

WESLEY HOUSE FAMILY SERVICES, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

**WESLEY HOUSE FAMILY SERVICES, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wesley House Family Services, Inc.
Key West, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Wesley House Family Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wesley House Family Services, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Schedule of Expenditures of Federal Awards and State Financial Assistance

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Organization taken as a whole. The schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Florida Single Audit Act Audits - Nonprofit and For-Profit Organizations*, Rules of the Auditor General of the State of Florida, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2017 on our consideration of Wesley House Family Service, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Lakeland, Florida
January 3, 2017

WESLEY HOUSE FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,419,759	\$ 1,880,138
Cash - Restricted	208,334	217,092
Certificates of Deposit	400,817	210,602
Grants Receivable	171,507	114,218
Contributions Receivable, Current Portion	147,414	147,308
Other Accounts Receivable	45,861	56,806
Prepaid and Other Assets	126,400	134,904
Total Current Assets	2,520,092	2,761,068
FIXED ASSETS		
Land	788,193	528,193
Buildings	3,834,124	3,398,610
Improvements	1,427,885	1,468,138
Furniture and Fixtures	318,567	318,567
Equipment	455,186	449,318
Total Fixed Assets	6,823,955	6,162,826
Less: Accumulated Depreciation	(1,999,086)	(1,759,188)
Fixed Assets, Net	4,824,869	4,403,638
CONTRIBUTIONS RECEIVABLE, LESS CURRENT PORTION	1,553,600	1,701,013 *
Total Assets	\$ 8,898,561	\$ 8,865,719

* See footnote 2 for additional information on contribution.

See accompanying Notes to Financial Statements.

WESLEY HOUSE FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2016 AND 2015

	2016	2015
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 83,950	\$ 81,267
Accrued Expenses	337,317	303,332
Deferred Revenue	24,035	43,197
Current Portion of Long-Term Debt	37,699	27,927
Total Current Liabilities	483,001	455,723
LONG-TERM DEBT, NET OF CURRENT PORTION	244,111	385,408
Total Liabilities	727,112	841,131
NET ASSETS		
Unrestricted		
Undesignated	6,280,782	5,941,557
Board Designated Other	-	50,000
Total Unrestricted Net Assets	6,280,782	5,991,557
Temporarily Restricted	1,760,731	1,903,095
Permanently Restricted Endowment Funds	129,936	129,936
Total Net Assets	8,171,449	8,024,588
Total Liabilities and Net Assets	\$ 8,898,561	\$ 8,865,719

WESLEY HOUSE FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Grants	\$ 5,246,321	\$ 23,181	\$ -	\$ 5,269,502
Program Fees	673,119	-	-	673,119
Special Events	76,654	8,997	-	85,651
Contributions	99,956	28,523	-	128,479
Donated Services, Facilities and Land	42,143	-	-	42,143
Interest Income	19,234	1,464	-	20,698
Interest Income on Contributions Receivable	16,254	-	-	16,254
United Way	-	10,000	-	10,000
Miscellaneous	135,465	-	-	135,465
Loss on Disposal	(50,009)	-	-	(50,009)
Net Assets Released from Restrictions	214,529	(214,529)	-	-
	<u>6,473,666</u>	<u>(142,364)</u>	<u>-</u>	<u>6,331,302</u>
EXPENSES				
Program Services:				
Full Case Management	3,951,861	-	-	3,951,861
Family Services	448,109	-	-	448,109
Healthy Families	445,934	-	-	445,934
Child Development Center	968,319	-	-	968,319
Management and General:				
Facility	60,846	-	-	60,846
Administration	203,038	-	-	203,038
Other Support Services	56,691	-	-	56,691
Fundraising	49,643	-	-	49,643
	<u>6,184,441</u>	<u>-</u>	<u>-</u>	<u>6,184,441</u>
CHANGE IN NET ASSETS	289,225	(142,364)	-	146,861
Net Assets, Beginning of Year	<u>5,991,557</u>	<u>1,903,095</u>	<u>129,936</u>	<u>8,024,588</u>
NET ASSETS, END OF YEAR	<u>\$ 6,280,782</u>	<u>\$ 1,760,731</u>	<u>\$ 129,936</u>	<u>\$ 8,171,449</u>

See accompanying Notes to Financial Statements.

**WESLEY HOUSE FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Grants	\$ 5,699,472	\$ 36,005	\$ -	\$ 5,735,477
Program Fees	662,636	-	-	662,636
Special Events	105,840	12,883	-	118,723
Contributions	25,038	25,720	-	50,758
Donated Services and Facilities	23,776	-	-	23,776
Interest Income	20,459	1,519	-	21,978
Interest Income on Contributions Receivable	11,597	-	-	11,597
United Way	-	10,000	-	10,000
Miscellaneous	151,394	-	-	151,394
Loss on Disposal	(73,729)	-	-	(73,729)
Net Assets Released from Restrictions	240,177	(240,177)	-	-
	<u>6,866,660</u>	<u>(154,050)</u>	<u>-</u>	<u>6,712,610</u>
Total Revenues and Other Support				
	6,866,660	(154,050)	-	6,712,610
EXPENSES				
Program Services:				
Community Based Care	4,724,409	-	-	4,724,409
Strengthening Families	625,523	-	-	625,523
Child Care Site	893,735	-	-	893,735
Management and General:				
Facility	51,117	-	-	51,117
Administration	141,406	-	-	141,406
Other Support Services	105,508	-	-	105,508
Fundraising	33,590	-	-	33,590
	<u>6,575,288</u>	<u>-</u>	<u>-</u>	<u>6,575,288</u>
Total Expenses				
	6,575,288	-	-	6,575,288
CHANGE IN NET ASSETS	291,372	(154,050)	-	137,322
Net Assets, Beginning of Year	<u>5,700,185</u>	<u>2,057,145</u>	<u>129,936</u>	<u>7,887,266</u>
NET ASSETS, END OF YEAR	<u>\$ 5,991,557</u>	<u>\$ 1,903,095</u>	<u>\$ 129,936</u>	<u>\$ 8,024,588</u>

See accompanying Notes to Financial Statements.

**WESLEY HOUSE FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	Program Services					Management and General					Total
	Full Case Management	Family Services	Healthy Families	Child Development Center	Total Program Services	Facility	Administration	Other Support	Total Management and General	Fundraising	
Salary and Wages	\$ 1,630,526	\$ 239,532	\$ 204,728	\$ 409,273	\$ 2,484,059	\$ 69,567	\$ 832,435	\$ 18,494	\$ 920,496	\$ -	\$ 3,404,555
Benefits and Payroll Taxes	409,965	39,351	55,316	137,311	641,943	21,204	180,728	2,547	204,479	-	846,422
Subcontracted Care	-	-	-	-	-	-	-	-	-	-	-
Rent	7,194	-	-	140,014	147,208	145,497	4,378	-	149,875	-	297,083
Depreciation	14,993	-	-	78,576	93,569	183,047	1,120	-	184,167	-	277,736
Professional Fees	4,213	-	42,143	-	46,356	-	45,117	-	45,117	-	91,473
Flex Funds Expenditures	338,733	5,165	9	-	343,907	-	19,869	4,425	24,294	-	368,201
Travel	77,391	5,971	4,836	-	88,198	900	8,750	-	9,650	-	97,848
Staff Training	46,496	978	13,527	665	61,666	-	2,758	-	2,758	-	64,424
Utilities	-	-	-	20,299	20,299	27,692	-	-	27,692	-	47,991
Telephone	12,043	5,674	4,033	3,306	25,056	9,253	5,424	-	14,677	-	39,733
Office, Operating Supplies	6,707	-	2,639	4,843	14,189	26,405	10,842	-	37,247	-	51,436
Food and Personal Care	2,897	-	-	53,215	56,112	87	2,165	16,203	18,455	-	74,567
Fundraising	4,507	-	-	-	4,507	-	-	3,539	3,539	49,643	57,689
Maintenance	295	100	-	38,071	38,466	89,622	21,486	683	111,791	-	150,257
Insurance	8,579	-	-	383	8,962	19,407	6,312	-	25,719	-	34,681
Interest	-	-	-	-	-	18,677	-	-	18,677	-	18,677
Licenses and Hiring	20,266	3,480	1,863	1,868	27,477	-	1,241	-	1,241	-	28,718
Purchase of Services	19,988	90	-	1,275	21,353	6,523	22,530	-	29,053	-	50,406
Miscellaneous	89,016	2,544	11,741	27,181	130,482	17,743	34,319	-	52,062	-	182,544
Total Expenses	2,693,809	302,885	340,835	916,280	4,253,809	635,624	1,199,474	45,891	1,880,989	49,643	6,184,441
Allocation of Facility Costs	449,928	46,471	51,490	-	547,889	(574,778)	26,889	-	(547,889)	-	-
Allocation of Administration Costs	808,124	98,753	53,609	52,039	1,012,525	-	(1,023,325)	10,800	(1,012,525)	-	-
Total Expenses After Allocation	\$ 3,951,861	\$ 448,109	\$ 445,934	\$ 968,319	\$ 5,814,223	\$ 60,846	\$ 203,038	\$ 56,691	\$ 320,575	\$ 49,643	\$ 6,184,441

See accompanying Notes to Financial Statements.

WESLEY HOUSE FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services				Management and General					Total
	Full Case Management	Strengthening Families	Child Development Center	Total Program Services	Facility	Administration	Other Support	Total Management and General	Fundraising	
Salary and Wages	\$ 1,657,203	\$ 301,843	\$ 358,272	\$ 2,317,318	\$ 69,826	\$ 749,058	\$ 21,019	\$ 839,903	\$ -	\$ 3,157,221
Benefits and Payroll Taxes	411,426	78,339	122,824	612,589	24,103	176,741	2,457	203,301	-	815,890
Subcontracted Care	897,062	-	-	897,062	-	-	-	-	-	897,062
Rent	2,189	-	135,936	138,125	142,893	2,464	-	145,357	-	283,482
Depreciation	15,196	-	64,627	79,823	164,052	6,728	7,228	178,008	-	257,831
Professional Fees	3,000	23,776	-	26,776	78	42,136	-	42,214	-	68,990
Flex Funds Expenditures	279,846	2,392	3,378	285,616	-	12,100	27,259	39,359	-	324,975
Travel	83,099	9,416	-	92,515	4,964	9,422	-	14,386	-	106,901
Staff Training	24,538	6,783	90	31,411	-	1,249	-	1,249	-	32,660
Utilities	26	-	25,417	25,443	32,195	-	(75)	32,120	-	57,563
Telephone	12,287	9,217	1,572	23,076	(593)	14,438	-	13,845	-	36,921
Office, Operating Supplies	11,073	3,138	2,428	16,639	18,816	18,856	-	37,672	143	54,454
Food and Personal Care	2,980	-	51,663	54,643	219	37	20,324	20,580	-	75,223
Fundraising	6,514	-	-	6,514	-	1,280	9,590	10,870	33,447	50,831
Maintenance	(23,678)	-	30,478	6,800	86,137	12,683	9,114	107,934	-	114,734
Insurance	12,562	-	574	13,136	18,172	6,437	2,943	27,552	-	40,688
Interest	-	-	-	-	29,862	-	-	29,862	-	29,862
Licenses and Hiring	16,101	3,672	918	20,691	278	4,439	40	4,757	-	25,448
Purchase of Services	44,778	-	268	45,046	2,332	18,807	575	21,714	-	66,760
Miscellaneous	30,669	2,924	4,266	37,859	38,230	1,703	-	39,933	-	77,792
Total Expenses	3,486,871	441,500	802,711	4,731,082	631,564	1,078,578	100,474	1,810,616	33,590	6,575,288
Allocation of Facility Costs	429,645	61,192	-	490,837	(580,447)	89,610	-	(490,837)	-	-
Allocation of Administration Costs	807,893	122,831	91,024	1,021,748	-	(1,026,782)	5,034	(1,021,748)	-	-
Total Expenses After Allocation	\$ 4,724,409	\$ 625,523	\$ 893,735	\$ 6,243,667	\$ 51,117	\$ 141,406	\$ 105,508	\$ 298,031	\$ 33,590	\$ 6,575,288

See accompanying Notes to Financial Statements.

WESLEY HOUSE FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 146,861	\$ 137,322
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Loss on Disposal of Fixed Assets	50,009	73,729
Depreciation	277,736	257,831
 (Increase) Decrease in Assets:		
Grants Receivable	(57,289)	173,048
Contributions Receivable	147,307	147,201
Other Accounts Receivable	10,945	(14,434)
Prepaid Expenses and Other Assets	8,504	(30,297)
 Increase (Decrease) in Liabilities:		
Accounts Payable	2,683	(88,377)
Accrued Expenses	33,985	18,994
Deferred Revenue	(19,162)	(12,260)
	601,579	662,757
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	110,240	312,509
Purchase of Certificates of Deposit	(300,455)	(210,602)
Purchase of Fixed Assets	(765,936)	(914,321)
Proceeds from Sale of Fixed Assets	16,960	247,954
	(939,191)	(564,460)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(416,724)	(24,289)
Proceeds on Long-Term Borrowings	285,199	-
	(131,525)	(24,289)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(469,137)	74,008
Cash and Cash Equivalents, Beginning of Year	2,097,230	2,023,222
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,628,093	\$ 2,097,230
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 1,419,759	\$ 1,880,138
Cash - Restricted	208,334	217,092
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,628,093	\$ 2,097,230
SUPPLEMENTAL DISCLOSURE		
Cash Paid for Interest	\$ 18,677	\$ 29,862

See accompanying Notes to Financial Statements.

WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Wesley House Family Services, Inc. (Wesley House) is a nonprofit corporation organized under the laws of the State of Florida on January 11, 1975. Wesley House provides child care and family support services within Monroe County, Florida. Wesley House is accredited under the Counsel on Accreditation.

Wesley House offers four primary community support services for the families and children of Monroe County: Community based care programs working with community partners to assist children and families in the dependency care system, prevention support and intervention services, an in-home support program that promotes child health and development and encourages stable and positive child-parent relationships, and one directly operated child care site in Key West. All of the services are provided throughout Monroe County, Florida through locations in Key West, Marathon and Key Largo.

Basis of Accounting

The financial statements of Wesley House have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Wesley House has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), 958-210, *Not-for-Profit Entities – presentation of financial statements*. Under FASB ASC 958-210, Wesley House is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

Wesley House recognizes grants, contracts and contributions of cash or other assets 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Wesley House recognizes revenues from exchange transactions when the service is rendered. Receivables are recognized for outstanding invoices.

Wesley House considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

**WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Wesley House received a substantial portion of its revenues from various state and federal grants. Government funding may be significantly impacted by budget allocations and, consequently, changes in that funding may affect Wesley House's operations. For the years ended June 30, 2016 and 2015, the following entities provided more than 10% of total revenues:

	2016	2015
Our Kids of Miami-Dade/Monroe, Inc.	74%	78%

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash

Cash consists of cash on hand as well as demand deposits.

The carrying amount of Wesley House's cash as of June 30, 2016 and 2015 are \$1,628,093 and \$2,097,230. The bank balances are \$2,070,662 and \$2,326,506, respectively. Balances in cash and cash equivalents are collateralized, covered by the Federal Depository Insurance Corporation, or covered by the National Credit Union Association. The main operating account balance may exceed the FDIC maximum allowable amount; however, it is secured additionally by Government Securities, A-rated Corporate Bonds and/or Municipal Bonds.

Wesley House is required by Our Kids of Miami-Dade/Monroe Inc. (Our Kids) to fund an irrevocable standby letter of credit up to \$100,000 and is named as the beneficiary in the event that continuity of care as defined in the contract between Wesley House and Our Kids is disrupted or at imminent risk of disruption due specified events. The letter of credit is secured by a certificate of deposit at the same financial institution.

Cash – Restricted

Wesley House restricts cash to include a balance sufficient to cover the amounts held in temporarily and permanently restricted net assets, less the contribution receivable.

Certificates of Deposit

Certificates of deposit are stated at cost. The certificates bear interest ranging from 0.15% to 0.85%.

WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Purchased fixed assets are recorded at cost. Donated assets are recorded at fair market value at the time of donation. Wesley House has a policy for capitalizing expenditures for fixed assets with costs greater than \$1,000 and an expected useful life of at least one year. Major renewals and betterments are capitalized while minor renewals and betterments are expensed as incurred. When assets are purchased with certain grant funds, they are subject to certain use restrictions and disposition procedures. Depreciation expenses are provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	10-35 Years
Furniture, Fixtures and Equipment	3-10 Years

Donated Services, Facilities, and Land

A substantial number of volunteers have donated time to Wesley House's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not meet requirements for recording under generally accepted accounting principles. Materials, facilities use and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. The Organization benefited from donated services, facilities, land and supporting matching funding which were valued at \$42,143 and \$23,776 for the years ended June 30, 2016 and 2015, respectively. These amounts have been reported as donated services on the statement of activities.

Income Taxes

Wesley House is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the year ended June 30, 2016, the Organization did not incur interest and penalties related to tax positions. The Organization files as a tax exempt organization, should that status be challenged in the future, all years since inception would be subject to review by the IRS.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose Wesley House to concentrations of credit and market risk consist primarily of investments, uncollateralized grants receivable, other receivables, and long-term debt. Grants receivable are primarily due from The State of Florida and other nonprofit agencies and are deemed fully collectible.

WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Wesley House's net assets are classified into three categories: (1) unrestricted net assets, which include no donor-imposed restrictions, (2) temporarily restricted net assets, which include donor-imposed restrictions that will expire in the future and (3) permanently restricted net assets, which include donor-imposed restrictions that the assets be maintained permanently.

The unrestricted net assets include operating funds available for any purpose authorized by the board of directors.

Temporarily restricted net assets consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent.

Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses from time to time, as requested by the donor.

Net Assets Released from Restrictions

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.

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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs that are directly related to Wesley House's specific purpose have been recorded as a direct expense and included as program services.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2016 to determine the need for any adjustments to and /or disclosures within the audited financial statements for the years ended June 30, 2016 and 2015. Management has performed their analysis through January 3, 2017 and has noted no subsequent events.

Change in Accounting Estimate

For the year-ended June 30, 2016, Wesley House made a change in the functional allocation of expenses shared between programs by segregating the Healthy Families program from the Strengthening Families program. This provides for separate reporting of those programs in the statement of functional expenses. The statement of functional

WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

expenses for the year-ended June 30, 2015 has not been restated for this change. No other changes occurred in the allocation methodology.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Below market leases are considered unconditional promises to give. The promise to give is recorded as revenue in the current year, though no funds have been received. For the years ended June 30, 2016 and 2015, Wesley House's contributions receivable was \$1,701,014 and \$1,848,321, respectively. Included in "contributions receivable" are below market leases for the following child care and family service sites and land for June 30, 2016:

	Inez Martin	Spalding Court	Truman Lot	Total
Due in Less than One Year	\$ 144,214	\$ 14,419	\$ 9,835	\$ 168,468
Due in One to Five Years	788,623	78,851	53,779	921,253
Due in More than Five Years	<u>817,324</u>	<u>691,638</u>	<u>14,767</u>	<u>1,523,729</u>
	1,750,161	784,908	78,381	2,613,450
Unamortized Discount	<u>(388,628)</u>	<u>(510,112)</u>	<u>(13,696)</u>	<u>(912,436)</u>
Total Contributions Receivable, Net	<u>\$ 1,361,533</u>	<u>\$ 274,796</u>	<u>\$ 64,685</u>	<u>\$ 1,701,014</u>

Fair values of the leases are assumed to increase 3% each year and the discount rate varies according to lease inception terms. Inez Martin was discounted at a rate of 2.86%. Spalding Court was discounted at a rate of 4%. Truman Lot was discounted at a rate of 2.7%.

NOTE 3 LONG-TERM DEBT

Wesley House's long-term debt is payable in consecutive monthly installments of principal and interest commencing on May 24, 2016 and continued on the same day of each calendar period thereafter, in 84 equal payments, with one final payment of all remaining principal and accrued interest due on May 09, 2023. This new debt was utilized to pay off previous debt. Interest accrues at a fixed rate of 2.55% per annum. The debt is collateralized by a certificate of deposit in the amount of \$300,000 held with the lender. For the years ended June 30, 2016 and 2015, Wesley House's long-term debt was \$281,810 and \$413,335, respectively.

The debt principal payments are as follows at June 30, 2016:

2017	\$ 37,699
2018	38,685
2019	39,697
2020	40,726
2021	41,802
Thereafter	83,201
	<u>\$ 281,810</u>

WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 LONG-TERM DEBT (CONTINUED)

Wesley House also has two lines of credit available as of June 30, 2016.

One line of credit in the principal amount not to exceed \$100,000 at any one time outstanding is for the purpose of obtaining an operating line to fund short term needs. The line of credit was issued on August 2, 2015 and matures on August 2, 2016. Interest shall accrue on the unpaid principal balances outstanding monthly at the fixed rate of 2.150%. The line of credit is collateralized by a certificate of deposit in the amount of \$100,000 held with the lender. There currently are no borrowings.

An additional line of credit in the principal amount not to exceed \$ \$250,000 at any one time outstanding is for the purpose of obtaining an operating line to fund short term needs. The line of credit was issued originally issued on July 13, 2011, modified on July 13, 2015, and matures on July 13, 2017. Interest shall accrue on the unpaid principal balances outstanding monthly at the variable rate of the Banks' Prime Rate plus 0.130% per annum to be adjusted daily as the Bank's Prime Rate changes. The line of credit is secured by a promissory note. There currently are no borrowings.

NOTE 4 PENSION PLAN

Wesley House participates in the Pension Plan through the General Board of Pensions of United Methodist Church (the Plan). The Plan covers substantially all employees. Employees become eligible for active plan participation effective the month following their date of hire. Contributions to the Plan by Wesley House are calculated at 6% of an eligible employee's gross pay. Wesley House employees are required to make contributions of 3% of their gross pay to receive the employer match. Upon becoming a participant in the Plan, contributions made by the employees become full vested. Vesting of employer contributions is dependent upon hire dates. For the years ended June 30, 2016 and 2015, Wesley House's pension contribution was \$118,023 and \$110,862, respectively.

NOTE 5 LEASES

A facility supporting children and family is rented at a cost of \$1 per year until March 2049. The estimated fair rental value of the property is \$13,999 and \$13,592 for the years ended June 30, 2016 and 2015, respectively. The Inez Martin day care facility is provided to Wesley House at no cost. The estimated fair rental value of the facility is \$140,014 and \$135,936 for the years ended June 30, 2016 and 2015, respectively. The Wesley House lease expires December 31, 2027. The Truman Lot is rented at a cost of \$1 per year until September 2024. The estimated fair value of the property that was placed into service during the year is \$9,548 and \$9,270 for the years ended June 30, 2016 and 2015, respectively.

Future lease payments required under operating leases that have initial or remaining non-cancelable lease terms due as of June 30, 2016 are \$166,872. Payments of \$120,203 and \$46,669 are due in fiscal year 2017 and 2018, respectively.

**WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 5 LEASES (CONTINUED)

For the years ended June 30, 2016 and 2015, lease expense under all operating leases was \$297,083 and \$283,482, respectively.

NOTE 6 PUBLIC SUPPORT REQUIRING LOCAL RESOURCE MATCH

During 2016, Wesley House received various grants. The following contracts required a specific local match:

Contract Title	Contract Number	Match Required	Match Provided
Ounce of Prevention Fund of Florida	HF12-13-18	82,375	98,347
Our Kids of Miami-Dade/Monroe	PSSF	112,027	117,184
		<u>\$ 194,402</u>	<u>\$ 215,531</u>

NOTE 7 CONTINGENCIES

Wesley House receives a substantial amount of its support from federal and state governments in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on Wesley House's programs and activities.

Government grants require the fulfillment of certain conditions as set forth in the grant agreements. Failure to fulfill the conditions could result in the return of the funds to grantors. Based upon prior experience, management believes that disallowance's, if any, would be immaterial.

Wesley House is party to two lawsuits that have arisen during the normal course of operations. Wesley House is disputing both lawsuits and will defend them vigorously. The ultimate liability, if any, is not currently determinable.

NOTE 8 ENDOWMENT COMPOSITION

Wesley House's permanently restricted endowment consists of funds established by the Marion Stevens Will. The fund was established in 2001 requiring the principal of the endowment to remain intact. The income from the endowment principal is used to fund scholarships for children whose families barely exceed the low income guidelines.

Endowment funds by category from inception to date and changes in endowment net assets for the year ended June 30, 2016 consist of the following:

WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 ENDOWMENT COMPOSITION (CONTINUED)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets at Beginning of Year	\$ -	\$ 1,417	\$ 129,936	\$ 131,353
Investment Return:				
Interest Income	-	1,341	-	1,341
Appropriations	-	(1,416)	-	(1,416)
	<u>\$ -</u>	<u>\$ 1,342</u>	<u>\$ 129,936</u>	<u>\$ 131,278</u>

Endowment funds by category from inception to date and changes in endowment net assets for the year ended June 30, 2015 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets at Beginning of Year	\$ -	\$ 10,476	\$ 129,936	\$ 140,412
Investment Return:				
Contributions	-	1,600	-	1,600
Interest Income	-	1,416	-	1,416
Appropriations	-	(12,075)	-	(12,075)
	<u>\$ -</u>	<u>\$ 1,417</u>	<u>\$ 129,936</u>	<u>\$ 131,353</u>

Interpretation of Uniform Prudent Management of Institutional Funds

During 2011, the State of Florida has enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) enhanced disclosure required by Accounting Standard Codification Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the UPMIFA, and Enhanced Disclosure for All Endowment Funds which become effective July 1, 2012. The Board of Directors of Wesley House is requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds per the donor stipulations.

As a result of this interpretation, Wesley House classifies the endowment as permanently restricted net assets. Wesley House considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization.

**WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 8 ENDOWMENT COMPOSITION (CONTINUED)

Return Objectives and Risk Parameters

Wesley House has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

The purpose of the Endowment Fund is to facilitate the board's desire to develop a source of revenue for Wesley House. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (a) fund special grants; (b) ensure long-term growth; (c) enhance our ability to meet changing needs in both the short and long-term; and, (d) support the administrative expenses of Wesley House as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The board of directors has allowed use of the net income from donor restricted funds since 2001 to fund scholarships for children whose families are in need of support.

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor restricted endowment funds may fall below the level that Wesley House's policies require to retain as a fund of perpetual duration. Deficiencies of this nature would be reported in unrestricted net assets. Wesley House does not have any deficiencies as of June 30, 2016 and 2015.

Donor restricted endowment funds are included in the statement of financial position under the following asset categories:

	2016	2015
Cash - Restricted	<u>\$ 131,278</u>	<u>\$ 131,353</u>

NOTE 9 BOARD DESIGNATED UNRESTRICTED NET ASSETS

Unrestricted net assets have been designated for specific purposes by the board. These purposes are as follows at June 30:

	2016	2015
Other	<u>\$ -</u>	<u>\$ 50,000</u>

WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows at June 30:

	2016	2015
Present Value of Below Market Leases on Daycare Sites	\$ 1,701,014	\$ 1,848,321
Backpack Program	20,142	6,908
Foster Children Fund	18,346	11,114
Holiday Helpers	16,177	6,941
Miscellaneous Programs	2,649	1,316
Marion Stevens Scholarships	1,342	1,417
Food for Families	1,061	1,061
Children's Gift Fund	-	13,134
Womens Hope Backpack Program	-	12,883
	<u>\$ 1,760,731</u>	<u>\$ 1,903,095</u>

NOTE 11 NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from restriction based on time and program restrictions. Net Assets released from restriction are as follows at June 30:

	2016	2015
Present Value of Below Market Leases on Daycare Sites	\$ 147,307	\$ 147,201
Backpack Program	10,558	32,233
Foster Children Fund	4,124	14,768
Holiday Helpers	18,438	9,590
Miscellaneous Programs	600	5,010
Marion Stevens Scholarships	1,416	12,075
Womens Hope Backpack Program	22,086	-
United Way Backpack Program	10,000	10,000
Klaus Murphy	-	9,300
	<u>\$ 214,529</u>	<u>\$ 240,177</u>

NOTE 12 RELATED PARTY TRANSACTIONS

One of the board members was employed at a financial institution where Wesley House had \$1,596,308 cash and cash equivalents and \$400,817 certificates of deposit held at June 30, 2016. Wesley House had \$2,069,962 in cash and cash equivalents and \$100,440 certificates of deposit held in that institution at June 30, 2015. The Board member abstains on decisions related to banking related matters and also does not personally benefit from this relationship.

One of the board members has been retained as legal counsel for Wesley House. For the years ended June 30, 2016 and 2015, expenditures for services provided were at a discounted rate of \$0 and \$3,000, respectively.



**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**

Board of Directors
Wesley House Family Services, Inc.
Key West, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wesley House Family Services, Inc., which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wesley House Family Services, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wesley House Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Wesley House Family Services, Inc.'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 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 with governance.

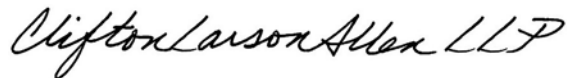
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wesley House Family Services, Inc.'s 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP
Lakeland, Florida
January 3, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Board of Directors
Wesley House Family Services, Inc.
Key West, Florida

Report on Compliance for Each Major Federal Program

We have audited Wesley House Family Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of Wesley House Family Services, Inc.'s major federal programs and state projects for the year ended June 30, 2016. Wesley House Family Services, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Wesley House Family Services, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General for Florida Single Audit Act Audits – Nonprofit and For-Profit Organizations. Those standards, the Uniform Guidance, and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Wesley House Family Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of Directors
Wesley House Family Services, Inc.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Wesley House Family Services, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Wesley House Family Services, Inc. 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 and state projects for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Wesley House Family Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wesley House Family Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wesley House Family Services, Inc.'s 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 and state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program and state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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 result of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP
Lakeland, Florida
January 3, 2017

WESLEY HOUSE FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

Federal Grantory/Pass Through Grantor/ Program or Cluster Title	Federal/State CFDA/CSFA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
FEDERAL AWARDS - PASSED THROUGH				
U.S. Department of Agriculture				
Passed through the State of Florida				
Department of Health:				
Child Care Food Program	10.558	13397		\$ 48,629
Total Department of Agriculture				<u>48,629</u>
U.S. Department of Health and Human Services				
Passed through Our Kids of Miami-Dade/ Monroe, Inc. for Community Based Care: (Community Based Care State Cluster Program)				
Temporary Assistance for				
Needy Families (TANF) Block Grants	93.558	N/A		506,936
Child Welfare Services - State Grants	93.645	N/A		166,464
Promoting Safe and Stable Families	93.556	N/A		382,233
Foster Care - Title IV-E	93.658	N/A		768,793
Adoption Assistance	93.659	N/A		222,940
Social Services Block Grant	93.667	N/A		2,415
Independent Living	93.674	N/A		122,996
Subtotal				<u>2,172,777</u>
Passed through Our Kids of Miami-Dade/ Monroe, Inc. for Community Based Care: State Matching Funds for Federal Programs (Community Based Care State Cluster Program)				
Temporary Assistance for				
Needy Families (TANF) Block Grants	93.558	N/A		742,982
Child Welfare Services - State Grants	93.645	N/A		55,488
Foster Care - Title IV-E	93.658	N/A		783,252
Adoption Assistance	93.659	N/A		282,639
Independent Living	93.674	N/A		30,749
Family Preservation and Support Services	93.556	N/A		3,916
Subtotal				<u>1,899,026</u>
Total Passed Through Our Kids of Miami/Dade Monroe, Inc.				<u>4,071,803</u>

**WESLEY HOUSE FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Federal Grantory/Pass-Through Grantor/ Program or Cluster Title	Federal/State CFDA/CSFA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Passed through the Ounce of Prevention Fund of Florida:				
Healthy Families - TANF	93.558	HF15-16-18		95,507
Total Passed Through the Ounce of Prevention Fund of Florida				<u>95,507</u>
Total Health and Human Services				<u>4,167,310</u>
Total Federal Awards				<u><u>\$ 4,215,939</u></u>

STATE FINANCIAL ASSISTANCE - PASSED THROUGH

**State of Florida Department of
Children and Families**

Passed through Our Kids of Miami-Dade/
Monroe, Inc.:
(Community Based Care State Cluster Program)

Fund of Florida:

State Department of Children and Families Out of Home Supports	60.074	N/A		\$ 415,432
State Department of Children and Families In Home Supports	60.075	N/A		51,682
State Department of Children and Families Independent Living	60.112	N/A		<u>59,836</u>
Total Passed through Our Kids of Miami-Dade/Monroe, Inc.				<u>526,950</u>
Total State Financial Assistance				<u><u>\$ 526,950</u></u>

WESLEY HOUSE FAMILY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal award and state financial assistance activity of Wesley House Family Services, Inc. (Wesley House) under programs of the federal government and State of Florida for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 10.650, *Florida Single Audit Act Audits – Nonprofit and For-Profit Organizations*, issued by the Auditor General of the State of Florida. Because the Schedule presents only a selected portion of the operations of Wesley House, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wesley House.

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 and Chapter 10.650, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Wesley House has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 MAJOR PROGRAM DETERMINATION

The Community Based Care Cluster Program has funding sources which indicate that the source of funds includes multiple federal awards and state financial assistance. In accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 10.650, *Rules of the Auditor General*, each major program cannot be "unclustered" and, therefore, has been tested as a cluster. See the Summary of Auditor's Results on pages 28 and 29.

**WESLEY HOUSE FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Noncompliance material to basic consolidated financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program(s) or Cluster
Various	Community Based Care Cluster Program
Dollar threshold used to determine Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**WESLEY HOUSE FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016**

State Financial Assistance

Internal control over major state projects:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None noted

Type of auditor's report issued on compliance for major state projects: Unmodified Opinion

Any audit findings disclosed that are required to be reported
in accordance with Chapter 10.650, Rules of the Auditor General? No

Identification of Major State Projects

C DFA Number(s)

Various

Name of State Project or Cluster

Community Based Care Cluster Program

Dollar threshold used to distinguish between
Type A and Type B state projects: \$100,000

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section III – Findings and Questioned Costs – Major State Projects

Our audit did not disclose any matters required to be reported in accordance with Chapter 10.650, Rules of the Auditor General.

Section IV – Prior Year Findings

2015-001 – Material Audit Adjustments

Type of Finding: Noncompliance, Internal Control – Material weakness

Condition

During our testing, we noted that deferred revenue for Full Case Management and Fixed Asset Improvements were not properly recorded at year end.

WESLEY HOUSE FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

Recommendation

Management should follow established internal control processes to ensure that proper financial reporting requirements are met.

Current Status

Corrective action was taken during the current year.

Section V – Other Issues

The management letter required by Florida State Statute 215.97(9)(f) and 215.97(10)(d), has not been issued since there were no items related to State Financial Assistance required to be reported in the management letter.