



SENECA FAMILY OF AGENCIES AND SUBSIDIARY

(A California Nonprofit Public Benefit Corporation)

Consolidated Financial Statements

June 30, 2023 and 2022

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Table of Contents

June 30, 2023 and 2022

	<u>Page</u>
Independent Auditors' Report	1-3
Financial Statements	
Consolidated Statements of Financial Position	4-5
Consolidated Statements of Activities and Changes in Net Assets	6-7
Consolidated Statements of Functional Expenses	8-9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11-36
Supplementary Information	
Schedule of Expenditures of Alameda County Grants	37
Schedule of Expenditures of Federal and Nonfederal Awards	38-39
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>	40-41
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	42-44
Schedule of Findings and Questioned Costs	45



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 statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 audits. 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 audits were 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 January 29, 2024, 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.

Gilmore & Associates LLP

San Mateo, California
January 29, 2024

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 16,577,314	\$ 24,128,083
Investments	2,081,727	393,318
Accounts receivable:		
Government agencies	36,209,158	30,175,988
Other	3,786,737	3,987,384
Prepaid expenses	1,427,850	1,574,237
	<u>60,082,786</u>	<u>60,259,010</u>
Property and equipment - net		
Held and used	54,802,847	54,889,710
Held for sale	8,355,070	7,753,092
	<u>63,157,917</u>	<u>62,642,802</u>
Other assets		
Deposits	1,598,261	1,981,207
Operating lease right-of-use asset	1,185,156	-
Software development costs	549,686	430,080
Other	45,200	45,200
	<u>3,378,303</u>	<u>2,456,487</u>
	<u>\$ 126,619,006</u>	<u>\$ 125,358,299</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2023 and 2022

Liabilities and Net Assets	2023	2022
Liabilities		
Current liabilities		
Accounts payable	\$ 2,123,768	\$ 1,954,804
Accrued liabilities	13,172,674	15,203,749
Reserves	1,861,340	1,032,193
Overpayments	7,872,030	9,556,325
Refundable advances	4,778,387	4,168,450
Notes payable	235,123	142,150
Bonds payable	922,032	975,523
Operating lease liability, current portion	578,075	-
	<u>31,543,429</u>	<u>33,033,194</u>
Long term liabilities		
Reserves, net of current portion	7,601,848	7,180,989
Notes payable, net of current portion	8,490,603	7,308,478
Bonds payable, net of current portion	36,672,768	38,611,984
Operating lease liability, net of current portion	262,826	-
	<u>53,028,045</u>	<u>53,101,451</u>
	84,571,474	86,134,645
Net assets		
Without restrictions	40,589,750	37,581,743
With restrictions	1,457,782	1,641,911
	<u>42,047,532</u>	<u>39,223,654</u>
	<u>\$ 126,619,006</u>	<u>\$ 125,358,299</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023

	Without Restrictions	With Restrictions	Total
Revenue and support			
Contributions			
General	\$ 468,796	\$ 4,518,428	\$ 4,987,224
In-kind	314,247	-	314,247
Government contracts	156,924,225	-	156,924,225
Program service fees	11,879,613	-	11,879,613
Special events (net of expenses of \$221,001)	267,922	-	267,922
Other revenue	2,816,541	-	2,816,541
Investment return	88,347	-	88,347
Net assets released from restrictions	4,702,557	(4,702,557)	-
	177,462,248	(184,129)	177,278,119
Expenses			
Program services	150,932,048	-	150,932,048
Support services	23,522,193	-	23,522,193
	174,454,241	-	174,454,241
Changes in net assets	3,008,007	(184,129)	2,823,878
Net assets, beginning of year	37,581,743	1,641,911	39,223,654
Net assets, end of year	\$ 40,589,750	\$ 1,457,782	\$ 42,047,532

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 Functional Expenses

Year Ended June 30, 2023

	Community Based Services	Education Services	Foster Care and Permanency	Training	Total Program Services	Development	Management and General	Total
Payroll								
Salaries	\$ 59,372,976	\$ 34,903,586	\$ 4,025,349	1,931,657	\$ 100,233,568	\$ 679,089	11,782,952	\$ 112,695,609
Payroll taxes and employee benefits	13,280,365	7,836,727	903,791	433,705	22,454,588	152,473	2,645,566	25,252,627
Total Payroll	72,653,341	42,740,313	4,929,140	2,365,362.00	122,688,156	831,562	14,428,518	137,948,236
Operations								
Advertisement and recruitment	172,037	93,440	83,309	5,189	353,975	11,925	41,740	407,640
Bad debts	77,318	-	-	-	77,318	-	750	78,068
Bank fee	8,072	72	646	-	8,790	4,997	44,499	58,286
Clothing	3,060	-	(509)	-	2,551	-	-	2,551
Conferences and training	271,362	437,244	14,947	22,047	745,600	1,202	94,190	840,992
Contingency reserve	-	-	-	-	-	-	111,350	111,350
Contract services	10,340,796	707,504	101,123	561,714	11,711,137	8,755	2,277,932	13,997,824
Equipment leases	43,163	15,609	1,625	154	60,551	190	(21,834)	38,907
Family service fees	368,662	-	1,676,190	7,600	2,052,452	-	-	2,052,452
Food	53,417	84,225	52	-	137,694	-	-	137,694
Fundraising	53	-	-	-	53	23,732	6,814	30,599
Government fees	65,087	10,464	10,065	947	86,563	1,561	301,036	389,160
Insurance	-	-	-	-	-	-	967,797	967,797
Interest	432,912	141,644	118,586	8,254	701,396	3,099	412,369	1,116,864
In-kind	181,035	-	4,035	-	185,070	68,255	60,922	314,247
Medical - Non Medi-Cal	29,231	28,980	906	-	59,117	-	22,916	82,033
Occupancy	802,149	678,649	103,441	-	1,584,239	-	194,977	1,779,216
Printing	4,736	5,176	406	32	10,350	9,416	11,873	31,639
Repairs and maintenance	1,363,232	1,103,768	138,532	10,042	2,615,574	11,498	399,340	3,026,412
Special events	7,178	145,186	-	-	152,364	-	-	152,364
Subscription and dues	322,729	110,836	19,433	6,889	459,887	28,414	1,499,445	1,987,746
Supplies and postage	1,709,070	935,100	103,492	4,377	2,752,039	22,130	405,191	3,179,360
Telephone	639,448	337,648	106,104	13,694	1,096,894	4,106	187,904	1,288,904
Transportation	1,021,768	187,738	129,300	2,577	1,341,383	2,995	182,321	1,526,699
Travel	110,031	86,706	4,910	17,214	218,861	14,716	91,435	325,012
Utilities	401,952	233,847	74,251	2,759	712,809	4,091	123,908	840,808
Total Expenses Before Depreciation	91,081,839	48,084,149	7,619,984	3,028,851	149,814,823	1,052,644	21,845,393	172,712,860
Depreciation	596,097	370,026	138,265	12,837	1,117,225	6,489	617,667	1,741,381
Total Direct Expenses	91,677,936	48,454,175	7,758,249	3,041,688	150,932,048	1,059,133	\$ 22,463,060	\$ 174,454,241
Allocable Management & General Expense	13,549,253	7,161,133	1,146,606	449,537	22,306,529	156,531		
Total Expense	\$ 105,227,189	\$ 55,615,308	\$ 8,904,855	\$ 3,491,225	\$ 173,238,577	\$ 1,215,664		

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 Statements of Cash Flows

Year Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Changes in net assets	\$ 2,823,878	\$ 2,771,763
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	1,882,585	1,736,861
Impairment of internally developed software	-	931,288
Write off disposed leasehold improvements	117,734	-
Amortization of bond issuance and debt issuance costs	21,996	17,446
Gain on disposal of property and equipment	(1,068,775)	(1,607,324)
Other disposals	16,450	14,128
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - government agencies	(6,033,170)	(5,320,117)
Accounts receivable - other	200,647	(2,499,711)
Prepaid expenses	146,387	(355,081)
Deposits	382,946	(155,838)
Operating lease asset	(1,185,156)	-
Increase (decrease) in:		
Accounts payable	168,964	513,327
Accrued liabilities	(2,031,075)	(1,502,706)
Reserves	1,250,006	472,778
Overpayments	(1,684,295)	524
Refundable advances	609,937	(306,988)
Operating lease liability	840,901	-
Net cash used by operating activities	<u>(3,540,040)</u>	<u>(5,289,650)</u>
Cash flows from investing activities		
Proceeds from sale of real estate	3,366,407	1,918,881
Purchase of property and equipment	(4,829,516)	(11,774,022)
Payments for software development costs	(119,606)	(430,080)
Sale (purchase) of investments	<u>(1,688,409)</u>	<u>10,065,561</u>
Net cash used by investing activities	<u>(3,271,124)</u>	<u>(219,660)</u>
Cash flows from financing activities		
Draws on line of credit	-	3,555,499
Principal payments on bonds payable	(2,009,243)	(1,745,640)
Note payable issuance costs	-	(163,822)
Principal payments on notes payable	(1,107,362)	(9,460)
Proceeds from bond drawdown component	-	3,538,860
Proceeds from note payable drawdown component	<u>2,377,000</u>	<u>2,860,531</u>
Net cash provided (used) by financing activities	<u>(739,605)</u>	<u>8,035,968</u>
Net increase (decrease) in cash	<u>(7,550,769)</u>	<u>2,526,658</u>
Cash and cash equivalents, beginning of year	<u>24,128,083</u>	<u>21,601,425</u>
Cash and cash equivalents, end of year	<u>\$ 16,577,314</u>	<u>\$ 24,128,083</u>
Supplemental disclosures		
Interest paid	\$ 1,291,917	\$ 1,151,379
Noncash transactions - see Note 25		

See accompanying notes

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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 community-based services, crisis services, school-based services, permanency and placement, that impact more than 25,000 youth and families annually, including more than 180 program sites across 18 counties in California and two in Washington State.

Community-Based Services – Seneca partners with child and family-serving groups, including social services, behavioral health, juvenile probation departments, and Managed Care Plans (MCPs) to provide a range of behavioral health services within California and Washington communities. General service types include assessment/plan development, therapy (individual, group, and family), rehabilitation (individual and group), case management, crisis intervention, Intensive Care Coordination (ICC), Intensive Home-Based Services (IHBS), Therapeutic Behavioral Services (TBS) and psychiatry and medication support services. Each community-based program tailors some or all of these services to its particular target population of children, youth, and/or families within the specifications of its contract. Seneca's most prevalent community-based programs include Wraparound, outpatient clinics, and case management programs. In fiscal year 2022-2023 (FY 22-23), Seneca's community-based programs provided responsive and individualized services for 6,463 youth and their families.

Crisis Services – Seneca's crisis programs ensure that children and youth experiencing a mental health crisis have access to therapeutic crisis services that will help them stabilize and connect to any additional supports needed to ensure their continued safety and well-being. These services are offered in the community (Intensive Stabilization Services (ISS), Mobile Crisis Response Teams (MRT), and Family Urgent Response System (FURS)), in Partial Hospitalization Programs (PHPs), in short-term Crisis Stabilization Units (CSUs), and in crisis residential programs. In FY 22-23, over 2,000 youth and families received services in Seneca's crisis programs.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 1 - The Organization (continued)

School-Based Services – In FY 22-23, Seneca’s school-based services include four nonpublic schools, 15 counseling-enriched classrooms (CECs), 18 whole-school partnerships with public and public charter schools, and individual and group academic, behavioral, and social-emotional interventions (including school-based Wraparound and case management) in 46 schools. This year, 212 students were served by the nonpublic schools, 250 students participated in CECs, over 1,000 students received individualized interventions, and over 6,000 students benefited from the culture and climate initiatives at Seneca’s whole-school partnerships.

Permanency and Placement Programs – Seneca’s permanency and placement programs work with foster children, their biological, resource, and/or adoptive families, Child Welfare workers, and other committed and supportive individuals to identify, secure, and support safe, therapeutic, and culturally responsive placements that will meet each child’s individual needs. The agency’s continuum of permanency programs serves approximately 1,200 children each year and includes Intensive Services Foster Care (ISFC), Enhanced Intensive Services Foster Care (E-ISFC), Emergency Foster Care (EFC), Short-Term Residential Therapeutic Programs (STRTPs), family visitation services, Family Finding and Engagement (FFE), relative/kinship caregiver programs, Resource Family Approval (RFA), and other foster family agency (FFA) and adoption agency (AA) services.

Other Program Services - Seneca is committed to 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:

- Todo Por Mi Familia (TPMF): TPMF is a Seneca-led, nationwide mental health initiative to support the thousands of immigrant parents and children who were forcibly separated at the U.S. border by connecting them to mental health services. Seneca coordinates referrals to local mental health providers for interested families impacted by the Government’s policy. All services are free, confidential, and conducted in each family’s preferred language.
- The National Institute for Permanent Family Connectedness (NIPFC): The NIPFC promotes permanency for youth through training, consultation, and advocacy on the family finding and engagement model.
- Seneca’s Institute for Advanced Practice (SIAP): SIAP 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.
- The Joint Commission Accreditation: Behavioral health accreditation by The Joint Commission since 2010 reflects the agency’s desire to use the highest standard of practice in care and treatment.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 1 - The Organization (continued)

- Higher Education Partnerships, including a Master's in Social Work (MSW) at the University of Southern California (USC), Special Education Teaching Credential at Loyola Marymount University (LMU), and Flex MSW at UC Berkeley: These programs offer Seneca employees the opportunity to earn a degree or teaching credential with scholarships and paid internships that allow them to continue earning full-time wages and benefits at Seneca throughout their educational program.
- Policy & Advocacy: Seneca's policy and advocacy work focuses on improving local, state, and federal systems that serve children and families. The agency provides state policymakers with feedback and recommendations when new programs are being designed and implemented, supporting, or opposing proposed new legislation, attending county Board of Supervisor meetings to conduct local advocacy, and sitting on state councils, commissions, and workgroups.
- 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.

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. Just Advocates has a December 31 fiscal year end. Seneca has committed to providing \$2 million in funding to Just Advocates over the five years. During the year ended June 30, 2023 and 2022, Seneca provided \$500,000 and \$600,000 of this funding, respectively. Total cumulative funding provided through June 30, 2023 was \$1.1 million.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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.

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.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

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:

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.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Adoption of lease accounting standard – Effective July 1, 2022, the Organization adopted FASB ASU 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. The adoption resulted in the recognition of a right-of-use asset of \$2,151,929 and an operating lease liability of \$2,151,929 as of July 1, 2022. The adoption did not have a material impact on the Organization's results of operations or cash flows.

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 contract asset balances as of June 30, are as follows:

	2023	2022	2021
Contract assets, included in Accounts			
Receivable - Other	<u>\$ 2,955,498</u>	<u>\$ 3,070,329</u>	<u>\$ 1,113,584</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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:

	2023	2022
Land	\$ 23,033,186	\$ 22,868,621
Buildings	26,654,441	27,272,914
Leasehold improvements	10,939,664	11,203,079
Furniture and equipment	2,970,574	2,663,205
Vehicles	2,072,060	1,674,062
Portable buildings	178,314	178,314
Construction in progress		
Real estate	895,460	173,002
	66,743,699	66,033,197
Accumulated depreciation	(11,940,852)	(11,143,487)
	<u>\$ 54,802,847</u>	<u>\$ 54,889,710</u>

For the years ended June 30, 2023 and 2022, depreciation expense was \$1,882,585 and \$1,736,861, respectively. \$141,204 and \$126,489 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 September 2024.

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

	2023	2022
Land	\$ 1,595,568	\$ 2,856,061
Buildings	3,294,645	3,782,225
Leasehold improvements	1,056,212	1,155,448
	5,946,425	7,793,734
Accumulated depreciation	(1,449,366)	(1,406,604)
	<u>\$ 4,497,059</u>	<u>\$ 6,387,130</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 4 - Property and Equipment (continued)

Total lease income, net of related expenses, for the years ended June 30, 2023 and 2022 is \$57,593 and \$219,033, respectively, and is included in other revenue (see Note 17).

Minimum future rental income from leases is as follows:

Year ending June 30	
2024	\$ 292,791
2025	8,400
	<u>\$ 301,191</u>

Classification as Held for Sale: As of June 30, property and equipment held for sale consists of the following:

	2023	2022
Land	\$ 4,615,330	\$ 4,241,871
Buildings	3,333,382	2,048,475
Furniture and equipment	-	830,126
Leasehold improvements	1,773,388	1,239,601
	<u>9,722,100</u>	<u>8,360,073</u>
Accumulated depreciation	<u>(1,367,030)</u>	<u>(606,981)</u>
	<u>\$ 8,355,070</u>	<u>\$ 7,753,092</u>

On January 25, 2023, the Organization sold property in San Jose, California for \$1,250,000 cash. The Organization recognized a gain of \$745,536 on the sale. The real property was classified as held for sale as of June 30, 2022.

On January 31, 2023, the Organization sold property in Lake Forest, California for \$750,000 cash. The Organization recognized a gain of \$155,329 on the sale. The real property was classified as held for sale as of June 30, 2022.

On May 1, 2023, the Organization sold property in Salinas, California for \$1,450,000 cash. The Organization recognized a gain of \$212,635 on the sale.

In September 2023, the Organization sold property in Santa Rosa for \$1,300,000 cash. The Organization will recognize a gain of approximately \$530,000 on the sale.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 4 - Property and Equipment (continued)

In October 2023, the Organization sold property in Petaluma for \$2,700,000 cash. The Organization will recognize a gain of approximately \$117,000 on the sale.

In September 2023, the Organization also sold property in Oakland for \$6,000,000 cash. The Organization will recognize a gain of approximately \$2,860,000 on the sale.

Note 5 - Investments

The balances of investment assets measured at fair value as of June 30, 2023 and 2022 are \$2,081,727 and \$393,318 respectively. Investment return (loss) for the years ended June 30, 2023 and 2022, respectively, is included with interest income on the statement of activities as follows:

	2023	2022
Investment return		
Interest and dividends	\$ 65,292	\$ 38,575
Unrealized gains (losses)	22,361	(73,016)
	87,653	(34,441)
Other non-investment interest	694	1,024
	<u>\$ 88,347</u>	<u>\$ (33,417)</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, 2023 and 2022, respectively:

<u>Level 2</u>	2023	2022
Certificate of deposit	\$ 1,658,272	\$ -
Pooled securities	423,455	393,318
Total investments	<u>\$ 2,081,727</u>	<u>\$ 393,318</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 6 - Fair Value Measurements (continued)

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).

Transactions measured at fair value on a non-recurring basis during the years ended June 30, 2023 and 2022, respectively, are \$314,247 and \$502,518 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:

	2023	2022
Licensed software development costs	\$ 549,686	\$ 430,080
Internally developed software costs	-	931,288
Impairment loss	-	(931,288)
Accumulated amortization	-	-
	<u>\$ 549,686</u>	<u>\$ 430,080</u>

No amortization has been recorded for the years ended June 30, 2023 and 2022, because the licensed software was in the development stage and was not placed in service until July 1, 2023.

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

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 8 - Accrued Liabilities

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

	2023	2022
Wages	\$ 2,132,834	\$ 1,052,699
Vacation	6,981,702	7,964,237
Deferred FICA employer taxes	-	1,914,021
Payroll taxes and benefits	1,505,718	2,425,781
Private insurance offset	1,239,546	1,186,581
Other liabilities	1,312,874	660,430
	<u>\$ 13,172,674</u>	<u>\$ 15,203,749</u>

Note 9 - Line of Credit

The Organization has a \$4,750,000 revolving credit agreement with First Republic Bank. The line of credit was due to mature on January 1, 2024, but has been extended to March 1, 2024. It bears interest at the bank's prime rate (8.25% and 4.75% per annum at June 30, 2023 and 2022, respectively). The line of credit is secured by the Organization's accounts, equipment and inventory. At June 30, 2023 and 2022, the outstanding balance under this line of credit was \$0.

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, 2023 and 2022.

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, \$360,134 and \$207,297 of overpayments were taken into income in the years ended June 30, 2023 and 2022, 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, 2023 and 2022

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 - Notes Payable

Notes payable as of June 30, are as follows:

	<u>2023</u>	<u>2022</u>
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.	\$ 6,506,176	\$7,613,540
Note payable to First Republic Bank, secured by real property, payable in monthly installments of \$10,893, including interest at 3.45%, due April 1, 2052.	2,377,000	-
Less debt issuance costs, net of amortization	<u>(157,450)</u>	<u>(162,912)</u>
Notes payable, net	8,725,726	7,450,628
Current portion	<u>(235,123)</u>	<u>(142,150)</u>
	<u>\$ 8,490,603</u>	<u>\$7,308,478</u>

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

<u>Year ending June 30</u>	
2024	\$ 235,123
2025	238,402
2026	247,070
2027	256,047
2028	264,597
Thereafter	<u>7,484,487</u>
	<u>\$ 8,725,726</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 12 - Bonds Payable

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, 2023 and 2022, \$42,000,000 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 2023 and 2022, the outstanding Bond Component balance was \$32,885,445 and \$34,764,879, respectively. At June 2023 and 2022, the outstanding bond term-loan balance was \$4,709,355 and 4,822,628, respectively.

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.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 12 - Bonds Payable (continued):

Bonds payable as of June 30, 2023 consist of the following:

	Bond Component	Drawdown Component converted to Term-Loan	Total
Bond payable, gross	\$ 33,345,679	\$ 4,709,355	\$ 38,055,034
Debt issuance costs, net of amortization	(460,234)	-	(460,234)
Bonds payable, net	32,885,445	4,709,355	37,594,800
Current portion	(804,457)	(117,575)	(922,032)
	<u>\$ 32,080,988</u>	<u>\$ 4,591,780</u>	<u>\$ 36,672,768</u>

Bond payable as of June 30, 2022, consisted of the following:

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

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

Year ending June 30	Bond Component	Term-loan Component	Total
2024	\$ 804,457	\$ 117,575	\$ 922,032
2025	828,748	121,004	949,752
2026	851,302	124,192	975,494
2027	874,458	127,463	1,001,921
2028	896,099	130,523	1,026,622
Thereafter	28,630,381	4,088,598	32,718,979
	<u>\$ 32,885,445</u>	<u>\$ 4,709,355</u>	<u>\$ 37,594,800</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 13 - Net Assets with Restrictions

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

	2023	2022
Subject to expenditure for specified purposes:		
All in OC	\$ 355,650	\$ 161,600
San Benito Placement	304,595	243,986
GAIT	274,384	252,174
Monterey Family Ties	268,380	335,750
Friends Funds - Southern California	58,449	58,449
NoCal Placement	39,450	-
ISFC	32,831	-
Friends Funds - San Luis Obispo	30,409	30,409
Cypress Funds	25,743	33,173
Todo Por Mi Familia	-	228,920
NoCal South County Clinic	-	152,753
Education Institute	-	69,340
Funds and programs with less than \$10,000 at year end	2,716	10,182
	1,392,607	1,576,736
Donor restricted endowment for general use	65,175	65,175
	<u>\$ 1,457,782</u>	<u>\$ 1,641,911</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, 2023 and 2022

Note 14 - Endowments (continued)

Changes to the endowment net assets are as follows:

Beginning balance July 1, 2021	\$	65,175
		-
Ending balance June 30, 2022		65,175
		-
Ending balance June 30, 2023	\$	65,175

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, 2023 and 2022 consist of the following:

	2023	2022
Community based programs	\$ 92,481,815	\$ 76,529,836
Education and school based programs	52,934,278	46,344,645
Foster care and permanency	10,745,533	7,744,401
Other government funding	762,599	1,006,195
	<u>\$ 156,924,225</u>	<u>\$ 131,625,077</u>

As of June 30, 2023, and 2022, respectively, the Organization received \$4,778,387 and \$4,168,450 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, 2023 and 2022

Note 16 - Contributed Nonfinancial Assets

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

	2023	2022
Rent	\$ 176,585	\$ 164,225
Donations for use in programs	76,739	101,148
Legal services	60,923	138,145
Donated real estate	-	99,000
	<u>\$ 314,247</u>	<u>\$ 502,518</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, 2023 and 2022

Note 17 - Other Revenue

Other revenue for the years ended June 30, 2023 and 2022 consists of the following:

	2023	2022
Gain on sale of property and equipment	\$ 1,068,776	\$ 1,607,324
Family finding and identification services	703,504	646,842
Overpayments recognized	360,134	207,297
Miscellaneous program revenues and cost settlements	291,417	719,476
Computer consulting	66,000	66,000
Lease income, net of expenses of \$637,878 and \$590,610, respectively	57,593	219,033
Other consulting revenue	45,000	-
Legal settlement income	-	125,000
Other	224,117	108,335
	<u>\$ 2,816,541</u>	<u>\$ 3,699,307</u>

Note 18 - Leases

The Organization leases various facilities and vehicles under operating leases expiring in various years through April 2026. 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.

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. When applicable, the Organization includes renewal options in the determination of right-of-use assets and lease liabilities, when the options are reasonably certain to be exercised.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 18 - Leases (continued)

Total right-of-use assets and lease liabilities at June 30, 2023 are shown on the Consolidated Statement of Financial Position as follows:

Other assets - Operating lease right-of-use asset	\$ <u>1,185,156</u>
Current liabilities - Operating lease liability	\$ 578,075
Long term liabilities - Operating lease liability	<u>262,826</u>
	\$ <u>840,901</u>

A summary of total lease costs, by component, for the year ended June 30, 2023 were as follows:

Operating lease cost	\$ 1,348,660
Short-term lease cost	381,378
Variable lease cost	<u>49,178</u>
	\$ <u>1,779,216</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the year ended June 30, 2023:

Weighted-average remaining lease term in years 1.48

Weighed-average discount rate 2.84%

As of June 30, 2023, the future minimum lease payments under the noncancelable operating lease with a term greater than one year are listed below:

<u>Year ending June 30</u>	
2023	\$ 585,533
2024	272,001
2025	<u>2,018</u>
Total lease payments	859,552
Less: Implied Interest	<u>(18,651)</u>
Present value of lease liability	\$ <u>840,901</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 18 - Leases (continued)

Operating leases as lessor

The Organization has various leases in which it is the lessor. The Organization leases to others portions of certain buildings owned for office space rental and do not involve significant additional services or variable lease payments based on indices or rates. Leases are generally month-to-month to four years. These leasing arrangements are not material to the consolidated financial statements and are not recognized as lease asset and lease liability on the consolidated statement of financial position. Lease income is recognized on a straight-line basis over the lease term. For the year ended June 30, 2023, and 2022, the total lease income recognized by the Organization from operating leases as a lessor was \$695,471 and \$809,643, respectively.

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.

In November 2023, the Organization was informed of a clerical billing error related to the provider NPI number on a Contra Costa mental health contract, resulting in a denial of state funding to the County. Management believes that the loss is both probable and estimable, and has accrued a \$541,764 liability as of June 30, 2023. Similar clerical billing errors have occurred in billings for three other counties, and management believes it is reasonably possible these could result in a loss ranging from \$1 million to \$2.5 million. Management and attorneys are currently working on resolving these matters with the respective counties.

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.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

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.

In October 2022, the Organization established Employee Benefit plan for its employee health insurance costs. The Organization is liable for costs on claims up to \$45,000 per claim. The Organization has third-party insurance coverage for any costs in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of position date as well as an estimated liability for claims incurred but not yet reported. The total reserve for self-insurance costs related to employee health insurance was \$1,461,340 as of June 30, 2023. Expenses relating to the self-insured medical programs for the year ended June 30, 2023 were \$2,205,961.

Effective November 16, 2022, the Organization established the property reserve fund to ensure its financial stability as upgrades and repairs on property assets become necessary. The total goal for the Property Reserve fund is to allocate 5% of the actual property assets to the fund over a period of five years, or until the goal is met or amended. For the year ended June 30, 2023, the Organization allocated \$111,350 to the fund.

Total reserves on the statements of financial position as of June 30, 2023 and 2022 are as follows:

	2023	2022
Workers' compensation	\$ 5,187,431	\$ 5,461,259
Contract contingency	2,703,067	2,751,923
Self-insured health insurance	1,461,340	-
Property reserve	111,350	-
	<u>9,463,188</u>	<u>8,213,182</u>
Current portion	<u>(1,861,340)</u>	<u>(1,032,193)</u>
	<u>\$ 7,601,848</u>	<u>\$ 7,180,989</u>

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.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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, 2023, and 2022, the Organization expensed \$1,110,161 and \$1,443,031, respectively, in discretionary contributions; these amounts are included in accrued liabilities as of June 30, 2023 and 2022.

Note 22 - Subsequent Events

Management has evaluated subsequent events through January 29, 2024, the date on which the consolidated financial statements were available to be issued. See Note 4 for properties sold subsequent to June 30, 2023. See Note 9 for an extension of the line of credit in 2024. See Note 19 for the accrual and disclosure of contingent losses related to billing clerical errors discovered in November 2023.

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.

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 23 - Information Regarding Liquidity and Availability (continued)

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, 2023, 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, 2023 and 2022, net assets with board designations were \$410,424 and \$380,707, respectively.

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

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 16,577,314	\$ 24,128,083
Accounts receivable - government agencies	36,209,158	30,175,988
Accounts receivable - other	3,786,737	3,987,384
Investments	2,081,727	393,318
	<u>58,654,936</u>	<u>58,684,773</u>
Donor imposed restrictions:		
Assets restricted for specified purposes	<u>(1,457,782)</u>	<u>(1,641,911)</u>
Net financial assets after donor-imposed restrictions	57,197,154	57,042,862
Internal designations:		
Assets designated for Central Coast operations	<u>(410,424)</u>	<u>(380,707)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 56,786,730</u>	<u>\$ 56,662,155</u>

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 24 - Supplemental Fair Value Information

Management's estimate of fair value of real estate holdings as of June 30, 2023 and 2022, which are based on appraisals, discussions with real estate professionals and other public sources of real estate value, is \$86,635,012 and \$84,133,313, respectively.

Note 25 - Non-cash Transactions

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

	2023	2022
Lease implementation adjustment	\$ 2,251,929	\$ -
In-kind contributions for use in operations	314,247	403,518
Lease assets obtained in exchange for lease obligations	241,101	-
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
In-kind real estate contribution	-	99,000

Supplementary Information

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Schedule of Expenditures of Alameda County Grants

Year Ended June 30, 2023

Program Name	ACBH Mental Health	ACBH Full Service Partnership
Procurement Contract Number	23655	23833
Exhibit Number (or Description)	900121	902147
Contract Period	07/01/22-06/30/23	07/01/22-06/30/24
Contract Amount	<u>\$ 24,214,550</u>	<u>\$ 36,269,144</u>
Expenses		
Salaries and PR benefits	16,821,860	623,043
Operating Expenses	1,749,506	67,356
Admin Allocation	<u>2,820,997</u>	<u>104,872</u>
Total Expenses	<u>21,392,363</u>	<u>795,271</u>
Amount reimbursed by county	<u>\$ 20,763,477</u>	<u>\$ 969,120</u>

See auditor's report

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2023

Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		
			Federal	Nonfederal	Total
Department of Health & Human Services:					
Foster Care Title IV-E:					
Passthrough - State of California Department of Social Services	93.658		\$ 881,182	\$ 1,983,197	\$ 2,864,379
Passthrough - State of California Department of Social Services	93.658	19-3108	427,614	-	427,614
Pass-through - San Francisco Community College District	93.658		84,933	-	84,933
Pass-through - Contra Costa County, California	93.658	20-301-00/20-301-01	30,466	-	30,466
Pass-through - Marin County, California	93.658		58,439	135,147	193,586
Pass-through - Monterey County, California	93.658		115,220	14,109	129,329
Pass-through - Sonoma County, California	93.658		13,839	32,004	45,843
Pass-through - San Francisco County, California	93.658		242,479	560,761	803,240
Pass-through - San Luis Obispo County, California	93.658		18,225	42,149	60,374
Pass-through - Santa Clara County, California	93.658		89,834	207,752	297,586
Pass-through - Riverside County, California	93.658		55,355	128,016	183,371
Pass-through - Petaluma County, California	93.658		67,573	156,269	223,842
Subtotal - Foster Care Title IV-E			2,085,159	3,259,404	5,344,563
Adoption Assistance:					
Pass-through - State of California Department of Social Services	93.659		131,912	167,888	299,800
Pass-through - San Francisco County	93.659		95,147	-	95,147
Subtotal - Adoption Assistance			227,059	167,888	394,947
Unaccompanied Alien Children Program	93.676		10,733,274	-	10,733,274
Child Abuse and Neglect Discretionary Activities pass-through King County, Washington Department of Executive Services	93.670	90CA1825-01-01	96,030	-	96,030
Block Grants for Community Mental Health Services	93.958		680,105	-	680,105
			13,821,627	3,427,292	17,248,919
Department of Agriculture:					
Pass-through - California State Department of Agriculture					
National Breakfast Program	10.553	161309703	5,698	-	5,698
National Lunch Program	10.555	161309703	13,295	-	13,295
			18,993	-	18,993
Department of Justice					
Child Abuse Treatment Program	16.575		297,799	-	297,799
			\$ 14,138,419	\$ 3,427,292	\$ 17,565,711

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, 2023

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, 2023. 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, 2023, 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 January 29, 2024.

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" and "A" being particularly large and stylized.

San Mateo, California
January 29, 2024



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, 2023. 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, 2023.

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
January 29, 2024

SENECA FAMILY OF AGENCIES AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

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 #93.676 – Unaccompanied Alien Children Program	\$10,733,274
---	--------------
8. The dollar threshold used to distinguish between type A and type B programs is \$750,000
9. Seneca Family of Agencies was determined not 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.