

FAMILY LIFELINE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Family Lifeline
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Family Lifeline (the "Agency") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Family Lifeline as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Lifeline's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Lifeline’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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Lifeline’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 financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 schedule of expenditures of federal awards 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, 2023, on our consideration of Family Lifeline’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 Lifeline’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 Lifeline’s internal control over financial reporting and compliance.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
January 3, 2023

FAMILY LIFELINE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 913,879	\$ 993,751
Contributions receivable	52,500	172,500
Grants receivable	540,134	284,464
Other receivable	210,197	-
Investments, operations	536,430	932,549
Prepaid expenses	43,854	60,403
Land, building, and equipment, net	836,813	860,720
Beneficial interest in trust	116,492	109,631
	<u>\$ 3,250,299</u>	<u>\$ 3,414,018</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 13,596	\$ 41,910
Accrued expenses	121,550	152,503
	<u>135,146</u>	<u>194,413</u>
 NET ASSETS		
Without donor restrictions	2,221,874	2,627,473
With donor restrictions	893,279	592,132
	<u>3,115,153</u>	<u>3,219,605</u>
	<u>\$ 3,250,299</u>	<u>\$ 3,414,018</u>

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals, corporations, and foundations	\$ 903,359	\$ 693,689	\$ 1,597,048
In-kind	5,040	-	5,040
Sponsorships	-	-	-
Grants			
Federal agencies	1,074,712	-	1,074,712
State and local agencies	376,885	-	376,885
Total Support, Other Than Special Events	<u>2,359,996</u>	<u>693,689</u>	<u>3,053,685</u>
Special Events			
Special event revenue	-	-	-
Less: Direct benefits to donors	-	-	-
Net Support from Special Events	<u>-</u>	<u>-</u>	<u>-</u>
Program Services Revenue			
Client fees	<u>18,045</u>	<u>-</u>	<u>18,045</u>
Other Revenues, Gains and (Losses)			
Investment return, net	(73,544)	6,861	(66,683)
Loss on sale of fixed assets	-	-	-
PPP grant	-	-	-
Other revenue	-	-	-
Total Other Revenues, Gains and (Losses)	<u>(73,544)</u>	<u>6,861</u>	<u>(66,683)</u>
Net Assets Released from Restrictions			
Satisfaction of use restrictions	<u>399,403</u>	<u>(399,403)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>2,703,900</u>	<u>301,147</u>	<u>3,005,047</u>
EXPENSES			
Program Services			
Early Childhood	1,586,039	-	1,586,039
Long-term support services	663,934	-	663,934
Total Program Services	<u>2,249,973</u>	<u>-</u>	<u>2,249,973</u>
Management and General	282,995	-	282,995
Fundraising	142,468	-	142,468
TOTAL EXPENSES	<u>2,675,436</u>	<u>-</u>	<u>2,675,436</u>
LOSS FROM PENSION TERMINATION	<u>(434,063)</u>	<u>-</u>	<u>(434,063)</u>
CHANGE IN NET ASSETS	(405,599)	301,147	(104,452)
NET ASSETS, beginning of year	2,627,473	592,132	3,219,605
NET ASSETS, end of year	<u>\$ 2,221,874</u>	<u>\$ 893,279</u>	<u>\$ 3,115,153</u>

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals, corporations, and foundations	\$ 934,077	\$ 310,328	\$ 1,244,405
In-kind	9,870	-	9,870
Sponsorships	59,185	-	59,185
Grants			
Federal agencies	1,206,815	-	1,206,815
State and local agencies	314,946	-	314,946
Total Support, Other Than Special Events	<u>2,524,893</u>	<u>310,328</u>	<u>2,835,221</u>
Special Events			
Special event revenue	30,428	-	30,428
Less: Direct benefits to donors	<u>22,442</u>	<u>-</u>	<u>22,442</u>
Net Support from Special Events	<u>7,986</u>	<u>-</u>	<u>7,986</u>
Program Services Revenue			
Client fees	<u>15,864</u>	<u>-</u>	<u>15,864</u>
Other Revenues, Gains and (Losses)			
Investment return, net	216,095	27,366	243,461
Loss on sale of fixed assets	(36)	-	(36)
PPP grant	18,407	-	18,407
Other revenue	<u>5,707</u>	<u>-</u>	<u>5,707</u>
Total Other Revenues, Gains and (Losses)	<u>240,173</u>	<u>27,366</u>	<u>267,539</u>
Net Assets Released from Restrictions			
Satisfaction of use restrictions	<u>628,399</u>	<u>(628,399)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>3,417,315</u>	<u>(290,705)</u>	<u>3,126,610</u>
EXPENSES			
Program Services			
Early Childhood	1,901,107	-	1,901,107
Long-term support services	<u>735,485</u>	<u>-</u>	<u>735,485</u>
Total Program Services	<u>2,636,592</u>	<u>-</u>	<u>2,636,592</u>
Management and General	303,824	-	303,824
Fundraising	<u>168,389</u>	<u>-</u>	<u>168,389</u>
TOTAL EXPENSES	<u>3,108,805</u>	<u>-</u>	<u>3,108,805</u>
LOSS FROM PENSION TERMINATION	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	308,510	(290,705)	17,805
NET ASSETS, beginning of year	<u>2,318,963</u>	<u>882,837</u>	<u>3,201,800</u>
NET ASSETS, end of year	<u>\$ 2,627,473</u>	<u>\$ 592,132</u>	<u>\$ 3,219,605</u>

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services			Management and General	Fundraising	Total
	Early Childhood	Long-Term Support Services	Total Program Services			
	Salaries and wages	\$1,049,379	\$ 390,718			
Employee benefits	179,447	63,303	242,750	13,642	6,915	263,307
Payroll taxes	84,535	31,905	116,440	13,431	4,242	134,113
Other personnel costs	18,016	12,053	30,069	740	555	31,364
	<u>1,331,377</u>	<u>497,979</u>	<u>1,829,356</u>	<u>216,834</u>	<u>63,137</u>	<u>2,109,327</u>
Professional fees and contract services	30,964	59,314	90,278	40,974	63,301	194,553
Occupancy	83,454	32,653	116,107	6,132	5,466	127,705
Training and conferences	30,536	9,159	39,695	6,499	1,534	47,728
Depreciation	23,021	9,136	32,157	2,022	1,529	35,708
Bad debt	-	34,980	34,980	-	-	34,980
Specific assistance to individuals	29,400	-	29,400	-	-	29,400
Telephone	18,884	8,374	27,258	745	939	28,942
Supplies	11,637	5,525	17,162	3,561	2,034	22,757
Organization dues	13,982	1,559	15,541	-	10	15,551
Local transportation	9,778	3,855	13,633	420	-	14,053
Printing and publications	1,816	848	2,664	2,657	4,439	9,760
Miscellaneous	568	305	873	2,240	38	3,151
Postage and shipping	622	247	869	911	41	1,821
	<u>1,586,039</u>	<u>663,934</u>	<u>2,249,973</u>	<u>282,995</u>	<u>142,468</u>	<u>2,675,436</u>
TOTAL EXPENSES						
Direct benefits to donors	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PER STATEMENT OF ACTIVITIES	<u>\$1,586,039</u>	<u>\$ 663,934</u>	<u>\$2,249,973</u>	<u>\$ 282,995</u>	<u>\$ 142,468</u>	<u>\$2,675,436</u>

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services			Management and General	Fundraising	Total
	Early	Long-Term	Total			
	Childhood	Support Services	Program Services			
Salaries and wages	\$1,307,612	\$ 493,616	\$1,801,228	\$ 201,638	\$ 49,812	\$2,052,678
Employee benefits	258,749	84,287	343,036	12,954	6,642	362,632
Payroll taxes	93,957	38,735	132,692	15,113	3,616	151,421
Other personnel costs	17,177	11,950	29,127	1,881	544	31,552
	<u>1,677,495</u>	<u>628,588</u>	<u>2,306,083</u>	<u>231,586</u>	<u>60,614</u>	<u>2,598,283</u>
Professional fees and contract services	28,926	13,770	42,696	48,248	75,281	166,225
Occupancy	72,144	29,943	102,087	5,264	6,018	113,369
Supplies	13,764	6,257	20,021	1,660	25,237	46,918
Depreciation	22,792	9,459	32,251	1,931	1,460	35,642
Telephone	19,837	9,818	29,655	722	910	31,287
Training and conferences	16,563	2,199	18,762	6,604	2,854	28,220
Bad debt	-	27,578	27,578	-	-	27,578
Specific assistance to individuals	21,611	-	21,611	-	-	21,611
Organization dues	15,773	1,500	17,273	-	-	17,273
Advertising	-	-	-	-	13,808	13,808
Printing and publications	3,281	1,362	4,643	4,853	4,069	13,565
Local transportation	5,271	4,651	9,922	310	-	10,232
Miscellaneous	3,110	136	3,246	1,848	50	5,144
Postage and shipping	540	224	764	798	530	2,092
	<u>1,901,107</u>	<u>735,485</u>	<u>2,636,592</u>	<u>303,824</u>	<u>190,831</u>	<u>3,131,247</u>
TOTAL EXPENSES	1,901,107	735,485	2,636,592	303,824	190,831	3,131,247
Direct benefits to donors	-	-	-	-	(22,442)	(22,442)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,442)</u>	<u>(22,442)</u>
PER STATEMENT OF ACTIVITIES	<u>\$1,901,107</u>	<u>\$ 735,485</u>	<u>\$2,636,592</u>	<u>\$ 303,824</u>	<u>\$ 168,389</u>	<u>\$3,108,805</u>

See Independent Auditor's Report and Notes to Financial Statements

FAMILY LIFELINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (104,452)	\$ 17,805
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	35,708	35,642
Loss on sale of fixed assets	-	36
Reinvested investment return, operations	(125,618)	(118,426)
Unrealized gain on investments, operations	199,608	(96,682)
Revenue restricted to Paycheck Protection Program	-	(18,407)
(Increase) decrease in		
Contributions receivable	120,000	110,000
Grants receivable	(255,670)	(47,007)
Other receivable	(210,197)	-
Prepaid expenses	16,549	(3,781)
Increase (decrease) in		
Accounts payable	(28,314)	260
Accrued expenses	(30,953)	4,056
NET CASH USED IN OPERATING ACTIVITIES	<u>(383,339)</u>	<u>(116,504)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	322,129	-
Change in beneficial interest in trust	(6,861)	(27,366)
Purchases of land, building and equipment	(11,801)	(4,939)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>303,467</u>	<u>(32,305)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Paycheck Protection Program	-	(205,791)
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>(205,791)</u>
NET DECREASE IN CASH	(79,872)	(354,600)
CASH, beginning of year	<u>993,751</u>	<u>1,348,351</u>
CASH, end of year	<u>\$ 913,879</u>	<u>\$ 993,751</u>
NON-CASH INVESTING ACTIVITIES		
Reinvested proceeds from sale of securities	\$ 397,601	\$ 337,784
See Independent Auditor's Report and Notes to Financial Statements		

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Family Lifeline (the “Agency”) is a nonprofit, non-stock, tax-exempt corporation organized to work with families in the Greater Richmond and Petersburg areas to improve their health and well-being and to strengthen their ability to achieve their goals. The Agency is headquartered in Richmond, Virginia.

Program Description

Early Childhood - The Agency supports healthy babies, children, parents, and other caregivers. The Agency’s programs for families with young children partners with parents to assure that their children are healthy, safe, and ready to succeed in school, work, and life. Recognizing that parents are their children’s first and most important teachers, the Agency utilizes three best practice home visiting models: Parents As Teachers, Healthy Families, and CHIP (Children’s Health Involving Parents) to support at risk families with young children as they strive to ensure their children are prepared for school and life.

Long Term Support Services - The Agency partners with older adults, persons living with disabilities, and their caregivers to reduce isolation and to live in the housing of their choosing for as long as possible. To accomplish this work, the Agency utilizes inter-generational programming that works with two generations at a time to ensure wellness, healthy aging, and caregiver support. Our intensive home-based caregiving, delivered by home care professionals and friendly visiting volunteers, allows individuals and families to remain socially engaged maintaining their health, safety, and dignity.

Summary of Significant Accounting Policies

The Agency prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for nonprofit entities. The significant accounting and reporting policies used by the Agency are described subsequently to enhance the usefulness and understandability of the financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This update includes a lease accounting model that recognizes two types of leases: finance leases and operating leases. The standard requires that a lessee recognize on the statements of financial position assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. This update is effective for the Agency for annual periods beginning after December 15, 2021. The Agency will be required to record a “right of use” asset and a lease liability payable. The Company is currently evaluating the impact of this adoption, including the use of practical expedients provided in the guidance.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The Agency reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Agency has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Agency measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Agency is required to measure at fair value (for example, contributions receivable and in-kind contributions).

The primary uses of fair value measures in the Agency's financial statements are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of short-term investments (Note E).
- recurring measurement of beneficial interest in trust (Note F).

The Agency uses the following ways to determine the fair value of its investments:

Mutual funds: Determined by the published NAV per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Exchange-traded funds: Determined by the published closing price on the last business day of the fiscal year.

Cash reserves: Cost basis as of the date of the financial statements, which is equivalent to fair market value.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. On an ongoing basis, the Agency's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Agency's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Income Taxes

The Agency is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Agency's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBTI). The Agency has recognized no uncertain tax positions for the years ended June 30, 2022 and 2021.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on beneficial interest investments are reported as decreases in net assets without donor restrictions. Net gains on beneficial interest investments increase net assets with donor restrictions, and net losses on beneficial interest investments reduce that net asset class.

Schedule of Expenditures of Federal Awards

The accompanying Supplemental Schedule of Expenditures of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Supplemental Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash Equivalents

Cash equivalents are short-term, interest bearing, highly liquid investments with original maturities of three months or less. Cash reserves in the investment account are included in the investment balance.

Contributions Receivable/Allowance

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value as of the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Management identifies troubled receivables by evaluating individual receivables and then initiating contact with the individual or organization regarding expected payment. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Unless specifically identified, management has determined contributions receivable to be collectible. Therefore, no allowance for doubtful accounts has been recorded as of June 30, 2022 or 2021.

Grants Receivable/Allowance

Grants receivable are carried at original billed amount. Management identifies troubled receivables by evaluating individual receivables and then initiating contact with the grantor regarding expected payment. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Unless specifically identified, management has determined grants receivable to be collectible. Therefore, no allowance for doubtful accounts has been recorded as of June 30, 2022 or 2021.

Land, Building, and Equipment/Depreciation

Land, building, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$500 or more. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Beneficial Interest in Trust

The Agency is the irrevocable beneficiary of a perpetual charitable trusts held by The Community Foundation. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Distributions of income from the trusts are restricted as set forth in the terms of the agreement with The Community Foundation (see Note F) and are reported as investment return increasing net assets with donor restrictions. The value of the beneficial interest in trust is adjusted annually for the change in its estimated fair value. Those changes in value beyond annual distributions are also reported as increases in net assets with donor restrictions, because the trust assets will never be distributed to the Agency.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Agency, 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 in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Agency must continue to use the resources in accordance with the donor's instructions.

The Agency's unspent contributions are included in this class if the donor limited their use, as are its beneficial interest in trust.

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 financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Agency, unless the donor provides more specific directions about the period of its use.

Revenue Recognition Policy

Revenue is measured based on consideration specified in a contract with a customer. The Agency recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The Agency has no contract assets or liabilities to report as of June 30, 2022 or 2021.

Performance Obligations

Special event revenue - For performance obligations related to special event revenue, control transfers to the attendee over time. Revenue is recognized over the course of the event.

Client fees - For performance obligations related to client fees, control transfers to the client over time. Revenue is recognized over the course of the provided services.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-Kind Contributions

The Agency receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions as of the date of gift and as expenses when the donated items are placed into service or distributed. If the Agency receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Agency's capitalization policy.

The Agency benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Agency's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. Accounting principles generally accepted in the United States of America allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The Agency benefited from donated consulting services. The value of consulting services included in in-kind contributions in the accompanying statements of activities was \$5,040 and \$9,870 for the years ended June 30, 2022 and 2021, respectively.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Agency's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Agency.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Recognition and Allocation

The cost of providing the Agency's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, payroll taxes, employee benefits, and other personnel costs are allocated based on time spent by personnel on specific programs.
- Professional fees and contract services, occupancy, and other expenses are allocated based on management's estimate of budgeted time and expense per program and supporting services.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Agency.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Agency generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE B - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 are:

Financial assets:	
Cash	\$ 913,879
Contributions receivable	52,500
Grants receivable	540,134
Other receivable	210,197
Investments, operations	536,430
Beneficial interest in trust	116,492
Total financial assets	<u>2,369,632</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets (Note J)	776,787
Beneficial interest in trust (Note F)	116,492
Total financial assets available for general expenditures within one year	<u>\$ 1,476,353</u>

As part of the Agency's liquidity management plan, cash in excess of daily requirements is kept in short-term investments (Note E). The Agency maintains a revolving line of credit of \$400,000 to cover short-term cash needs (Note G).

NOTE C - CONTRIBUTIONS RECEIVABLE

As of June 30, 2022 and 2021, contributors to the Agency have made unconditional promises to give that relate to the following purposes:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions	\$ 2,500	\$ 2,500
Net assets with donor restrictions	50,000	170,000
	<u>\$ 52,500</u>	<u>\$ 172,500</u>

Contributors will remit these contributions as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 52,500	\$ 122,500
One to five years	-	50,000
	<u>\$ 52,500</u>	<u>\$ 172,500</u>

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE D - LAND, BUILDING, AND EQUIPMENT, NET

Land, building, and equipment, net are as follows as of June 30, 2022 and 2021:

	2022	2021
Building	\$ 804,616	\$ 804,616
Land	357,955	357,955
Furniture and equipment	185,237	174,291
	<u>1,347,808</u>	<u>1,336,862</u>
Less: Accumulated depreciation	510,995	476,142
Land, building, and equipment, net	<u>\$ 836,813</u>	<u>\$ 860,720</u>

NOTE E - INVESTMENTS

Investments held for operations consist of the following as of June 30, 2022 and 2021:

	2022	2021
Mutual funds		
Taxable bonds	\$ 154,977	\$ 197,003
Domestic equity	-	251,473
International	-	70,307
Exchange traded funds	375,261	363,008
Cash reserve	6,192	50,758
	<u>\$ 536,430</u>	<u>\$ 932,549</u>

All investments held for operations were measured using Level 1 inputs.

NOTE F - BENEFICIAL INTEREST IN TRUST

On October 23, 1987, the Family Lifeline Board of Directors entered into an agreement with The Community Foundation *Serving Richmond and Central Virginia* (TCF) to create a beneficial interest in trust (Fund) as described under FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The beneficial interest was formed for the benefit of Family Lifeline.

Under the terms of the agreement, variance power was granted to TCF, including the power for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment.

Income of the Fund shall be available at least annually to the Board of Governors of The Community Foundation for the benefit of Family Lifeline. Spendable income shall be determined each year to be not more than 5% of the Fund's balance at the prior calendar year end, exclusive of compensation to The Community Foundation.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE F - BENEFICIAL INTEREST IN TRUST - Continued

The net income of the Fund, after deducting the expenses of investment and administering the Fund, shall be distributed quarterly to Family Lifeline. Family Lifeline may elect, by written notice to the Community Foundation, to add all or any part of such net income to the Fund. All such additions shall be treated as principal, unless otherwise directed by Family Lifeline at or before the time of addition.

Gifts may be added to the Fund at any time by Family Lifeline or other donors to assure the growth of the Fund as a permanent beneficial interest for the programs of Family Lifeline. In the event of the dissolution of Family Lifeline, the Community Foundation shall thereafter continue to hold the Fund and shall apply the principal and income therefrom as the Board of Directors of TCF shall direct. For its services, the Community Foundation shall be entitled to take and receive an amount equal to one percent (1%) of the Fund balance per annum, charged quarterly.

On January 3 13, 2007, CHIP of Greater Richmond's (acquired by Family Lifeline on January 1, 2011) Board of Directors established a beneficial interest in trust and named it in honor of Barbara W. Fleming, the Organization's founding Executive Director.

The Agency entered into an agreement with The Community Foundation *Serving Richmond and Central Virginia* (TCF) to create beneficial interest in trust (Fund) as described under FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The Fund was formed to work with parents to improve the health and well-being of children through support of CHIP of Greater Richmond (CHIP).

Under the terms of the agreement, variance power was granted to TCF, including the power for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment.

Income of the Fund shall be available at least annually to the Board of Governors of The Community Foundation for the benefit of Family Lifeline. Spendable income shall be determined each year to be not more than 5% of the Fund's balance at the prior calendar year end, exclusive of compensation to The Community Foundation. In addition to the aforementioned spendable income, upon a vote of 75% of all members of the Agency's Board of Directors, and not more than once in any five-year period, up to 10% of the prior calendar year-ending fund balance may be requested for capital or emergency purposes. Any spendable income not requested by the Board of Directors within a given calendar year will be added to the Fund's principal balance.

The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Agency is a level 3 fair value measure.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE F - BENEFICIAL INTEREST IN TRUST - Continued

The following table represents the activity in the beneficial interests for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beneficial interest in assets held by The Community Foundation, beginning of year	\$ 109,631	\$ 82,265
Donations received by The Community Foundation	1,000	500
Amount distributed to the Agency	(4,043)	(3,920)
Net investment return	9,904	30,786
Beneficial interest in assets held by The Community Foundation, end of year	<u>\$ 116,492</u>	<u>\$ 109,631</u>

NOTE G - LINE OF CREDIT

The Agency has available a revolving line of credit with Atlantic Union Bank with a maximum principal amount not to exceed \$400,000. Interest is computed at Wall Street Journal Prime plus 1% (5.75% as of June 30, 2022). As of June 30, 2022 and 2021, no amounts were outstanding on this line of credit. The note is collateralized by the Agency's real estate. There was no interest expensed or paid during the years ended June 30, 2022 and 2021 relating to this line of credit.

NOTE H - PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN

On April 16, 2020, the Agency received loan proceeds in the amount of \$460,300 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after eight weeks, or an optional twenty-four weeks, as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced if the borrower terminated employees or reduced salaries during the eight or twenty-four week period.

The Agency used \$18,407 and \$236,102 of the loan proceeds for qualifying expenses during fiscal years 2021 and 2020, respectively, and therefore believes that the PPP's eligibility criteria have been met and a portion of the loan proceeds represent, in substance, a grant that is expected to be forgiven. In accordance with FASB 958-605 loan proceeds that are expected to be forgiven should be accounted for as conditional contributions. The Agency believes it has substantially met all conditions required to obtain forgiveness and has therefore recognized revenue in the accompanying statement of activities. The Agency presented a liability of \$224,198 in the accompanying statement of financial position as of June 30, 2020. On November 16, 2020, the \$254,509 spent portion of the loan was forgiven. The Agency repaid \$205,791 of unspent loan proceeds on November 3, 2020.

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE I - PENSION AND OTHER RETIREMENT PLANS

The Agency participated in a multi-employer defined benefit pension plan which extended to participating affiliate agencies with United Way Services serving as administrator (plan 6-17262), and which covered substantially all of the Agency's eligible employees. Contributions to the plan were remitted by the Agency to Mutual of America Life Insurance Company. Participants in the plan were fully vested after three years of service.

In February 2002, the Agency was notified by the United Way Services that the plan was overfunded; and, therefore, the Agency was allowed to cease contributions. The Agency froze the plan to new participants as of December 31, 2007.

In December 2008, the plan administrator, United Way Services, decided to freeze the entire plan as of December 31, 2008. As a result of economic and market conditions the Agency was required to resume contributions. Pension expense for years ended June 30, 2022 and 2021 was \$141,291 and \$191,465, respectively.

The pension plan was terminated on March 31, 2022. The Agency paid a \$644,260 deposit to settle the pension termination which was determined using the January 1, 2022 unfunded liability and assumed that 50% of eligible participants choose to take their benefit as a lump sum. If actual expenses varied from the estimate, the Agency would be due a refund or owe additional funds. On October 31, 2022, the Agency received a check for \$210,197 refunding the overpayment of pension termination deposits. This is recorded on the statement of financial position as an other receivable. The net loss on pension termination reported on the statement of activities is \$434,063.

Effective January 1, 2012, the Agency established a 401(k) plan, covering substantially all eligible employees twenty-one years old or over, with one year and 1,000 hours of service. The Agency's contribution to the plan is equal to 1% of the employees' compensation. The Agency's expense under the plan was \$9,782 and \$13,690 for the years ended June 30, 2022 and 2021, respectively.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022 and 2021, net assets with donor restrictions are available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Purpose restrictions, available for spending:		
Early childhood	\$ 524,549	\$ 419,734
Long term support services	252,238	62,767
Total purpose-restricted net assets	<u>776,787</u>	<u>482,501</u>
Beneficial interest in trust	116,492	109,631
Total net assets with donor restrictions	<u>\$ 893,279</u>	<u>\$ 592,132</u>

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE K - CONCENTRATION OF CREDIT RISK

All depository accounts of the Agency are in institutions insured by the Federal Depository Insurance Corporation; however, the deposits exceeded the insurance limits from time to time during the year ended June 30, 2022. As of June 30, 2022, the Agency's balance in excess of insurance was \$217,319.

Three contributors represented approximately 33% of total support other than special events and 89% of accounts receivable for the year ended June 30, 2022. One contributor represents approximately 10% of total support other than special events and 68% of accounts receivable for the year ended June 30, 2021.

NOTE L - COMMITMENTS

The Agency leases equipment and office space under non-cancelable operating leases. Future equipment and office space payments are as follows:

2023	\$ 11,392
2024	11,392
	<u>\$ 22,784</u>

Total rent expense under all rental agreements (including month-to-month agreements) for the years ended June 30, 2022 and 2021 was \$31,478 and \$24,250, respectively.

NOTE M - DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Agency's revenue based on the time of satisfaction of performance obligations for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied over time		
Client fees	\$ 18,045	\$ 15,864
Special event revenue	-	30,428
Total revenue from contracts with customers	<u>\$ 18,045</u>	<u>\$ 46,292</u>

FAMILY LIFELINE

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2022 AND 2021

NOTE N - COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Agency’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the ongoing evolution of the COVID-19 outbreak and the global responses to curb its spread, the Agency is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future years.

NOTE O - SUBSEQUENT EVENTS

In the preparation of its financial statements, Family Lifeline considered subsequent events through January 3, 2023, which was the date the financial statements were available to be issued.



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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
Family Lifeline
Richmond, Virginia

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 Family Lifeline (the "Agency") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
January 3, 2023



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Family Lifeline
Richmond, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Family Lifeline complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Family Lifeline's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Family Lifeline's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Family Lifeline's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
January 3, 2023

FAMILY LIFELINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Grant Name	Federal CFDA Number	Pass-Through Entity	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Virginia Department of Health	\$ 315,821
Temporary Assistance for Needy Families	93.558	Children's Health Involving Parents (CHIP) of Virginia	\$ 378,295
	93.558	Virginia Department of Social Services	<u>380,596</u>
			<u>758,891</u>
			<u><u>\$ 1,074,712</u></u>

FAMILY LIFELINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Family Lifeline were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Family Lifeline were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Family Lifeline expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The program tested as a major program was:

<u>2022</u>	<u>CFDA #</u>
Temporary Assistance for Needy Families	93.558
8. The threshold for distinguishing Types A and B was \$750,000.
9. Family Lifeline was determined to be a low-risk auditee.

Findings - Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None