



Report of Independent Auditors and  
Financial Statements for

**Angels Foster Family Agency**

December 31, 2014 and 2013

**MOSS ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Angels Foster Family Agency

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

We have audited the accompanying financial statements of Angels Foster Family Agency, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's 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.

## MOSS ADAMS LLP

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Angels Foster Family Agency as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2015 on our consideration of the Angels Foster Family Agency'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 Angels Foster Family Agency's internal control over financial reporting and compliance.

**Moss Adams LLP**

San Diego, California  
June 16, 2015

**ANGELS FOSTER FAMILY AGENCY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013**

	December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 386,538	\$ 405,946
Accounts receivable	119,472	83,857
Contributions receivable	25,393	20,829
Prepaid expenses	36,161	20,763
Total current assets	<u>567,564</u>	<u>531,395</u>
<b>Non-current Assets</b>		
Furniture and equipment, net	16,687	7,478
Deposits	4,789	4,826
Total non-current assets	<u>21,476</u>	<u>12,304</u>
Total assets	<u>\$ 589,040</u>	<u>\$ 543,699</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable - foster parents	\$ 59,198	\$ 41,426
Accounts payable and accrued expenses	31,913	21,392
Short-term note payable	11,850	11,416
Deferred revenue	8,900	-
Total current liabilities	<u>111,861</u>	<u>74,234</u>
<b>Commitments (Notes 4 and 5)</b>		
Unrestricted Net Assets	<u>477,179</u>	<u>469,465</u>
Total liabilities and net assets	<u>\$ 589,040</u>	<u>\$ 543,699</u>

**ANGELS FOSTER FAMILY AGENCY**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Years Ended December 31,	
	2014	2013
<b>REVENUE</b>		
Foster care placements	\$ 1,257,984	\$ 941,765
Contributions	183,040	157,835
Special events	59,750	244,813
In-kind contributions	13,306	21,348
Other income	5,550	7,791
Interest	500	715
Total revenue and support	<u>1,520,130</u>	<u>1,374,267</u>
<b>EXPENSES</b>		
Program services:		
Foster care	1,337,965	1,101,216
Total program services	<u>1,337,965</u>	<u>1,101,216</u>
Supporting services:		
General and administrative	79,595	109,539
Fundraising	66,829	58,775
Total supporting services	<u>146,424</u>	<u>168,314</u>
Total program and supporting services expenses	1,484,389	1,269,530
Special events	<u>28,027</u>	<u>166,709</u>
Total expenses	<u>1,512,416</u>	<u>1,436,239</u>
<b>CHANGES IN NET ASSETS</b>	7,714	(61,972)
<b>NET ASSETS</b>		
Beginning of year	<u>469,465</u>	<u>531,437</u>
End of year	<u>\$ 477,179</u>	<u>\$ 469,465</u>

**ANGELS FOSTER FAMILY AGENCY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014**

	Year Ended December 31, 2014			Total
	Program Services	General and Administrative	Fundraising	
Payments to foster families	\$ 627,753	-	-	\$ 627,753
Salaries	433,795	45,664	41,327	520,786
Payroll taxes and employee benefits	51,773	5,609	4,332	61,714
Office rents	43,615	2,822	3,335	49,772
Technology and telecommunications	42,146	2,784	4,508	49,438
Professional services	18,475	14,109	3,887	36,471
Travel	31,520	264	419	32,203
Office expenses	7,003	967	6,121	14,091
Foster parent well-being	13,226	-	-	13,226
Insurance	11,395	725	886	13,006
Conferences, meetings, and training	9,326	758	719	10,803
Training - foster parents	10,725	-	-	10,725
In-kind contributions	9,506	-	-	9,506
Equipment and building maintenance and supplies	6,095	543	493	7,131
Licensing Fees	6,655	-	-	6,655
Advertising and marketing	5,471	589	16	6,076
Utilities	4,159	269	318	4,746
Depreciation	3,873	251	433	4,557
Bank fees and interest	972	2,455	425	3,852
Other expenses (income)	122	1,571	(400)	1,293
Memberships and dues	360	215	10	585
Total program and supporting services expenses	\$ 1,337,965	\$ 79,595	\$ 66,829	\$ 1,484,389

See accompanying notes.

**ANGELS FOSTER FAMILY AGENCY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2013**

	Year Ended December 31, 2013			
	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 366,569	\$ 60,494	\$ 41,173	\$ 468,236
Payments to foster families	465,456	-	-	465,456
Payroll taxes and employee benefits	49,840	8,629	4,706	63,175
Office rents	34,100	7,100	8,086	49,286
Professional services	20,997	12,996	-	33,993
Insurance	26,130	3,037	239	29,406
Travel	26,391	177	-	26,568
In-kind contributions	21,348	-	-	21,348
Advertising and marketing	16,459	-	1,790	18,249
Technology and telecommunications	12,754	3,474	-	16,228
Training - foster parents	14,836	-	-	14,836
Office expenses	9,693	2,221	403	12,317
Foster parent well-being	10,011	-	-	10,011
Utilities	8,766	981	-	9,747
Memberships and dues	5,011	4,281	-	9,292
Licensing Fees	5,863	-	-	5,863
Conferences, meetings, and training	2,622	1,265	-	3,887
Bank fees and interest	-	3,548	-	3,548
Depreciation	2,484	583	-	3,067
Equipment and building maintenance and supplies	1,883	682	-	2,565
Other expenses	3	71	2,378	2,452
Total program and supporting services expenses	\$ 1,101,216	\$ 109,539	\$ 58,775	\$ 1,269,530

6 See accompanying notes.



**ANGELS FOSTER FAMILY AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Years Ended December 31,	
	2014	2013
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 7,714	\$ (61,972)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	4,557	3,067
Loss on disposal of equipment	421	-
Donated Equipment	(3,800)	-
(Increase) decrease in:		
Accounts receivable	(35,615)	(14,745)
Contributions receivable	(4,564)	(5,873)
Prepaid expenses	(15,398)	(13,353)
Deposits	37	2,484
Increase (decrease) in:		
Accounts payable-foster parents	17,772	5,806
Accounts payable and accrued expenses	10,521	16,218
Deferred revenue	8,900	-
Net cash (used in) operating activities	<u>(9,455)</u>	<u>(68,368)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of furniture and equipment	<u>(10,387)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(10,387)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from note payable	13,295	14,116
Payments on note payable	<u>(12,861)</u>	<u>(2,700)</u>
Net cash provided by financing activities	<u>434</u>	<u>11,416</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(19,408)</b>	<b>(56,952)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>405,946</u>	<u>462,898</u>
End of year	<u>\$ 386,538</u>	<u>\$ 405,946</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 474</u>	<u>\$ 405</u>

## ANGELS FOSTER FAMILY AGENCY NOTES TO FINANCIAL STATEMENTS

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### Note 1 – Organization and Summary of Significant Accounting Policies

**Organization** – The Angels Foster Family Agency (the “Agency”) is a licensed foster family agency founded in 1998 with a unique focus on the stable placement of abused and neglected children ages 0-5 with nurturing foster families who promote healing and attachment that leads to healthy growth and development.

The Agency recruits and trains qualified foster parents who seek to provide consistent love and care to one child or sibling set to ensure the best physical, emotional, and developmental support is provided. Research demonstrates children who fail to develop normal attachments with an adult, often are left with lasting and devastating effects on brain development and growth. The Agency is able to break this cycle of instability and broken relationships through their foster families to positively change the life of the foster children in their care.

The Agency’s rigorous foster parent evaluation, training, and certification process allows them to make the best placement for each child depending on their known needs. Placement of the child is critical as every one of the Agency’s foster families commits to the permanent care of the foster child until decided otherwise by the county or juvenile court. The Agency’s foster families’ commitment to permanency eliminates foster children bouncing from home to home.

**Income tax status** – The Agency is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Agency believes that it has appropriate support for any tax positions taken, and as such, it does not have any material unrecognized tax benefits or liabilities as of December 31, 2014 and 2013.

The Agency is no longer subject to income tax examinations by taxing authorities for years before 2012 for their federal filings and for years before 2011 for their state filings.

**Method of accounting** – The financial statements of the Agency have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Financial statement presentation** – The financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon the following criteria:

- Unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Agency may spend the funds. The Agency has no temporarily restricted net assets as of December 31, 2014 and 2013.

**ANGELS FOSTER FAMILY AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for generating investment income to fund current operations. The Agency has no permanently restricted net assets as of December 31, 2014 and 2013.

**Deferred revenue** – The Agency defers sponsorship revenue related to special events until the event takes place.

**Revenue recognition**

**Foster care placements** – The Agency receives foster care payments from the County of San Diego for children referred to the Agency. Revenue is recognized based on days in care in the period those days occurred. In turn, the Agency, under contract with the foster parents, issues monthly payments to the foster parents. Approximately 50 and 49 percent of the total foster care revenue for the years ended December 31, 2014 and 2013, respectively, was paid out to foster parents.

**Contributions** – Contributions are recognized as revenue when received or unconditionally pledged. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as either temporarily or permanently restricted depending on the nature of the restrictions. When a donor restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period as when the contributions are received are reported as unrestricted contributions.

**In-kind contributions** – Donated professional services included in in-kind contributions in the statements of activities and changes in net assets and functional expenses for the years ended December 31, 2014 and 2013 totaled \$1,000 and \$0, respectively.

The Agency received in-kind donations of supplies totaling \$8,506 and \$21,348 for the years ended December 31, 2014 and 2013, respectively, which are included in in-kind contributions in the statements of activities and changes in net assets and functional expenses.

**Cash and cash equivalents** – The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Accounts receivable** – Accounts receivable consist of amounts due for services provided through the fiscal year end under an agreement with the County of San Diego. All accounts receivable as of December 31, 2014, are expected to be collected in 2015.

**Contributions receivable** – Contributions receivable consist of pledges receivable expected to be collected in future years and are initially recorded at fair value. All contributions receivable as of December 31, 2014 are expected to be collected in 2015.

## **ANGELS FOSTER FAMILY AGENCY**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

**Allowance for doubtful accounts** – The Agency evaluates the need for an allowance for estimated uncollectible accounts receivable and contributions receivable based on past experience and on an analysis of current receivable balances. Accounts deemed uncollectible are recorded against the allowance in the year deemed uncollectible. Management does not consider an allowance against any receivables necessary as of December 31, 2014 and 2013.

**Prepaid expenses** – Prepaid expenses represents amounts expended in advance of incurrence of the expense and will be recognized in a future period.

**Furniture and equipment** – The Agency capitalizes all expenditures in excess of \$1,000 for furniture and equipment at cost. Donated assets are recorded at their estimated fair values at the date of gift. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time. Furniture and equipment are depreciated using the straight-line method over the estimated useful asset lives of 3 to 7 years. Depreciation totaled \$4,557 and \$3,067 for the years ended December 31, 2014 and 2013, respectively.

**Advertising** – Advertising costs are expensed as incurred. Advertising expense totaled \$6,076 and \$18,249 for the years ended December 31, 2014 and 2013, respectively.

**Functional allocation of expenses** – The Agency allocates its expenses on a functional basis between program and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to more than one function are allocated between program and supporting services on the basis of time records, space utilized, and estimates made by the Agency's management.

**Use of estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** – Certain amounts in the December 31, 2013 financial statements have been reclassified to conform to the December 31, 2014 presentation with no effect on net assets.

**ANGELS FOSTER FAMILY AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

**Subsequent events** – Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. The Agency recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Agency’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

The Agency has evaluated subsequent events through June 16, 2015, which is the date the financial statements were available to be issued.

**Note 2 – Concentrations**

The Agency maintains its cash and cash equivalents in bank deposit accounts and money-market funds which, at times, exceed federally insured limits. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable consist of the following at December 31:

	<b>2014</b>	<b>2013</b>
County of San Diego	\$ 119,408	\$ 83,857
Miscellaneous receivables	64	-
	<b>\$ 119,472</b>	<b>\$ 83,857</b>

All revenue for the years ended December 31, 2014 and 2013 for foster care placements is earned under an agreement with the County of San Diego. This revenue represents 82 percent and 69 percent of total revenue and support for the years ended December 31, 2014 and 2013, respectively.

**Note 3 – Furniture and Equipment**

Furniture and equipment consist of the following at December 31:

	<b>2014</b>	<b>2013</b>
Furniture and equipment	\$ 27,155	\$ 24,644
Less accumulated depreciation	(10,468)	(17,166)
	<b>\$ 16,687</b>	<b>\$ 7,478</b>

## ANGELS FOSTER FAMILY AGENCY NOTES TO FINANCIAL STATEMENTS

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### Note 4 - Financing Activities

**Line of credit** - The Agency has a line of credit agreement with a bank for \$15,000. There were no borrowings against the line of credit at December 31, 2014 and 2013. The line of credit bears interest at the Wall Street Journal Prime Rate plus three percent, which was 6.25 percent as of December 31, 2014 and 2013. The line of credit is reviewed by the bank periodically and is due on demand. Minimum payments on any advances are due monthly.

**Note payable** - At December 31, 2014 and 2013, the Agency has unsecured short-term notes payable to First Insurance Funding of \$11,850 and \$11,416, respectively. The 2013 balance was paid in full. Payments are due in eight monthly installments of \$1,518, including interest at 6.55 percent through August 19, 2015, respectively.

### Note 5 - Lease Agreements

The Agency has a 61-month lease for office space which expires in June 2015. Office rents totaled \$49,772 and \$49,286 for the years ended December 31, 2014 and 2013, respectively, under this lease. Additionally, certain equipment used in operations is leased under operating leases. Rental expenses under operating leases were \$2,788 and \$1,508 for December 31, 2014 and 2013, respectively.

Future minimum lease payments under these leases are as follows:

Years ending December 31,	
2015	\$ 55,119
2016	110,851
2017	114,667
2018	116,968
2019	120,906
Thereafter	<u>744,083</u>
	<u>\$ 1,262,594</u>

In May 2015, the Agency entered into a 10-year lease for office space. The table above has been updated for the new lease.

**REPORT OF INDEPENDENT AUDITORS 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***

The Board of Directors  
Angels Foster Family Agency

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 Angels Foster Family Agency which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, 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 June 16, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Angels Foster Family 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Angels Foster Family Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Angels Foster Family 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.

## MOSS ADAMS<sub>LLP</sub>

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Angels Foster Family 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

San Diego, California

June 16, 2015