

**FAMILY SUPPORT SERVICES OF
NORTH FLORIDA, INC. AND
AFFILIATE**

**CONSOLIDATED FINANCIAL
STATEMENTS**

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
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To the Board of Directors of
Family Support Services of North Florida, Inc. and Affiliate
Jacksonville, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Family Support Services of North Florida, Inc. and Affiliate (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Family Support Services of North Florida, Inc. and Affiliate as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 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 Family Support Services of North Florida, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 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 Family Support Services of North Florida, Inc. and Affiliate'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 Family Support Services of North Florida, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, activities and changes in net assets, and functional expenses are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. The accompanying 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, *Rules of the Auditor General*, is also presented for purposes of additional analysis and is not a 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

Supplementary Information (continued)

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 and state financial assistance is 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 February 13, 2024, on our consideration of Family Support Services of North Florida, Inc. and Affiliate'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 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 Family Support Services of North Florida, Inc. and Affiliate'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 Family Support Services of North Florida, Inc. and Affiliate's internal control over financial reporting and compliance.

Other Matters

Prior Period Adjustment

As discussed in Note 16 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. We have audited the adjustment to restate the statements as described in Note 16. In our opinion, the adjustment is appropriate and has been properly applied.

Moss, Krusick & Associates, LLC

Winter Park, Florida

February 13, 2024

**FAMILY SUPPORT SERVICES OF NORTH
FLORIDA, INC. AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	2023	As Restated 2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,201,960	\$ 4,308,272
Accounts receivable	1,047,420	2,954,617
Investments	835,405	803,775
Prepaid expenses	85,870	139,749
TOTAL CURRENT ASSETS	10,170,655	8,206,413
Cash and cash equivalents, restricted	289,336	304,703
Property and equipment, net	502,040	374,917
Other assets	-	151,613
Operating lease right-of-use asset	5,918,876	-
TOTAL NON-CURRENT ASSETS	6,710,252	831,233
TOTAL ASSETS	\$ 16,880,907	\$ 9,037,646

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,141,965	\$ 5,115,436
Refundable advances	2,700,950	525,949
Due to clients	289,336	304,703
Operating lease liability	344,298	-
TOTAL CURRENT LIABILITIES	7,476,549	5,946,088
Non-current operating lease liability	5,600,001	-
TOTAL LIABILITIES	13,076,550	5,946,088
NET ASSETS		
Without donor restrictions	3,687,025	3,005,623
With donor restrictions	117,332	85,935
TOTAL NET ASSETS	3,804,357	3,091,558
TOTAL LIABILITIES AND NET ASSETS	\$ 16,880,907	\$ 9,037,646

The accompanying notes are an integral part of these consolidated financial statements.

**FAMILY SUPPORT SERVICES OF NORTH
FLORIDA, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Public Support			
State and federal support	\$ 76,824,805	\$ -	\$ 76,824,805
Local support	1,724,003	148,408	1,872,411
Total public support	78,548,808	148,408	78,697,216
Revenues			
Contributed non-financial assets	784,189	-	784,189
Investment income	32,033	-	32,033
Other income	543,362	-	543,362
Total support and revenues before net assets released from restrictions	79,908,392	148,408	80,056,800
Net assets released from restrictions - satisfaction of purpose restrictions	117,011	(117,011)	-
Total revenue and other support	80,025,403	31,397	80,056,800
EXPENSES			
Program services			
Child welfare services	76,315,381	-	76,315,381
Total program services	76,315,381	-	76,315,381
Supporting services			
General and administrative	3,028,620	-	3,028,620
Total supporting services	3,028,620	-	3,028,620
Total expenses	79,344,001	-	79,344,001
Change in net assets	681,402	31,397	712,799
NET ASSETS, BEGINNING OF YEAR	3,005,623	85,935	3,091,558
NET ASSETS, END OF YEAR	\$ 3,687,025	\$ 117,332	\$ 3,804,357

The accompanying notes are an integral part of these consolidated financial statements.

**FAMILY SUPPORT SERVICES OF NORTH
FLORIDA, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	As Restated		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUES AND SUPPORT			
Public Support			
State and federal support	\$ 68,624,679	\$ -	\$ 68,624,679
Local support	1,144,008	94,461	1,238,469
Total public support	69,768,687	94,461	69,863,148
Revenues			
Contributed non-financial assets	770,680	-	770,680
Investment loss	(207,550)	-	(207,550)
Gain on forgiveness of PPP loan	184,257	-	184,257
Total support and revenues before net assets released from restrictions	70,516,074	94,461	70,610,535
Net assets released from restrictions - satisfaction of purpose restrictions	101,344	(101,344)	-
Total revenue and other support	70,617,418	(6,883)	70,610,535
EXPENSES			
Program services			
Child welfare services	68,346,692	-	68,346,692
Total program services	68,346,692	-	68,346,692
Supporting services			
General and administrative	2,351,108	-	2,351,108
Total supporting services	2,351,108	-	2,351,108
Total expenses	70,697,800	-	70,697,800
Change in net assets	(80,382)	(6,883)	(87,265)
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	3,363,703	92,818	3,456,521
PRIOR PERIOD ADJUSTMENT	(277,698)	-	(277,698)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	3,086,005	92,818	3,178,823
NET ASSETS, END OF YEAR	\$ 3,005,623	\$ 85,935	\$ 3,091,558

The accompanying notes are an integral part of these consolidated financial statements.

**FAMILY SUPPORT SERVICES OF NORTH
FLORIDA, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Child Welfare Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and related expenses			
Salaries	\$ 8,052,423	\$ 1,735,808	\$ 9,788,231
Payroll taxes and benefits	2,744,160	568,023	3,312,183
Temporary staffing	21,231	-	21,231
Total salaries and related expenses	<u>10,817,814</u>	<u>2,303,831</u>	<u>13,121,645</u>
Occupancy			
Rent	571,833	124,154	695,987
Office space services	159,470	20,275	179,745
Telephone and data lines	86,149	11,827	97,976
Repairs and maintenance	8,417	308	8,725
Office equipment	210,151	12,882	223,033
Depreciation	52,117	71,425	123,542
Total occupancy	<u>1,088,137</u>	<u>240,871</u>	<u>1,329,008</u>
Operating expenses			
Professional services	1,079,335	139,278	1,218,613
Contributed non-financial expenses	784,189	-	784,189
Licenses	5,569	132,317	137,886
Liability insurance	347,215	58,377	405,592
Printing and publications	3,046	2,632	5,678
Postage	5,704	1,312	7,016
Office supplies	121,939	15,650	137,589
Professional development	21,909	-	21,909
Advertising	1,804	230	2,034
Public relations and awareness	94,670	-	94,670
Dues and subscriptions	108,630	18,111	126,741
Staff recruiting	-	49,788	49,788
Staff travel	178,382	50,735	229,117
Staff cell phones	110,609	9,798	120,407
Vehicle expenses	9,277	1,006	10,283
Other expenses	-	4,684	4,684
Total operating expenses	<u>2,872,278</u>	<u>483,918</u>	<u>3,356,196</u>
Contract services			
Miscellaneous contract services	141,059	-	141,059
Recruiting and licensing	23,098	-	23,098
Contract professional services	190,777	-	190,777
Client training services	32,625	-	32,625
Other client services and awards	759,749	-	759,749
Direct client assistance	920,625	-	920,625
Provider services- direct support (FSFN)	40,204,555	-	40,204,555
Provider services- subrecipients (CMO's)	19,264,664	-	19,264,664
Total contract services	<u>61,537,152</u>	<u>-</u>	<u>61,537,152</u>
TOTAL EXPENSES	<u><u>\$ 76,315,381</u></u>	<u><u>\$ 3,028,620</u></u>	<u><u>\$ 79,344,001</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**FAMILY SUPPORT SERVICES OF NORTH
FLORIDA, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	As Restated		Total
	Program Services	Supporting Services	
	Child Welfare Services	General and Administrative	
Salaries and related expenses			
Salaries	\$ 7,045,570	\$ 1,343,076	\$ 8,388,646
Payroll taxes and benefits	2,066,366	309,419	2,375,785
Total salaries and related expenses	9,111,936	1,652,495	10,764,431
Occupancy			
Rent	598,448	93,591	692,039
Office space services	128,017	11,223	139,240
Telephone and data lines	166,486	18,042	184,528
Repairs and maintenance	7,349	202	7,551
Office equipment	211,731	7,913	219,644
Depreciation	48,839	56,755	105,594
Total occupancy	1,160,870	187,726	1,348,596
Operating expenses			
Professional services	1,143,414	188,037	1,331,451
Contributed non-financial expenses	770,680	-	770,680
Licenses	502	126,954	127,456
Liability insurance	342,965	57,598	400,563
Printing and publications	6,800	355	7,155
Postage	5,791	851	6,642
Office supplies	25,464	10,333	35,797
Professional development	5,161	40	5,201
Advertising	2,225	-	2,225
Public relations and awareness	201,553	-	201,553
Dues and subscriptions	52,147	11,451	63,598
Staff recruiting	910	71,364	72,274
Staff travel	136,091	32,212	168,303
Staff cell phones	81,493	5,428	86,921
Vehicle expenses	6,499	191	6,690
Other expenses	-	6,073	6,073
Total operating expenses	2,781,695	510,887	3,292,582
Contract services			
Miscellaneous contract services	127,866	-	127,866
Recruiting and licensing	28,802	-	28,802
Contract professional services	441,870	-	441,870
Client training services	14,315	-	14,315
Other client services and awards	830,965	-	830,965
Direct client assistance	747,738	-	747,738
Provider services- direct support (FSFN)	36,132,986	-	36,132,986
Provider services- subrecipients (CMO's)	16,967,649	-	16,967,649
Total contract services	55,292,191	-	55,292,191
TOTAL EXPENSES	\$ 68,346,692	\$ 2,351,108	\$ 70,697,800

The accompanying notes are an integral part of these consolidated financial statements.

**FAMILY SUPPORT SERVICES OF NORTH
FLORIDA, INC. AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	As Restated 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 712,799	\$ (87,265)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	123,542	105,594
Unrealized and realized (gain) loss on investments	(2,111)	236,936
Non cash rent	25,423	-
Changes in operating assets and liabilities:		
Accounts receivable	1,907,197	(1,921,300)
Prepaid expenses	53,879	50,654
Deposits	151,613	-
Accounts payable and accrued expenses	(973,471)	2,152,989
Deferred revenue	2,175,001	(548,451)
Due to clients	(15,367)	(116,359)
	4,158,505	(127,202)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(403,207)	(470,306)
Proceeds from sale of investments	373,688	565,989
Acquisition of property and equipment	(250,665)	(63,387)
	(280,184)	32,296
Cash provided by (used in) investing activities		
Increase (decrease) in cash and cash equivalents	3,878,321	(94,906)
Cash and cash equivalents, and restricted cash, beginning of year	4,612,975	4,707,881
Cash and cash equivalents, and restricted cash, end of year	\$ 8,491,296	\$ 4,612,975
SIGNIFICANT NON-CASH TRANSACTIONS - OPERATING LEASE		
Operating lease right-of-use asset	\$ 6,007,880	\$ -
Operating lease liability	\$ (6,007,880)	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 – ORGANIZATION AND OPERATIONS

Family Support Services of North Florida, Inc. (FSSNF) is a private not-for-profit corporation incorporated under the laws of the State of Florida on May 15, 2001. FSSNF acts as lead agency in providing protective services for children and their families in the North Florida area.

Family Support Services, Inc. was incorporated on April 21, 2010 exclusively organized for the benefit of, to perform the functions of, or to carry out purposes of Family Support Services of North Florida, Inc. or other substantially similar institutions. The name of this corporation was changed to FSS Foundation, Inc. effective February 18, 2019.

The consolidated financial statements include the accounts of Family Support Services of North Florida, Inc. and related entity FSS Foundation, Inc. and will be collectively referred to as the Organization. All significant intercompany transactions were eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

2. Use of Estimates

The preparation of U.S. GAAP consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes there in, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to useful lives of depreciable assets, fair value measurements of investments, accrual of compensated absences, and the allocation of functional expenses.

3. Cash and Cash Equivalents

Cash and cash equivalents includes cash and all highly liquid investments with an original maturity of 90 days or less. Restricted cash is included with cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4. Cash and Cash Equivalents, Restricted

The Organization receives client social security benefits from the Social Security Administration and administers the benefits to their clients. As such, these funds are restricted and not available for operations.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Accounts Receivable

Accounts receivable consist primarily of grant revenues earned but not received and are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of grantors to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management considers all receivables to be fully collectible; therefore no allowance has been made.

6. Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Consolidated Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Consolidated Statements of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

7. Non-Controlling Partnership Interest

Non-controlling partnership interest consists of the Organization's investment in a 33.33% ownership interest in Community Based Care Innovative Technologies, LLC ("CBCIT"). CBC of Central Florida – Holdings, Inc. and Five Points Technology Group, Inc. each hold a 33.33% ownership interest in CBCIT as well. Investment in unconsolidated subsidiaries and other investees in which the Organization does not have control but has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method of accounting. The equity method investment is shown in the Organization's consolidated statement of financial position as "Non-controlling partnership interest", and the Organization's share of earnings or losses from this investment is shown in the accompanying consolidated statement of activities as "Investment Income."

Equity method investments are initially recognized at cost which is the same as the price paid to acquire the holding in the investee. Under the equity method, the carrying amount of the equity affiliate is adjusted annually by the percentage of any change in its equity corresponding to the Organization's percentage interest in these equity affiliates. The carrying costs of these investments are also increased or decreased to reflect additional contributions or withdrawals of capital. Any difference in the book equity and the Organization's pro-rata share of the net assets of the investment will be reported as gain or loss at the time of the liquidation of the investment. It is the Organization's policy to record losses in excess of the investment if the Organization is committed to provide financial support to the investee.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Non-Controlling Partnership Interest (continued)

During the year ended June 30, 2022 the Organization elected to exit the partnership with CBCIT. The fair market value at the exit date was \$125,000, as such the Organization recorded a loss of \$69,767, which has been included in “Investment loss” in the Consolidated Statement of Activities.

8. Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expenses as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

9. Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue Recognition

Program services fees are accounted for under ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, the Organization recognized revenue when persuasive evidence of an arrangement existed, delivery of the products had occurred, the sales price was fixed or determinable and collectively was reasonably assured.

A significant portion of the Organization's grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

11. Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentage of time spent in each functional area. Rent and utilities are allocated based on square footage and insurance and equipment leases are allocated based on the number of full-time equivalent positions. Depreciation is allocated based on specific department or program that utilizes the equipment. Office equipment, office supplies, general postage and printing, certain professional fees and information technology are allocated based on a fixed percentage.

12. Advertising

The Organization used advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2023 and 2022, advertising costs totaled \$2,034 and \$2,225, respectively.

13. Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, both Family Support Services of North Florida, inc. and FSS Foundation, Inc. are exempt from tax on income other than unrelated business income. No unrelated business income has been identified.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Income Taxes (continued)

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. As of June 30, 2023 and 2022, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the consolidated financial statements.

14. Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

15. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, February 13, 2024. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

16. Statement of Cash Flows

Ending cash and cash equivalents, and restricted cash in the statement of cash flows totaling \$8,491,296 includes cash and cash equivalents of \$8,201,960 and restricted cash of \$289,336. Beginning cash and cash equivalents, and restricted cash in the statement of cash flows totaling \$4,612,975 includes cash and cash equivalents of \$4,308,272 and restricted cash of \$304,703.

17. Recent Accounting Pronouncements

Implemented:

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*, which requires the monitoring and tracking of gifts in kind by asset category, while also noting any donor-imposed restrictions. The Organization adopted ASU No. 2020-07 effective July 1, 2021. The adoption has no significant impact on the Organization's financial statements.

In February 2016, the FASB issued Accounting Standards Update ASU 2016-02, *Leases* (ASC 842), that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The Organization adopted ASC 842 effective July 1, 2022 using the optional transition method. See Note 12 for a summary of the Organization's operating lease assets and liabilities.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 3 – FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and cash equivalents, accounts receivable, and investments to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the consolidated statement of financial position date because of contractual or donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Total assets at year end	\$ 16,880,907	\$ 9,315,344
Less non-financial assets		
Prepaid expenses	(85,870)	(139,749)
Cash and cash equivalents, restricted	(289,336)	(304,703)
Property and equipment, net	(502,040)	(374,917)
Other assets	-	(151,613)
Operating lease right-of-use asset	<u>(5,918,876)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,084,785</u>	<u>\$ 8,344,362</u>

In the event of unanticipated liquidity needs, the Organization has two unused lines of credit with available borrowings of \$4,500,000 and \$2,000,000.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Grants receivable	\$ 153,273	\$ 1,589,705
Other receivables	612,347	991,061
FSS of Suncoast	271,068	363,119
Trade	<u>10,732</u>	<u>10,732</u>
Accounts receivable	<u>\$ 1,047,420</u>	<u>\$ 2,954,617</u>

There was no bad debt expense for both June 30, 2023 and 2022.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 5 – INVESTMENTS IN MARKETABLE SECURITIES

Investment in marketable securities consist of the following:

<u>June 30, 2023</u>	<u>Cost</u>	<u>Value</u>
Mutual and money market funds	\$ 354,881	\$ 374,522
Other receivables	497,826	460,883
Total investments in marketable securities	<u>\$ 852,707</u>	<u>\$ 835,405</u>

<u>June 30, 2022</u>	<u>Cost</u>	<u>Value</u>
Mutual and money market funds	\$ 484,591	\$ 444,401
Other receivables	390,317	359,374
Total investments in marketable securities	<u>\$ 874,908</u>	<u>\$ 803,775</u>

The Organization's investment income is summarized as follows:

<u>Year ended June 30, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 34,931	\$ -	\$ 34,931
Net realized and unrealized gains	2,102	-	2,102
Investment fees	(5,000)	-	(5,000)
Investment income	<u>\$ 32,033</u>	<u>\$ -</u>	<u>\$ 32,033</u>

<u>Year ended June 30, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 34,386	\$ -	\$ 34,386
Net realized and unrealized losses	(236,936)	-	(236,936)
Investment fees	(5,000)	-	(5,000)
Investment loss	<u>\$ (207,550)</u>	<u>\$ -</u>	<u>\$ (207,550)</u>

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 6 – PROPERTY AND EQUIPMENT

Components of property and equipment at June 30, 2023 and 2022, are as follows:

	Estimated Useful Lives (in years)	2023	2022
Computer equipment	3-5	1,514,280	1,263,616
Furniture and equipment	3-5	395,369	395,368
Vehicles	5	160,935	160,935
		<u>2,070,584</u>	<u>1,819,919</u>
Less accumulated depreciation		<u>(1,568,544)</u>	<u>(1,445,002)</u>
Total property and equipment, net		<u>\$ 502,040</u>	<u>\$ 374,917</u>

Depreciation expense was \$123,542 and \$105,594 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 – LINE OF CREDIT

The Organization maintains a \$4,500,000 Line of Credit (LOC) with a financial institution which was amended during 2023 to extend the maturity date to February 28, 2024. The LOC bears interest at the Index Rate plus a percentage per annum equal to 2.5% and is collateralized by all accounts receivable. The LOC was unused at June 30, 2023 and 2022.

The Organization obtained a second LOC during 2023 for \$2,000,000 with a financial institution which bears interest at the Index Rate plus a percentage per annum equal to 2.5% with a maturity date of February 28, 2024. The line is collateralized by all accounts receivable. The LOC was unused at June 30, 2023.

NOTE 8 – NET ASSETS

A summary of net assets with donor restrictions is as follows:

	2023	2022
Purpose restricted		
Foster care programs	\$ 57,668	\$ 34,569
Independent living programs	-	7,212
Adoption programs	12,043	700
Legal lessons	404	405
Nassau programs	35,518	35,541
Children and other programs	11,699	5,008
Iris Young award program	-	2,500
Total net assets with purpose restrictions	<u>\$ 117,332</u>	<u>\$ 85,935</u>

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 8 – NET ASSETS (continued)

A summary of the releases of donor restrictions follows:

	2023	2022
Purpose restricted		
Foster care programs	\$ 59,928	\$ 36,217
Independent living programs	23,575	35,618
Adoption programs	3,658	420
Nassau programs	13,473	15,710
Children and other programs	13,877	5,379
Iris Young award program	2,500	8,000
Total releases of net assets with donor restrictions	<u>\$ 117,011</u>	<u>\$ 101,344</u>

NOTE 9 – REVENUE

The Organization is recognizing revenue at a point in time for its program service fee revenue. There are no outstanding performance obligations to be satisfied at June 30, 2023 and 2022. There is no program service fee revenue for the years ended June 30, 2023 and 2022.

Disaggregated Revenue

100% of the Organization's revenue for June 30, 2023 and 2022 is from non-exchange transactions through grants and contracts with government agencies.

The Organization's customers are primarily the general public located in the north-eastern Florida portion of the United States and government agencies.

NOTE 10 – FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets and liabilities in active markets that the Organization has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - Observable; or
 - Can be corroborated by observable market data

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 10 – FAIR VALUE MEASUREMENTS (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value management.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Mutual funds: Valued at the daily closing price reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This included basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumption to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis, are summarized for the years ended June 30, 2023 and 2022:

June 30, 2023	Level 1	Level 2	Level 3	Total
Mutual and money market funds	\$ 374,522	\$ -	\$ -	\$ 374,522
Corporate bonds	-	460,883	-	460,883
Total investments at fair value	<u>\$ 374,522</u>	<u>\$ 460,883</u>	<u>\$ -</u>	<u>\$ 835,405</u>
June 30, 2022	Level 1	Level 2	Level 3	Total
Mutual and money market funds	\$ 444,401	\$ -	\$ -	\$ 444,401
Corporate bonds	-	359,374	-	359,374
Total investments at fair value	<u>\$ 444,401</u>	<u>\$ 359,374</u>	<u>\$ -</u>	<u>\$ 803,775</u>

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 10 – FAIR VALUE MEASUREMENTS (continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to access the appropriate classification of financial instruments with the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. There were no transfers between Level 1, 2, or 3 during the years ended June 30, 2023 or 2022.

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash with financial institutions in excess of the FDIC limit of \$250,000 by \$8,044,970 and \$4,278,200 at June 30, 2023 and 2022, respectively.

The Organization receives a substantial amount of support from federal, state, and local government agencies. A reduction in the level of future support from the state or local government agencies could have substantial effect on the Organization's programs and activities.

The Organization's credit risk is inherent principally in its investments. Adverse economic conditions either domestically or internationally may result in a reduction of the investments' carrying amount. Market risk of the Organization's investment portfolio is monitored through ongoing review of asset allocations and evaluations by independent investment advisors.

NOTE 12 – COMMITMENTS

As disclosed in Note 2-17, the Organization adopted ASC 842, *Leases*, effective July 1, 2022, using the optional transition method. The Organization leases building space under two operating leases which were required to be included on the statement of financial position under ASC 842 at July 1, 2022 at their net present value of \$6,007,880. The adoption of ASC 842 had no impact to the prior year statement of financial position, and because the leases are operating leases, they had no impact on the results of the operations.

As of June 30, 2023, the operating lease right of use (ROU) asset had a balance of \$5,918,876, as shown in noncurrent assets on the statement of financial position; the operating lease liability is included in current liabilities (\$344,298) and long-term liabilities (\$5,600,001). The operating lease asset and liability were calculated utilizing the weighted average discount rate (5.20%), according to the Organization's elected policy. The weighted average remaining term of the operating leases is ten years.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 12 – COMMITMENTS (continued)

Additional information about the Organization’s leases are as follows:

<u>Lease costs (included in rent):</u>	
Operating lease cost	\$ 136,723
Total lease cost	\$ 136,723
<u>Other information:</u>	
Cash paid for amounts included in measuring operating lease liabilities:	
Operating cash flows from operating leases	\$ 111,300
Total cash paid for amounts included in measuring operating lease liabilities	\$ 111,300
<u>Maturities of operating lease liabilities as of June 30, 2023:</u>	
Year ending June 30:	
2024	\$ 638,865
2025	669,571
2026	686,311
2027	703,469
2028	721,055
Thereafter	4,537,424
Total lease payments	7,956,695
Less: interest	(2,012,396)
Present value of operating lease liability	\$ 5,944,299

Contingencies

Grants and contracts require the fulfillment of certain conditions set forth in the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the possibility remains, management deems the contingency remote as, by accepting awards and their terms, it has accommodated the objectives of the Organization to the provisions of the grant.

The Organization’s contract with the State of Florida, Department of Children and Families (DCF) is approximately 95% and 96% of the Organization’s total revenue for years ended June 30, 2023 and 2022.

On December 7, 2023, the Organization executed amendment #44 to the current contract DJ038 extending the service period through June 30, 2024.

The Organization, in the normal course of business, is subject to claims and litigation. Although the ultimate disposition of these legal matters cannot be predicted with certainty, it is the present opinion of the Organization’s management that the outcome of the current litigation will not have material effect on the financial condition of the Organization.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 13 – DEFINED CONTRIBUTION PROGRAM

The Organization sponsors a defined contribution plan (the Plan) covering substantially all employees. The Organization makes a contribution to the Plan each year equal to 3% of each participants' compensation. Total expense for the years ended June 30, 2023 and 2022 was \$288,346 and \$248,869, respectively.

NOTE 14 – CONTRIBUTED NON-FINANCIAL ASSETS

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have to be purchased by the Organization. Volunteers also provide many program related services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Donated facilities and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated supplies are recorded at their fair market values on the date of receipt by the Organization. A corresponding amount is recorded as expense.

For the years ended June 30, contributed non-financial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Services	\$ 572,497	\$ 604,536
Rent	97,000	97,000
Supplies	<u>114,692</u>	<u>69,144</u>
Total contributed non-financial assets	<u>\$ 784,189</u>	<u>\$ 770,680</u>

NOTE 15 – SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after June 30, 2023 through February 13, 2024, the date the Organization's financial statements were available to be issued.

FAMILY SUPPORT SERVICES OF NORTH FLORIDA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 16 – RESTATEMENT OF NET ASSETS

The Organization’s consolidated financial statements as of June 30, 2023 contained the following misstatement: accounts receivable was overstated by \$277,698, and net assets without donor restrictions was overstated by \$277,698. Accordingly, an adjustment was made to decrease accounts receivable and net assets without donor restrictions. The following is a summary of the prior period adjustment:

Net Asset Classification	As previously recorded	Adjustment	As restated
Assets:			
Accounts receivable	\$ 3,232,315	\$ (277,698)	\$ 2,954,617
Net asset without donor restrictions:			
Beginning of year	\$ 3,283,321	\$ (277,698)	\$ 3,005,623