

FAMILY AND CHILDREN SERVICES

JUNE 30, 2005



INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Family and Children Services

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Independent Auditors' Report

BOARD OF DIRECTORS
FAMILY AND CHILDREN SERVICES
San Jose, California

We have audited the accompanying statement of financial position of *Family and Children Services (the Agency)* as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's fiscal year ended June 30, 2004 financial statements, and in our report dated September 8, 2004, we expressed an unqualified opinion on these statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family and Children Services as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

August 31, 2005

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Family and Children Services

Statement of Financial Position

<i>June 30,</i>	2005	2004
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,327,353	\$ 1,188,351
Client receivables, net of allowance for doubtful accounts of \$10,100 and \$28,985 for 2005 and 2004, respectively	31,162	39,719
Grants receivable	194,775	268,074
Contracts receivable, net of allowance for doubtful collections of \$985 and \$5,015 for 2005 and 2004, respectively	219,493	226,454
Other receivables	21,643	41,719
Prepaid expenses	55,254	62,932
Total current assets	1,849,680	1,827,249
Notes Receivable , net of allowance for doubtful accounts of \$10,000 for both 2005 and 2004	102,117	125,808
Long-term Investments	480,219	445,621
Property, Equipment and Improvements , net	340,472	374,969
Other Assets	34,206	18,737
Total assets	\$ 2,806,694	\$ 2,792,384
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of long-term debt	\$ 6,806	\$ 8,854
Accounts payable	75,422	59,403
Accrued expenses	336,175	341,075
Total current liabilities	418,403	409,332
Long-Term Debt , net of current maturities	252,907	258,863
Total liabilities	671,310	668,195
Net Assets:		
Unrestricted:		
Undesignated	924,252	882,230
Board designated	436,772	402,174
Total unrestricted	1,361,024	1,284,404
Donor restricted:		
Temporarily	730,913	796,338
Permanently	43,447	43,447
Total net assets	2,135,384	2,124,189
Total liabilities and net assets	\$ 2,806,694	\$ 2,792,384

Family and Children Services

Statement of Activities

Year Ended June 30, 2005 (with comparative totals for the year ended June 30, 2004)

	2005				2004
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support:					
Contributions	\$ 528,866	\$ 23,000		\$ 551,866	\$ 546,337
Grants and contracts		251,750		251,750	349,500
United Way support		194,549		194,549	194,549
Donated services and equipment	167,824			167,824	249,164
Special events, net of direct benefits to attendees of approximately \$108,000 and \$86,000 for 2005 and 2004, respectively	149,539			149,539	103,878
Total support	846,229	469,299		1,315,528	1,443,428
Revenue:					
Program service fees	1,004,919			1,004,919	1,003,608
County Mental Health contract	835,044			835,044	911,474
School programs	711,603			711,603	192,678
County Drug and Alcohol contract	565,483			565,483	562,661
Social Services contract	354,261			354,261	414,633
Ways to Work	91,467			91,467	7,661
DEAF contract	50,021			50,021	40,988
ECS contract	20,000			20,000	20,000
FAST contract	60,589			60,589	74,032
Counseling	46,011			46,011	41,982
Long-term investment income	34,598			34,598	62,115
In Custody contract	3,670			3,670	3,690
Miscellaneous income	17,122			17,122	13,966
Total revenue	3,794,788			3,794,788	3,349,488
Net assets released from restrictions	534,724	(534,724)			
Total support and revenue	5,175,741	(65,425)		5,110,316	4,792,916
Expenses:					
Program services					
General programs	4,673,710			4,673,710	4,539,531
Support services					
Management and general	132,754			132,754	224,597
Fundraising	292,657			292,657	277,723
Total expenses	5,099,121			5,099,121	5,041,851
Change in net assets	76,620	(65,425)		11,195	(248,935)
Net Assets - Beginning of year	1,284,404	796,338	\$ 43,447	2,124,189	2,373,124
Net Assets - End of year	\$ 1,361,024	\$ 730,913	\$ 43,447	\$ 2,135,384	\$ 2,124,189

Family and Children Services

Statement of Functional Expenses

Year Ended June 30, 2005 (with comparative totals for the year ended June 30, 2004)

	2005														2004
	Mental Health	Counseling Program	Independent Living	Drug & Alcohol Treatment	Positive Solutions	FAST	School Services	Ways to Work	D.E.A.F.	Early Childhood Services	Total Programs	Management and General	Fundraising	Total	Total
Functional Expenses:															
Salaries	\$ 525,824	\$ 507,360	\$ 116,880	\$ 366,870	\$ 389,295	\$ 120,359	\$ 521,521	\$ 79,504	\$ 32,924	\$ 68,703	\$ 2,729,240	\$ 534,577	\$ 137,106	\$ 3,400,923	\$ 3,129,311
Employee benefits	79,703	78,180	17,600	51,269	64,900	19,720	72,099	12,027	3,533	11,909	410,940	55,137	22,070	488,147	438,789
Payroll taxes	34,511	36,276	7,193	27,940	29,520	9,357	39,940	5,664	2,492	5,424	198,317	38,791	10,026	247,134	279,776
Total salaries and related expenses	640,038	621,816	141,673	446,079	483,715	149,436	633,560	97,195	38,949	86,036	3,338,497	628,505	169,202	4,136,204	3,847,876
Professional fees (includes clinical contractors)	86,754	34,883	2,826	10,933	4,527	4,263	14,345	2,576	8,060	10,512	179,679	67,833	20,186	267,698	297,403
Occupancy	18,213	14,155	14,768	14,584	14,033	10,535	40	8,255	465	4,475	99,523	12,244	2,732	114,499	121,734
Office expenses	13,091	16,289	2,801	9,320	10,891	1,443	216	1,692	444	818	57,005	14,940	8,120	80,065	79,691
Insurance	6,418	6,633	2,234	5,167	4,996	1,547	6,518	1,211	166	657	35,547	17,753	1,225	54,525	43,965
Program supplies	725	846	30,565	292	372	12,166	1,678	477	738	3,240	51,099		2,920	54,019	60,508
Conferences and meetings	9,391	2,171	3,375	36	4,499	500	1,002	520	2,547	2,025	26,066	14,336	8,515	48,917	38,027
Printing and publications	2,339	3,671	384	1,360	2,922	789	576	204	697	179	13,121	3,667	30,452	47,240	39,279
Computer expense	2,574	2,486	86	2,330	2,801	87					10,364	33,887	2,480	46,731	66,776
Telephone	4,241	7,874		2,744	4,397				87	435	19,778	5,089	2,398	27,265	37,357
Dues and fees	3,547	1,269	200	798	1,106	179	754	355	19	86	8,313	16,285	525	25,123	21,948
maintenance	5,001	6,160	32	4,033	4,248	21		17	129	9	19,650	3,815	1,409	24,874	12,528
Bad debts		(16,870)			520			40,951			24,601		7	24,608	48,682
Other staffing expense	390	255	25	40	45	75		265			1,095	15,625	95	16,815	25,573
Interest												14,172		14,172	12,755
Janitorial supplies and Miscellaneous	592	324	597	138	167	41	174	32	4	28	2,097	6,024		8,121	126,007
Special events													10,198	10,198	3,943
Administrative allocation	130,706	135,073	45,305	105,485	101,986	31,480	111,651	24,720	3,345	13,415	703,166	(731,990)	28,824		
Total expenses before depreciation	924,020	837,035	244,871	603,339	641,225	212,562	770,514	178,470	55,650	121,915	4,589,601	122,185	289,288	5,001,074	4,884,052
Depreciation	15,116	15,537	5,162	12,314	11,907	3,688	15,537	2,886	395	1,567	84,109	10,569	3,369	98,047	157,799
Total expenses	\$ 939,136	\$ 852,572	\$ 250,033	\$ 615,653	\$ 653,132	\$ 216,250	\$ 786,051	\$ 181,356	\$ 56,045	\$ 123,482	\$ 4,673,710	\$ 132,754	\$ 292,657	\$ 5,099,121	\$ 5,041,851

The accompanying notes are an integral part of this statement.

Family and Children Services

Statement of Cash Flows

<i>Years Ended June 30,</i>	2005	2004
Cash Flows Provided by Operating Activities:		
Change in net assets	\$ 11,195	\$ (248,935)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	98,047	157,799
Changes in operating assets and liabilities:		
Client receivables	8,557	(8,533)
Grants receivable	73,299	82,014
Contracts receivable	6,961	158,015
Other receivables	20,076	(17,379)
Prepaid expenses	7,678	(301)
Notes receivable	23,691	(7,989)
Other assets	(15,469)	13,278
Accounts payable	16,019	14,416
Accrued expenses	(4,900)	83,708
Net cash provided by operating activities	245,154	226,093
Cash Flows from Investing Activities:		
Purchases of property and equipment	(63,550)	(22,139)
Reinvested earnings of long-term investment	(34,598)	(62,115)
Net cash used in investing activities	(98,148)	(84,254)
Cash Flows from Financing Activities:		
Debt payments	(8,004)	(8,632)
Net cash used in financing activities	(8,004)	(8,632)
Net Increase in Cash and Cash Equivalents	139,002	133,207
Cash and Cash Equivalents - Beginning of year	1,188,351	1,055,144
Cash and Cash Equivalents - End of Year	\$ 1,327,353	\$ 1,188,351
Supplemental Information:		
Interest paid	\$ 14,172	\$ 11,585

Note 1 - Description of the Organization

Family and Children Services (the Agency) is a not for profit, public benefit organization incorporated in the State of California. The Agency addresses the social-emotional and self-sufficiency needs of families and youth in Santa Clara and San Mateo Counties. The purpose of the programs and services of the Agency is to promote a healthy community by improving mental health, social interaction and self-sufficiency of individuals and families. Specifically, the Agency's services are designed to:

- Maintain and provide behavioral, mental health and social services for children and families in need with the goal of fostering maximum mental and emotional health and helping maintain self-sufficiency.
- Maintain and provide prevention, education, outreach and consultation services regarding mental health and social skills in collaboration with schools, public and private organizations, the business community and other entities.
- Engage in the training and education of the general public and the professional health care community regarding behavioral, mental health and social service issues.

The following summarizes the different programs and supporting services of the Agency:

Mental Health MediCal Programs

Program Purpose, Goals and Outcomes Desired:

Treat and ameliorate the mental health symptoms and dysfunction of children and adolescents, and their families, in the least intrusive manner for Santa Clara County residents.

1. To provide culturally proficient outpatient and collaborative services to Santa Clara County adults and children with diagnosed serious mental illness and who cannot be sufficiently treated by a primary physician. We also serve San Mateo County children and their families who are diagnosed with a serious mental health problem.
2. Decrease psychiatric symptoms or impairments in level of functioning.
3. Assist clients to maintain the highest level of functioning in the community.
4. Help clients achieve a sense of power and ability to positively influence their own lives.

Counseling, Center for Changing Families, Employee Assistance Program

Program Purpose, Goals and Outcomes Desired:

Counseling:

1. To help individuals, couples and families improve their level of functioning or regain a level of functioning that has been negatively impacted by a life crisis.
2. To strengthen families in our community.
3. To provide comprehensive mental health services to those infected and affected with HIV/AIDS.
4. To improve the quality of lives, increase coping skills and reduce emotional distress of managing the chronic illness.

Center for Changing Families:

1. To help couples and families who are experiencing separation, divorce and/or remarriage successfully cope with these transitions and regain a healthy level of functioning for family members.

Employee Assistance Program:

1. To help individuals, couples and families improve their level of functioning or regain a level of functioning that has been negatively impacted by a life crisis.
2. To support employees and management within the organizations that we serve.
3. To provide crisis management services as necessary.

Independent Living Program

Program Purpose, Goals and Outcomes Desired:

1. To prepare foster care youth, aged 16 to 21 years, for the transition from foster care to living responsibly and finding hope for happiness, health and stability in the adult world.
2. Coach foster care youth, aged 16 to 21 years, in competencies such as employment, daily living skills, survival skills, choices and consequences, social and interpersonal skills, education, and computer knowledge, parenting, family life.
3. Coach foster care youth, aged 16 to 21 years, to set and monitor short and long-term goals to achieve lifelong productivity in society.
4. Coach foster care youth, aged 16 to 21 years, to live responsibly and cope with everyday challenges related to life outside the foster care system.

Drug & Alcohol Treatment Program

Program Purpose, Goals and Outcomes Desired:

1. To increase substance-abusing clients' ability to develop effective coping skills leading to the reduction of and/or abstinence from drug/alcohol use.
2. To increase clients' ability to recognize, identify, and understand problems related to substance abuse.
3. To increase clients' engagement in recovery and application of effective relapse prevention skills.
4. To break the behavioral cycle of compulsive psychoactive drug abuse.

Positive Solutions

Program Purpose, Goals and Outcomes Desired:

1. To promote healthy and safe relationships in families and the community.
2. To decrease family violence.
3. To teach positive and healthy responses to disagreement.
4. To teach the impact of family violence on all family members and the community.
5. To teach positive and effective parenting techniques and decrease child abuse.
6. To provide for the safety of victims.

Families and Schools Together (FAST)

Program Purpose, Goals and Outcomes Desired:

FAST is a school-based, collaborative, family-focused program designed to increase the self-esteem and improve the school performance of at-risk elementary school children by supporting the natural strength of the family unit. Specific goals are:

1. Prevent at-risk children from experiencing school failure.
2. Enhance family bonding and functioning.
3. Prevent alcohol and other drug abuse by the child and family.
4. Reduce the stress that parents and children experience from daily life situations.

School Services

Program Purpose, Goals and Outcomes Desired:

1. To provide a continuum of counseling, education, and/or staff and parent training services, on-site, that helps children and their families improve their level of functioning or regain a level of functioning that has been negatively impacted by a life crisis.
2. To support teachers and school personnel within the schools that we serve.
3. To serve the special needs of children who are deaf or hard of hearing, their families and their teachers.

Ways to Work

Program Purpose, Goals and Outcomes Desired:

1. To assist low-income parents by providing personal loans which enable them to maintain meaningful employment and/or stay on track with educational goals as they work toward greater economic self-sufficiency.
2. Decrease commute time to parent's work/school and children's daycare/school.
3. Decrease time taken off from work due to transportation, childcare or other household issues.
4. Increase parents' ability to access and create new career opportunities and increase monthly gross income.
5. Reduce use of public assistance.
6. Improve parental opportunity to re-establish credit.
7. Improve parents' ability to plan for expenses and begin to implement strategies to save money.

D.E.A.F.

Program Purpose, Goals and Outcomes Desired:

1. To prevent child abuse in families with a deaf or hard of hearing member.
2. To improve the level of functioning so that a deaf or hard of hearing child is able to remain in school.
3. To help parents improve their parenting skills and family communication in families with a deaf or hard of hearing member.

Early Childhood Services (ECS)

Program Purpose, Goals and Outcomes Desired:

1. To provide a continuum of counseling, education, and/or staff and parent training services, on-site, that helps children and their families improve their level of functioning or regain a level of functioning that has been negatively impacted by a life crisis.
2. To support childcare personnel within the childcare agencies that we serve.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The Agency maintains its records on the accrual basis of accounting.

b. Description of Net Assets

Unrestricted Net Assets - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations or may be designated by the Board to be used for other purposes. Any assets designated by the Board may be redesignated at the Board's election. For the year ended June 30, 2005, the Board designated net assets of \$436,772 consisted of endowment, capital reserves, operating reserves and related accumulated income. The Agency has elected to report as an increase in unrestricted net assets any temporarily restricted revenue or support received in the same period in which the restrictions have been met.

Temporarily Restricted Net Assets - the portion of net assets which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency. The Ways to Work loan funds are considered temporarily restricted net assets. These funds are reduced by actual loan write offs when they are deemed to be uncollectible.

Permanently Restricted Net Assets - the portion of net assets which use is permanently limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the Agency.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include general operating cash accounts, money market funds, and highly liquid investments with maturities of three months or less.

Cash and cash equivalents include approximately \$276,000 and \$242,000 at June 30, 2005 and 2004, respectively, which is limited to use for the Ways to Work Program.

d. Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. The Agency provides for losses on receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances. It is the Agency's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

e. Long-term Investment

The long-term investment consists of funds held by the Community Foundation Silicon Valley (CFSV) on the Agency's behalf and is recorded at its estimated fair value. Earnings of the investment, including realized and unrealized gains and losses are recorded in the Statement of Activities.

f. Non-Marketable Securities

The Agency holds shares of stock in a private company. These shares were received in a prior year as a donation and are valued at \$-0-, until they become marketable.

g. Property, Equipment and Improvements

Property, equipment and improvements are recorded at cost of acquisition or construction or, if donated, at the fair market value of the asset at the date of donation. Depreciation is computed using the straight-line method with lives ranging from 3 to 35 years.

h. Revenue Recognition

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the Agency. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Non-cash donations are recorded at the fair value of the gift at the date of the donation.

The Agency records contribution revenue and a related expense for certain donated services, at the fair value of those services, only if the services create or enhance non-financial assets or require specialized skills that would need to be purchased, if not donated. Such services related to donated professional services (intern time) for the years ended June 30, 2005 and 2004.

Contracts and grants are primarily based on a cost reimbursement nature. Revenues from such contracts and grants are recognized in the period the related costs and services are rendered.

Program services fees are recognized in the period the services are rendered.

i. Fundraising Costs

Fundraising costs are expensed as incurred.

j. Income Taxes

The Agency has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

k. Allocation of Expenses

Direct costs are charged directly to the applicable programs or services. Indirect costs, related to more than one function, are allocated to programs and services by management based on estimates of time and other factors.

l. 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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

m. Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Note 3 - Client Receivables:

For certain contracts, the Agency is required to set client fees on a sliding scale based on a determination of the ability to pay. In the event that a client may have access to other resources, such as insurance, the full fee portion is billed to the third party payer. If the amount billed to the third party payer is subsequently determined to be uncollectible, either in whole or in part, the unpaid balance is written off.

Note 4 - Notes Receivable:

The Agency operates a low-interest loan program for low-income families under its Ways to Work Program. This program allows families to apply for loans for special expenses that interfere with their ability to work or continue job training.

Note 5 - Long-term Investments:

The Agency's long-term investments, which are managed by the Community Foundation Silicon Valley (CFSV), consist of the permanently restricted endowment (Note 10), certain Board designated net assets and accumulated earnings from these funds.

CSFV holds, manages and invests these funds, as part of a pooled investment fund, on behalf of the Agency. The fund is comprised of approximately 30% fixed income investments and approximately 70% equity investments. The investments are subject to market risk and thus fluctuate in value. CSFV charges investment fees of 0.60% to 0.70% of the market value of the fund, plus fees that help support the operations of CFSV.

The Agency's Board has established guidelines for withdrawing funds, which it may change from time to time; currently, each year, 5% of the fair market value of the fund may be transferred out of cumulative earnings to the Agency's operating accounts to be used for general operating purposes. The Agency elected not to make any transfers out of the fund in either fiscal 2004 or 2005. When the Agency does request withdrawals of its funds, CSFV must accept the request before any withdrawals can be made.

The Agency's beneficial interest in the pooled fund is reported at fair market value. The change in the beneficial interest is reported in the Statement of Activities.

Below is the allocation to the Agency for the years ended June 30, 2005 and 2004:

	2005	2004
Balance, beginning of year	\$ 445,621	\$ 383,506
Interest and dividends	11,561	10,400
Realized gain	24,083	17,006
Unrealized gain	5,233	40,348
Investment management and CFSV support fees	(6,279)	(5,639)
Long-term investment income	34,598	62,115
Balance, end of year	\$ 480,219	\$ 445,621

Note 6 - Property, Equipment and Improvements:

Property, equipment and improvements and accumulated depreciation and amortization consist of the following and June 30, 2005 and 2004:

	2005	2004
Land	\$ 92,568	\$ 92,568
Buildings and improvements	307,790	307,790
Leasehold improvements	630,758	630,758
Furniture, fixtures and equipment	943,104	879,544
	<u>1,974,220</u>	<u>1,910,670</u>
Less: accumulated depreciation	(1,633,748)	(1,535,701)
	<u>\$ 340,472</u>	<u>\$ 374,969</u>

Note 7 - Long-Term Debt:

The Agency entered into a \$300,000 consumer loan on December 22, 1998 with Borel Bank and Trust. This note is a variable rate loan at prime plus .25% (6.50% and 4.25% as of June 30, 2005 and 2004, respectively) and is secured by the real property at Julian Street in San Jose. The maturity date of the note is December 22, 2013, at which time all remaining principal and interest balances become due.

Maturities of long-term debt, assuming an interest rate of 6.50% and a monthly payment of \$1,977, are as follows:

Year ending June 30,	
2006	\$ 6,806
2007	7,218
2008	7,717
2009	8,286
2010	8,849
Thereafter	<u>220,837</u>
	<u>\$ 259,713</u>

The Agency has a \$100,000 unsecured line of credit with Wells Fargo bank. There was no outstanding balance as of June 30, 2005.

Note 8 - Commitments and Contingencies:

Leases

The Agency leases equipment and its Campbell office under operating leases expiring in various years through 2008.

Minimal annual lease payments required on the above leases are as follows:

Year Ending June 30,	
2006	\$ 43,630
2007	38,497
2008	6,237
	\$ 88,364

Rent expense charged to operations for the years ended June 30, 2005 and 2004 was \$65,498 and \$77,739, respectively.

Grants and Contracts

The Agency has received funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under the terms of the grants, it is believed that any required reimbursement would not be material.

Note 9 - Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following at June 30, 2005 and 2004:

	2005	2004
United Way – for the next fiscal year	\$ 194,549	\$ 194,549
Ways to Work	439,842	499,914
Independent Living Program	26,063	57,500
Families and Schools Together		2,500
Counseling	33,561	6,875
School Services	19,150	
Early Childhood Services	11,818	35,000
Other restricted purposes	5,930	
	\$ 730,913	\$ 796,338

Family and Children Services

Notes to Financial Statements

During the year ended June 30, 2005, temporarily restricted net assets were released from restriction as follows:

Purpose or Time Restriction Met

United Way - time restriction	\$ 194,549
Ways to Work	60,072
Independent Living Program	44,937
Families and Schools Together	2,500
Counseling	105,686
School Services	34,728
Positive Solutions	35,000
Early Childhood Services	55,182
Other restricted purposes	2,070
	<hr/>
	\$ 534,724

Note 10 - Permanently Restricted Net Assets:

The Agency's permanently restricted net assets consist of the Slonaker Endowment gift accepted with the donor stipulation that the principal be maintained intact in perpetuity. The income from the assets can be used to support the Agency's general activities.

Note 11 - Payments to National Organization:

The Agency makes payments to Alliance for Children and Families (Alliance) based on the Agency's annual budget and personnel cost. Alliance provides consultation and professional services, support to local agencies, and is a network that follows national accreditation. The payments to Alliance totaled \$7,125 and \$7,313 for the years ended June 30, 2005 and 2004.

Note 12 - Retirement Plan:

The Agency provides a tax-sheltered annuity retirement plan under Section 403(b) of the Internal Revenue Code to all eligible salaried and regular employees. Employees are covered by the plan after meeting the plan's service requirement. Eligible employees may also make voluntary contributions to the plan. Employer matching contributions to the plan were equal to 65% of the basic employee contributions made by each participant during the plan year, subject to limitations. In addition, the Agency will make an additional contribution to the Plan equal to 3% of all participants' compensation. During the years ended June 30, 2005 and 2004, employer contributions amounted to \$94,462 and \$87,857, respectively.

Note 13 - Concentration of Credit Risk:

The Agency has defined its financial instruments which are potentially subject to credit risk as cash, receivables and its beneficial interest in assets held by others.

From time to time, the Agency will have cash deposits in excess of federally insured limits. Client receivables are due from various individuals and insurance companies which mitigate the risk associated therein. An allowance for doubtful accounts is also maintained. Grants receivable are also due from various parties. Contract receivables are due from various governmental agencies. The funds held by the CFSV are subject to market and credit risk.

Significant funding for operations comes from various government sources and is, therefore, susceptible to governmental budgetary constraints and limitations.