

**FAMILY RESOURCE AGENCY, INC.**

**FINANCIAL REPORT**

**December 31, 2016**

**Harting, Bishop & Arrendale, PLLC  
Certified Public Accountants  
Cleveland, Tennessee 37312**

FAMILY RESOURCE AGENCY, INC.  
December 31, 2016

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FINANCIAL SECTION

# HARTING, BISHOP & ARRENDALE, PLLC

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Family Resource Agency, Inc.

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Family Resource Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Resource Agency, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other 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 and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, on our consideration of Family Resource Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Resource Agency, Inc.'s internal control over financial reporting and compliance.

*Hartley, Bishop + Auvendale, PLLC*  
Cleveland, Tennessee  
February 13, 2017

FAMILY RESOURCE AGENCY, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2016

ASSETS

Current Assets

Cash	\$ 832,885
Grants receivable	815,515
Accounts receivable	240,196
Prepaid expenses	<u>47,468</u>
Total current assets	<u>1,936,064</u>

Property and equipment, net	<u>1,818,029</u>
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Total Assets	<u>\$ 3,754,093</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 42,148
Salaries and accrued leave payable	944,390
Advances payable	1,000
Other accrued liabilities	103,618
Unearned income	<u>201,180</u>
Total current liabilities	<u>1,292,336</u>

Net Assets

Unrestricted net assets	2,190,418
Temporarily restricted net assets	<u>271,339</u>
Total net assets	<u>2,461,757</u>

Total Liabilities and Net Assets	<u>\$ 3,754,093</u>
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The accompanying notes are an integral part of  
this financial statement.

FAMILY RESOURCE AGENCY, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenue:</b>			
Department of Health & Human Services - GA	\$ 10,697,881	\$ -	\$ 10,697,881
Department of Health & Human Services - TN	4,865,724	-	4,865,724
Department of Human Services - VOCA, FFV	219,968	-	219,968
TN Coalition Against Domestic and Sexual Violence	8,954	-	8,954
Child Care Food Program - GA OSR	540,449	-	540,449
Child Care Food Program - TDHS	278,628	-	278,628
Bradley County Pre-K	1,402,363	-	1,402,363
City of Cleveland Pre-K	1,031,161	-	1,031,161
McMinn County Pre-K	43,628	-	43,628
Pre-K Program - GA OSR	393,421	-	393,421
In-kind donations	4,656,146	-	4,656,146
United Way of Bradley County, Inc.	84,786	-	84,786
Contributions	20,953	-	20,953
Child care fees	48,002	-	48,002
Other income	12	-	12
Rental income	26,705	-	26,705
<b>Total Public Support and Revenue</b>	<b>24,318,781</b>	<b>-</b>	<b>24,318,781</b>
<b>Expenses:</b>			
<b>Program Services:</b>			
Child Care Food Program	1,389,395	-	1,389,395
Family Violence Shelter	318,817	-	318,817
Pre-K Program - TN	1,994,686	-	1,994,686
Head Start - TN	6,380,741	-	6,380,741
Head Start - GA	10,983,175	-	10,983,175
Head Start - GA EHS CCP	1,957,920	-	1,957,920
Pre-K Program - GA	411,344	-	411,344
<b>Total Program Services</b>	<b>23,436,078</b>	<b>-</b>	<b>23,436,078</b>
<b>Supporting Services:</b>			
Management and general	882,986	-	882,986
<b>Total Expenses</b>	<b>24,319,064</b>	<b>-</b>	<b>24,319,064</b>
<b>CHANGE IN NET ASSETS</b>	<b>(283)</b>	<b>-</b>	<b>(283)</b>
<b>NET ASSETS, beginning of year</b>	<b>2,190,701</b>	<b>271,339</b>	<b>2,462,040</b>
<b>NET ASSETS, end of year</b>	<b>\$ 2,190,418</b>	<b>\$ 271,339</b>	<b>\$ 2,461,757</b>

The accompanying notes are an integral part of  
this financial statement.

FAMILY RESOURCE AGENCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2016

	Child Care Food Program	Family Violence Shelter	Tennessee Head Start Pre-K	04CH010316-01 Tennessee Head Start
Salaries	\$ 427,217	\$ 182,883	\$ 1,262,374	\$ 2,667,424
Fringe benefits	<u>136,243</u>	<u>38,199</u>	<u>263,558</u>	<u>676,356</u>
Total salaries and related expenses	563,460	221,082	1,525,932	3,343,780
Travel	6,351	8,794	21,178	101,353
Communications	31	15,473	25,281	74,304
Utilities	-	7,904	20,885	108,274
Contracted services	218,664	1,624	58,051	176,299
Food costs	526,943	5,136	-	-
Supplies	56,719	14,433	193,751	570,558
Maintenance and repairs	13,250	12,502	50,067	190,939
Training and certification	44	753	9,163	49,623
Rent	-	18,254	29,704	90,826
Insurance	-	1,854	9,161	26,722
Parent activity	-	-	918	4,431
In-kind rent	-	-	-	1,442,604
Other	-	2,051	202	4,915
MIS expenses	<u>-</u>	<u>2,476</u>	<u>24,057</u>	<u>51,099</u>
Total expenses before depreciation	1,385,462	312,336	1,968,350	6,235,727
Depreciation	<u>3,933</u>	<u>6,481</u>	<u>26,336</u>	<u>145,014</u>
Total expenses	<u>\$ 1,389,395</u>	<u>\$ 318,817</u>	<u>\$ 1,994,686</u>	<u>\$ 6,380,741</u>

The accompanying notes are an integral part of  
this financial statement.



04CH010217-02 04CH010217-01 Georgia Head Start	04HP0045/01 04HP0045/02 Georgia Head Start EHS-CCP	Georgia Head Start Pre-K	Supporting Services Management and General	Total Expense
\$ 4,488,983	\$ 491,076	\$ 298,484	\$ 587,238	\$ 10,405,679
<u>1,301,818</u>	<u>121,736</u>	<u>62,753</u>	<u>108,502</u>	<u>2,709,165</u>
5,790,801	612,812	361,237	695,740	13,114,844
101,642	25,154	4,930	4,033	273,435
130,559	24,106	87	16,429	286,270
186,554	5,115	-	5,290	334,022
452,512	610,092	703	59,178	1,577,123
-	-	-	-	532,079
451,662	88,214	25,687	20,843	1,421,867
318,815	38,130	16,647	13,065	653,415
137,140	137,478	1,072	1,702	336,975
236,137	33,485	-	40,959	449,365
53,460	5,489	181	10,568	107,435
8,613	1,004	-	-	14,966
2,877,736	335,806	-	-	4,656,146
19,715	1,055	-	6,759	34,697
<u>33,430</u>	<u>4,334</u>	<u>-</u>	<u>8,420</u>	<u>123,816</u>
10,798,776	1,922,274	410,544	882,986	23,916,455
<u>184,399</u>	<u>35,646</u>	<u>800</u>	<u>-</u>	<u>402,609</u>
<u>\$ 10,983,175</u>	<u>\$ 1,957,920</u>	<u>\$ 411,344</u>	<u>\$ 882,986</u>	<u>\$ 24,319,064</u>

FAMILY RESOURCE AGENCY, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (283)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	402,609
Change in operating assets and liabilities:	
Grants receivable	(43,397)
Accounts receivable	28,654
Prepaid expenses	836
Accounts payable	(212,537)
Salaries and accrued leave payable	78,280
Other accrued liabilities	4,773
Unearned income	<u>(3,878)</u>
Net cash provided by operating activities	<u>255,057</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(378,112)</u>
Net cash used in investing activities	<u>(378,112)</u>

Net decrease in cash (123,055)

CASH, beginning of year	<u>955,940</u>
CASH, end of year	<u>\$ 832,885</u>

SUPPLEMENTAL DISCLOSURE:

Interest paid during the year	<u>\$ -</u>
Income taxes	<u>\$ -</u>

The accompanying notes are an integral part of  
this financial statement.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

1. Summary of Significant Accounting Policies

Nature of Activities

Family Resource Agency, Inc. is a nonprofit agency. The primary purpose of the agency is to provide early childhood education and supportive services to enhance early childhood development. The agency operates Head Start centers in four (4) counties in southeast Tennessee and Head Start centers in six (6) counties in North Georgia. The agency also operates a Family Violence Program in Cleveland, Tennessee and provides assistance to victims of violent crimes. The agency also operates a Pre-K program in Bradley County and McMinn County, Tennessee. Principal funding comes from the United States Department of Health and Human Services (DHHS), State of Tennessee, State of Georgia and United Way of the Ocoee Region.

Method of Accounting

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

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted* – Net assets not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the Organization’s mission.

*Temporarily Restricted* – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as releases from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in unrestricted support.

*Permanently Restricted* – Net assets subject to donor-imposed restrictions requiring they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets as of December 31, 2016.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Agency considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

1. Summary of Significant Accounting Policies - (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets. Expenditures for additions, major renewals, and betterments are capitalized while those for maintenance and repairs are charged to expenditures as incurred. Depreciation is reflected as an expense in the Statement of Activities. All equipment, furnishings and vehicles purchased with grant funds are subject to a reversionary ownership interest on the part of the grantor agency.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Tax-Exempt Status

The Agency is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

2. Concentrations of Risk

*Concentration of Credit Risk:* Family Resource Agency, Inc. maintains cash balances at local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016, the Agency's uninsured cash balances total \$337,584. Uninsured balances of \$337,584 were maintained by a sweep agreement with the financial institution.

*Concentration of Grant Revenue:* Family Resource Agency, Inc. receives a substantial amount of its support from the State of Tennessee, State of Georgia and the United States Department of Health and Human Services for operations. A major reduction of funds by the grantor agencies, should this occur, may have a significant effect on the future operations of the Agency's programs and activities.

3. Property and Equipment

Major classifications of property and equipment and their respective depreciable lives are summarized below:

		<u>Depreciable Lives</u>
Furniture and Equipment	\$1,784,429	5 Years
Leasehold Improvements	4,770,516	5-10 Years
Building	209,627	20 Years
Vehicles	<u>374,200</u>	5 Years
	7,138,772	
Accumulated Depreciation	<u>( 5,320,743)</u>	
	<u>\$1,818,029</u>	

Depreciation expense aggregated \$402,609 for the year ended December 31, 2016.

4. Retirement Plan

Family Resource Agency, Inc. maintains a defined contribution retirement plan for its employees. The plan is approved under Internal Revenue Code Section 403(b). The plan is funded under a tax deferred group annuity contract.

Employees are eligible to make salary deferral contributions as of the first day of employment. Employees are eligible to receive employer contributions when they have completed two years of service. The agency contributes an amount on behalf of all eligible employees. The amount is 5% of annual compensation. Employees are not required to make any contributions to the plan in order to participate. Participants are 100% vested upon becoming an eligible participant in the plan. Total expense recognized during the year ended December 31, 2016 was \$390,806.

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

5. In-Kind Support

In-Kind support is reflected as revenue and expense in the financial statements based on estimated values as follows:

Rent	<u>\$4,656,146</u>
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No amounts have been reflected in the financial statements for donated services. The Agency pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks relating to the Head Start program.

6. Unearned Income

Unearned income of \$191,971 on the statement of financial position represents funds advanced by local school systems to the Agency for start up costs and establishment of pre-kindergarten classes in Tennessee. All revenue will be earned before the end of the grant year in 2017. Unearned income of \$9,209 on the statement of financial position represents funds received from two charitable foundations for future family violence shelter expenses.

7. Grants Receivable

Grants receivable at December 31, 2016, consisted of:

U.S. Department of Health and Human Services-TN	\$ 230,186
U.S. Department of Health and Human Services-GA	370,481
U.S. Department of Health and Human Services-GA EHS CCP	140,686
Georgia Department of Early Care & Learning: Child Care Food Program	34,162
Tennessee Department of Finance and Administration: Family Violence Grants	20,998
Tennessee Department of Human Services: Child Care Food Program	<u>19,002</u>
Total	<u>\$ 815,515</u>

FAMILY RESOURCE AGENCY, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016

8. Leases

The Agency leases various locations for program services and administrative space under operating leases. The following is a summary of leased locations, expiration dates, current monthly rental payments and the amount of rent expensed for the year ended December 31, 2016.

<u>Location</u>	<u>Expiration Date</u>	<u>Monthly Payment</u>	<u>Rental Expense 12/31/16</u>
Main Office, TN	07-15-22	\$ 7,914	\$ 94,968
Meigs North, TN	06-30-17	400	4,800
Meigs South, TN	06-30-17	400	4,800
Athens, TN	12-31-20	1,650	19,800
Ocoee, TN	12-31-18	275	3,300
Main Office, GA	06-30-20	5,500	66,000
Main Office, GA	06-30-20	1,900	22,800
Whitfield, GA	08-31-16	4,500	54,000
S. Walker, GA	03-31-18	2,250	27,000
Valley Point, GA	08-31-19	400	4,800
Lafayette, GA	08-31-17	300	900
Lafayette, GA	07-31-17	300	900
Battlewood, GA	08-31-17	826	9,912
			<u>313,980</u>
Properties rented on a month-to-month basis			13,150
Total rent expense			<u>\$327,130</u>

The following is a summary of the minimum future rental payments:

Year ended	
<u>December 31</u>	
2017	\$ 344,876
2018	252,718
2019	200,768
2020	156,168
2021	94,968
Thereafter	47,484
	<u>\$1,096,982</u>

FAMILY RESOURCE AGENCY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

9. Child Care Food Program

The objective of the Child Care Food Program is to initiate, maintain, or expand nonprofit food service programs for eligible children in nonresidential child care facilities. Eligible children in the Head Start and Pre-K programs of the agency participate in the Child Care Food Program. The following is a breakdown of the revenues and expenses of the Child Care Food Program between the Head Start and Pre-K programs for the year ended December 31, 2016.

<u>Program</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Head Start-GA	\$518,468	\$ 928,334	\$(409,866)
Head Start-GA EHS CCP	21,981	44,179	( 22,198)
Head Start-TN	240,559	386,701	(146,142)
Pre-K TN	<u>38,069</u>	<u>72,522</u>	<u>( 34,453)</u>
	<u>\$819,077</u>	<u>\$1,431,736</u>	<u>\$(612,659)</u>

10. Restrictions on Net Assets

The agency's board of directors has chosen to place the following limitations on unrestricted net assets:

Designated for family violence shelter \$ 1,000

Temporarily restricted net assets are available for the following purpose:

Family violence shelter	\$ 9,800
Tennessee Head Start program	97,631
Tennessee Head Start accrued annual leave	77,507
Georgia Head Start accrued annual leave	34,853
Georgia Head Start program	<u>51,548</u>
	<u>\$271,339</u>

The Agency has elected to set aside funding for accrued annual leave for the Tennessee Head Start and Georgia Head Start program as allowed by Department of Health and Human Services program instructions. The Agency maintains the accrued annual leave funding in a separate reserve account. The reserve account will only be available for accrued annual leave obligations.

11. Subsequent Events

Subsequent events were evaluated through February 13, 2017, which is the date the financial statements were available to be issued.



SUPPLEMENTAL INFORMATION

FAMILY RESOURCE AGENCY, INC.  
 SCHEDULE EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 For the Year Ended December 31, 2016

Federal Grantor/ Pass through Grantor	CFDA Number	Contract Number	Expenditures
<b><u>Federal Awards</u></b>			
U.S. Dept. of Health and Human Services:			
Head Start	93.600	04CH010316-01	\$ 4,865,724
Head Start	93.600	04CH010217-01	5,751,719
Head Start	93.600	04CH010217-02	3,263,740
Head Start	93.600	04HP0045-01	1,213,773
Head Start	93.600	04HP0045-02	468,649
			<u>15,563,605</u>
U.S. Dept. of Human Services: Pass through TN Dept. of Finance & Admin.:			
VOCA	16.575	VOCA 26638	<u>219,968</u>
Total pass-through TN Dept. of Finance & Admin.			<u>219,968</u>
TN Dept. of Human Services/ Child and Adult Care Food			
	10.558	03-47-53307-00-1	278,628
Georgia Dept. of Early Care & Learning Child and Adult Care Food			
	10.558	0329504519009	540,449
			<u>819,077</u>
<b>Total Federal Awards</b>			<u>16,602,650</u>
<b><u>State Financial Assistance</u></b>			
Tennessee Coalition of Domestic and Sexual Violence	N/A		8,954
Georgia Dept. of Early Care & Learning Pre-K Lottery Funds	N/A	2000-968	393,421
			<u>\$ 17,005,025</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Family Resource Agency, Inc. under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Family Resource Agency, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Resource Agency, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles obtained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2) Pass-through entity identifying numbers are presented where available.

INTERNAL CONTROL AND COMPLIANCE

HARTING, BISHOP & ARRENDALE, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Family Resource Agency, Inc.

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 Resource Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Family Resource Agency, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family Resource Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Family Resource Agency, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Family Resource Agency, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harting, Bishop & Rendall, PLLC*  
Cleveland, Tennessee  
February 13, 2017

# HARTING, BISHOP & ARRENDALE, PLLC

## CERTIFIED PUBLIC ACCOUNTANTS

KELVIN W. BISHOP, CPA  
THOMAS H. ARRENDALE, CPA, MBA  
JANICE L. HAYES, CPA

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of  
Family Resource Agency, Inc.

#### **Report on Compliance for Each Major Federal Program**

We have audited Family Resource Agency, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Family Resource Agency, Inc.'s major federal programs for the year ended December 31, 2016. Family Resource Agency, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Family Resource Agency, Inc.'s compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Family Resource Agency, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

## Report on Internal Control over Compliance

Management of Family Resource Agency, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Resource Agency, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Resource Agency, Inc.'s internal control over compliance.

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

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

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.

*Harting, Bishop & Arrendale, PLLC*  
Cleveland, Tennessee

February 13, 2017

FAMILY RESOURCE AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Family Resource Agency, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Family Resource Agency, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Report on Compliance for Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Family Resource Agency, Inc. expresses an unmodified opinion on all major federal programs.
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 programs tested as a major program were:

Head Start	CFDA#: 93.600
Child and Adult Food Care	CFDA#: 10.558
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Family Resource Agency, Inc. was determined to be a low-risk auditee.



FAMILY RESOURCE AGENCY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2016  
(continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start

CFDA#: 93.600

None

U.S. DEPARTMENT OF AGRICULTURE

Child and Adult Food Care

CFDA# 10.558

None

FAMILY RESOURCE AGENCY, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2016

There were no prior findings reported.