of real estate value, is \$84,133,313 and \$72,963,314, respectively.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Information about Seneca Family of Agencies
as of June 30, 2021)

Note 26 - Non-cash Transactions

Following is the summary of non-cash transactions for the years ended June 30:

	<u>2022</u>	<u>2021</u>
In-kind contributions for use in operations	\$ 403,518	\$ 509,393
In-kind real estate contribution	99,000	-
Conversion of bond drawdown component to term-loan	4,841,159	-
Line of credit paid through refinancing of notes payable, including interest of \$12,469	4,762,469	-
Non-cash transactions related to bond issuance:		
Repayment of non-taxable loans	-	31,764,095
Repayment of line of credit	-	4,140,545
Bond issuance costs	-	286,061

Supplementary Information

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Schedule of Expenditures of Alameda County Grants

Year Ended June 30, 2022

Program Name	ACBH Mental Health	ACBH Full Service Partnership
Procurement Contract Number	21932	21933
Exhibit Number (or Description)	900121	900121
Contract Period	07/01/21-06/30/22	07/01/21-06/30/22
Contract Amount	\$ 22,588,465	\$ 734,580
Expenses		
Salaries and PR benefits	15,356,101	543,103
Operating Expenses	1,405,733	62,292
Admin Allocation	2,433,818	87,903
Total Expenses	19,195,652	693,298
Amount reimbursed by county	\$ 19,265,303	\$ 663,685

See auditor's report

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2022

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		\$ 584,321	\$ 2,408,800	\$ 2,993,121
Passthrough - State of California Department of Social Services	93.658	19-3108	470,109	-	470,109
Pass-through - San Francisco Community College District	93.658		180,033	-	180,033
Pass-through - Contra Costa County, California	93.658	20-301-00/20-301-01	43,244	229,262	272,506
Pass-through - Marin County, California	93.658		25,688	110,043	135,731
Pass-through - Monterey County, California	93.658		138,098	199,521	337,619
Pass-through - Sonoma County, California	93.658		61,811	264,786	326,597
Pass-through - San Francisco County, California	93.658		211,413	441,761	653,174
Pass-through - San Luis Obispo County, California	93.658		22,341	95,705	118,046
Pass-through - Santa Clara County, California	93.658		61,368	262,889	324,257
Pass-through - Riverside County, California	93.658		20,607	88,277	108,884
Subtotal - Foster Care Title IV-E			1,819,033	4,101,044	5,920,077
Adoption Assistance:					
Pass-through - State of California Department of Social Services	93.659		78,848	100,352	179,200
Pass-through - San Francisco County	93.659		74,617	1,555,977	1,630,594
Subtotal - Adoption Assistance			153,465	1,656,329	1,809,794
Unaccompanied Alien Children Program	93.676		3,411,610	-	3,411,610
Temporary Assistance for Needy Families - passthrough San Francisco County, California	93.558		13,322	-	13,322
Child Abuse and Neglect Discretionary Activities pass-through King County, Washington Department of Executive Services	93.670	90CA1825-01-01	53,600	-	53,600
Coronavirus Relief Fund	93.498		317,429	-	317,429
Block Grants for Community Mental Health Services	93.958		688,195	-	688,195
			6,456,654	5,757,373	12,214,027
Department of Agriculture:					
Pass-through - California State Department of Agriculture					
National Breakfast Program	10.553	161309703	8,439	-	8,439
National Lunch Program	10.555	161309703	19,691	-	19,691
			28,130	-	28,130
Department of Justice					
Child Abuse Treatment Program	16.575		251,102	-	251,102
			\$ 6,735,886	\$ 5,757,373	\$ 12,493,259

See auditor's report.

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

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2022

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 and subsidiary under programs of the federal government for the year ended June 30, 2022. 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 and subsidiary, 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 and subsidiary have chosen to negotiate indirect costs rates with counties rather than electing to use the 10% de minimis indirect cost rate 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 and its Subsidiary

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 consolidated financial statements of Seneca Family of Agencies and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 2, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Seneca Family of Agencies and its Subsidiary's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's consolidated 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", "A", and "L" being particularly large and stylized.

San Mateo, California
December 2, 2022



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 and subsidiary

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Seneca Family of Agencies and subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Seneca Family of Agencies and subsidiary's major federal programs for the year ended June 30, 2022. Seneca Family of Agencies and subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Seneca Family of Agencies and subsidiary 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Seneca Family of Agencies and subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Seneca Family of Agencies and subsidiary's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Seneca Family of Agencies Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Seneca Family of Agencies and subsidiary's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Seneca Family of Agencies Organization's compliance with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Seneca Family of Agencies and subsidiary.
- Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Obtain an understanding of Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Seneca Family of Agencies and subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 2, 2022

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of Seneca Family of Agencies and subsidiary.
2. No significant deficiencies related to the audit of the consolidated 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 consolidated financial statements of Seneca Family of Agencies and subsidiary, 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	\$1,819,033
CFDA#93.958 Block Grants for Community Mental Health Services	\$ 688,195
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.