

**FAMILY LEAGUE
OF BALTIMORE CITY, INC.**

**Financial Statements for the Years Ended June 30, 2015 and 2014
And OMB Circular A-133 and Governor's Office for
Children Supplementary Financial Information
For the Year Ended June 30, 2015**

Together with Independent Auditors' Reports

**FAMILY LEAGUE OF BALTIMORE CITY, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Family League of Baltimore City, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Family League of Baltimore City, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 League of Baltimore City, Inc., as of June 30, 2015 and 2014, 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 Matters

Other Information

Our audits were 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Governor's Office of Children Financial Information, 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 audits 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 November 4, 2015 on our consideration of Family League of Baltimore City, 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 the 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 League of Baltimore City, Inc.'s internal control over financial reporting and compliance.

Stout, Causey & Haring P.A.

November 4, 2015

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Statements of Financial Position

<i>As of June 30,</i>	<i>2015</i>	<i>2014</i>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,593,653	\$ 4,200,659
Marketable securities	45,998	45,952
Accounts receivable	3,991,079	2,431,003
Unbilled accounts receivable	391,800	680,761
Prepaid expenses	41,538	55,429
Total Current Assets	8,064,068	7,413,804
Property and Equipment		
Computer equipment	170,106	135,585
Telephone equipment	16,658	16,658
Furniture and fixtures	143,204	143,204
Leasehold improvements	208,924	208,924
Total Property and Equipment	538,892	504,371
Less: accumulated depreciation and amortization	(399,683)	(341,452)
Property and Equipment, net	139,209	162,919
Total Assets	\$ 8,203,277	\$ 7,576,723
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 4,255,052	\$ 3,064,536
Accrued expenses	369,559	361,325
Deferred revenue	501,012	1,032,577
Current maturities of capital lease obligation	-	1,848
Total Current Liabilities	5,125,623	4,460,286
Long-Term Liabilities		
Deferred rent	94,863	102,011
Total Liabilities	5,220,486	4,562,297
Commitments and Contingencies (Note 6)		
Net Assets		
Unrestricted	2,982,791	3,014,426
Total Net Assets	2,982,791	3,014,426
Total Liabilities and Net Assets	\$ 8,203,277	\$ 7,576,723

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

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2015 and 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
Program Revenue						
School Age & High School	\$ -	\$ 15,345,758	\$ 15,345,758	\$ -	\$ 14,307,632	\$ 14,307,632
Early Childhood	-	6,206,791	6,206,791	-	5,084,650	5,084,650
Directed Support	-	1,702,701	1,702,701	-	1,618,513	1,618,513
Family Recovery	-	1,590,790	1,590,790	-	1,828,783	1,828,783
General Support	-	388,187	388,187	-	388,187	388,187
Interest income	46	-	46	1,548	-	1,548
Rental income	19,438	-	19,438	20,400	-	20,400
Contributions	7,303	-	7,303	5,583	-	5,583
Net assets released from restrictions	25,234,227	(25,234,227)	-	23,560,370	(23,560,370)	-
Total Revenues and Other Support	25,261,014	-	25,261,014	23,587,901	(332,605)	23,255,296
Expenses						
Program services	22,943,666	-	22,943,666	21,104,633	-	21,104,633
General and administrative	2,348,983	-	2,348,983	2,229,605	-	2,229,605
Total Expenses	25,292,649	-	25,292,649	23,334,238	-	23,334,238
Change in Net Assets	(31,635)	-	(31,635)	253,663	(332,605)	(78,942)
Net Assets at Beginning of Year	3,014,426	-	3,014,426	2,760,763	332,605	3,093,368
Net Assets at End of Year	\$ 2,982,791	\$ -	\$ 2,982,791	\$ 3,014,426	\$ -	\$ 3,014,426

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

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Statement of Functional Expenses For the Year Ended June 30, 2015

	Program Services					Total
	General and Administrative	School Age & High School	Early Childhood	Directed Support	Family Recovery	
Direct service awards	\$ -	\$ 7,606,173	\$ 3,037,599	\$ 1,400,223	\$ 1,272,129	\$ 13,316,124
Program costs	13,838	4,576,925	1,736,458	24,864	-	6,352,085
Salaries and wages	1,209,102	947,883	598,440	168,881	-	2,924,306
Consultants	332,959	385,896	93,121	2,610	173,823	988,409
Fringe benefits	208,679	285,113	178,680	52,395	-	724,867
Rent	233,099	-	-	-	-	233,099
Training	57,907	45,864	47,756	1,155	-	152,682
Printing and duplicating	24,265	51,679	4,034	3,282	-	83,260
Equipment rental and expense	38,849	342	30,381	-	5,298	74,870
Office supplies and expenses	32,914	19,727	10,377	2,420	-	65,438
Meeting expenses	14,923	28,524	16,106	1,707	-	61,260
Depreciation and amortization	58,231	-	-	-	-	58,231
Legal and accounting	51,679	4,080	-	-	-	55,759
Communication	35,124	8,484	4,260	600	-	48,468
Data processing	-	24,851	10,334	-	-	35,185
Temporary help	23,461	6,174	-	-	-	29,635
Travel	6,406	12,249	7,128	771	-	26,554
Insurance	17,096	-	-	-	-	17,096
Advertising	11,339	185	380	2,385	-	14,289
Dues and subscriptions	807	-	8,847	-	-	9,654
Fees	9,198	-	-	-	-	9,198
Storage	4,849	-	-	-	-	4,849
Postage	2,831	80	1,718	-	-	4,629
Other expenses	2,640	-	-	-	-	2,640
Interest expense	62	-	-	-	-	62
Conference center transfer	(41,275)	37,025	4,250	-	-	-
Direct Expenses	2,348,983	14,041,254	5,789,869	1,661,293	1,451,250	25,292,649
Overhead recovery	(1,912,054)	1,174,940	508,119	89,675	139,320	-
Total Expenses	\$ 436,929	\$ 15,216,194	\$ 6,297,988	\$ 1,750,968	\$ 1,590,570	\$ 25,292,649

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

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Statement of Functional Expenses For the Year Ended June 30, 2014

	Program Services					Total
	General and Administrative	School Age & High School	Early Childhood	Directed Support	Family Recovery	
Direct service awards	\$ -	\$ 7,090,373	\$ 2,169,256	\$ 1,173,133	\$ 1,476,220	\$ 11,908,982
Program costs	-	4,221,602	1,633,756	22,688	-	5,878,046
Salaries and wages	1,126,915	875,622	343,748	193,368	-	2,539,653
Consultants	319,556	452,779	424,455	112,706	179,580	1,489,076
Fringe benefits	216,188	240,620	101,134	55,690	-	613,632
Rent	205,789	3,200	-	-	-	208,989
Training	7,085	106,908	20,110	4,948	-	139,051
Legal and accounting	77,578	900	-	-	-	78,478
Printing and duplicating	28,797	21,345	16,789	996	-	67,927
Office supplies and expenses	38,250	16,396	5,163	1,261	-	61,070
Equipment rental and expense	28,235	9,894	1,458	-	14,850	54,437
Depreciation and amortization	53,016	-	-	-	-	53,016
Data processing	17,357	16,858	15,093	-	-	49,308
Communication	35,948	4,543	1,440	720	-	42,651
Meeting expenses	31,068	231	-	-	-	31,299
Travel	2,771	5,829	5,215	10,643	-	24,458
Insurance	21,664	-	-	-	-	21,664
Dues and subscriptions	18,204	3,409	-	-	-	21,613
Advertising	7,594	13,651	-	-	-	21,245
Other expenses	9,880	100	-	-	-	9,980
Storage	6,622	-	-	-	-	6,622
Temporary help	6,393	-	-	-	-	6,393
Postage	2,453	606	2,319	-	-	5,378
Fees	846	-	-	-	-	846
Interest expense	544	-	-	-	-	544
Conference center transfer	(33,148)	26,200	6,228	600	-	(120)
Direct Expenses	2,229,605	13,111,066	4,746,164	1,576,753	1,670,650	23,334,238
Overhead recovery	(1,713,411)	1,174,428	286,130	95,477	157,376	-
Total Expenses	\$ 516,194	\$ 14,285,494	\$ 5,032,294	\$ 1,672,230	\$ 1,828,026	\$ 23,334,238

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

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Statements of Cash Flows

<i>For the Years Ended June 30,</i>	<i>2015</i>	<i>2014</i>
Cash Flows from Operating Activities		
Change in net assets	\$ (31,635)	\$ (78,942)
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	58,231	53,016
Changes in assets and liabilities:		
Accounts receivable	(1,560,076)	1,227,738
Unbilled accounts receivable	288,961	(6,451)
Prepaid expenses	13,891	(24,255)
Accounts payable	1,190,516	314,732
Accrued expenses	8,234	21,779
Deferred revenue	(531,565)	(27,696)
Deferred rent	(7,148)	(27,136)
Net Cash and Cash Equivalents (Used in) Provided by Operating Activities	(570,591)	1,452,785
Cash Flows from Investing Activities		
Purchases of property and equipment	(34,521)	(41,024)
Sales of marketable securities, net	-	498,175
Interest income re-invested	(46)	(1,548)
Net Cash and Cash Equivalents (Used in) Provided by Investing Activities	(34,567)	455,603
Cash Flows from Financing Activities		
Repayments of capital lease obligation	(1,848)	(4,039)
Net Cash and Cash Equivalents Used In Investing Activities	(1,848)	(4,039)
Net (Decrease) Increase in Cash and Cash Equivalents	(607,006)	1,904,349
Cash and Cash Equivalents, beginning of year	4,200,659	2,296,310
Cash and Cash Equivalents, end of year	\$ 3,593,653	\$ 4,200,659
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 62	\$ 544

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

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Family League of Baltimore City, Inc. (the Organization or Family League) was incorporated in the State of Maryland in April 1991. The Organization mobilizes resources and empowers communities to make sure that every child and family in Baltimore reaches their full potential. The Organization is focused in three key areas: strengthening organizations, leading collaboration and influencing systems to improve the health, well-being, education and nutrition of children and families across the city. By employing these strategies—Family League is working toward a future where all of Baltimore’s children grow up healthy, succeed in school, graduate high school, and are college and career ready.

The Organization currently has projects operating to serve the needs of children and families including:

School Age and High School – Supports afterschool enrichment opportunities in more than 49 locations, community schools programs for 45 schools, extended learning time programs in 4 schools and summer programs at 30 locations. The Food Access program provides snack, supper, and summer meals to 257 school-year sites and 119 summer sites within Baltimore City and Prince George’s County.

Early Childhood – This initiative focuses on reducing infant mortality through improving policies, referral systems and services in Baltimore City through collaboration with community-based organizations. Programs include Healthy Families/Home Visiting, which provides comprehensive home visiting and family support services to pregnant women and parents of young children living in Baltimore City and Family Child Care sponsorship, which supports 250 home-based child care sites.

Directed Support – Includes programs for which Family League administers funding, establishes and monitors contracts, and provides technical assistance to community-based service providers. While these service providers are serving Baltimore youth and families, they are not directly linked to initiatives in which Family League is either leading or co-leading.

Family Recovery – Offers intensive case management and support service for parents in Baltimore City involved in Child in Need of Assistance (CINA) proceedings. The Family Recovery Program is designed to decrease the length of stay in foster care for children from birth to five years old who come before CINA Court for the first time where at least one child of the custodial parent(s) is five years or younger.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-For-Profit Entities: Presentation of Financial Statements* (ASC 958-205). Under ASC 958-205, the Organization is required to report 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 are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. When the restrictions are fulfilled these assets are reclassified to unrestricted net assets.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. Income earned on permanently restricted net assets is available for operations. The Organization has no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Revenue Recognition

Revenue from grant support is recognized as services are rendered. Grant revenue is considered a conditional gift and is recognized as program development or other expenses are incurred and, therefore, satisfying the conditions of the grant.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Cash and Cash Equivalents

Cash equivalents consist of short-term highly liquid investments with maturities of three months or less at the date of purchase.

The Organization maintains cash and cash equivalents in one commercial bank. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Organization periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Marketable Securities

The Organization held investments in money market accounts at various financial institutions during the years ended June 30, 2015 and 2014. The investments are reported at fair value, which approximates cost. The investments earned interest totaling \$46 and \$1,548 during the years ended June 30, 2015 and 2014, respectively.

Accounts Receivable and Unbilled Accounts Receivable

The accounts receivable balance represents services rendered and billed, and expenses incurred before year-end for which the reimbursement from various governmental and private grant sources is expected to be received in the subsequent period.

Unbilled accounts receivable represents services rendered and expenses incurred that have not been billed as of year-end. Allowances for accounts receivable are based on management's assessment of their collectability. Management considers all receivables fully collectible; therefore, no allowance for doubtful accounts is considered necessary as of June 30, 2015 and 2014.

Property and Equipment

Property and equipment consists of computer and telephone equipment, furniture and fixtures, and leasehold improvements and are stated at cost. The Organization's policy is to capitalize property and equipment costing greater than \$5,000. Depreciation is computed using the straight-line method. Depreciation is provided for amounts sufficient to relate the cost of depreciable assets to operations over the estimated service lives of the assets ranging from 3 to 7 years. Leasehold improvements are amortized over the shorter of the term of the lease or the useful life of the asset. Depreciation and amortization expense totaled \$58,231 and \$53,016 during the years ended June 30, 2015 and 2014, respectively.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with ASC 360, *Property, Plant and Equipment* (ASC 360). ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. As of June 30, 2015 and 2014, management does not believe any long-lived assets are impaired and has not identified any assets as being held for disposal.

Contributions

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Deferred Revenue

The Organization defers recognition of grant revenue until services are rendered and costs are incurred under the conditions of the grants.

Deferred Rent

In accordance with ASC 840, *Leases* (ASC 840), the Organization recognizes rent expense on a straight-line basis over the term of its lease agreements. The difference in the amount of cash paid and recognized rent expense is recorded as deferred rent in the accompanying statements of financial position.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense totaled \$14,289 and \$21,245 during the years ended June 30, 2015 and 2014, respectively.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Income Taxes

The Organization is a nonprofit organization exempt from Federal income tax in accordance with Section 501(c)(3) of the Internal Revenue Code. Income which is not related to exempt purposes, less applicable deductions, is subject to Federal and state income taxes. The Organization had no significant unrelated business income during the years ended June 30, 2015 and 2014.

ASC 740, *Income Taxes* (ASC 740), prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, as well as guidance on de-recognition, classification, interest and penalties and financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

The Organization recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Organization does not have any amounts accrued relating to interest and penalties as of June 30, 2015 and 2014.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress. The Organization remains subject to examinations by the Federal and state taxing authorities for the years ended June 30, 2012 through 2015.

Marketable Securities

Marketable securities consist of money market mutual funds that are measured at cost, which approximates fair value.

Reclassifications

Certain 2014 amounts included in the accompanying financial statements have been reclassified to conform to the 2015 presentation.

Subsequent Events

The Organization evaluated for disclosure any subsequent events through November 4, 2015, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

2. GRANTS

The majority of the Organization's grants are conditioned on spending the funds in accordance with the terms of the grant. Funds not spent are generally refundable to the grantor. The Organization recognizes revenue under these grants and contracts as the related expenses are incurred. Funds expended in excess of collections are recorded as grants receivable. Funds received but not spent are recorded as deferred revenue. The State of Maryland provides grant funds to the City of Baltimore, some of which are passed through to the Organization. The State of Maryland authorized and paid grant awards in the amount of \$12,239,942 and \$11,692,316 during the years ended June 30, 2015 and 2014, respectively.

3. RELATED PARTY TRANSACTIONS

During the normal course of business, the Organization contracts with a variety of service providers in the Baltimore-Metropolitan area. On occasion, requests for proposals are issued by the Organization and replies are received by companies who have members serving on the Organization's Board of Directors. When this situation arises, the Board member's application is treated as an "arms-length transaction." Board members with funding requests pending are ineligible to vote on matters where they maintain a direct financial interest. Also, they are not able to vote on the funding of other organizations with whom they are competing. At the beginning of each fiscal year, all Board members must also sign a conflict of interest statement.

4. LINE OF CREDIT

The Organization maintains a line of credit with a financial institution under which it can borrow up to \$2,000,000. All non-real estate assets of the Organization are pledged as collateral under the line of credit agreement. The line of credit bears interest at the Daily LIBOR Rate plus 200 basis points (2.00%). As of June 30, 2015 and 2014, the rate was 3.25%. There were no borrowings outstanding under the line of credit as of June 30, 2015 and 2014.

5. DEFERRED REVENUE

Deferred revenue consists of unspent funds received from grantors and private donors which would be refunded if not expended.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

6. COMMITMENTS AND CONTINGENCIES

Leases

The Organization maintains operating leases principally for office space and equipment. Rental expense under these leases totaled \$233,099 and \$208,989 during the years ended June 30, 2015 and 2014, respectively. During 2015 the Organization extended their office lease through 2021.

Future minimum rentals under operating leases are as follows as of June 30,:

2016	248,103
2017	255,961
2018	263,814
2019	271,669
2020	279,522
Thereafter	408,482
<u>Total minimum lease payments</u>	<u>\$ 1,727,551</u>

During the year ended June 30, 2010, the Organization entered into a capital lease agreement to purchase equipment. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the shorter of its related lease term or its estimated productive life. Amortization of the capital lease is included in depreciation and amortization expense.

Assets held under capital lease included in the accompanying statements of financial position consist of the following as of June 30,:

	2015	2014
<u>Leased office equipment</u>	<u>\$ 16,658</u>	<u>\$ 16,658</u>
<u>Less: accumulated depreciation</u>	<u>(16,658)</u>	<u>(16,658)</u>
<u>Leased office equipment, net</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2015, there were no future minimum payments under capital lease obligations.

Grants

The Organization receives financial assistance from federal, state, and local government entities in the form of grants, which are subject to audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

7. RETIREMENT PLAN

The Organization sponsors a 401(k) discretionary retirement plan. On an annual basis, the Organization determines its level of contribution while employees may contribute up to the maximum statutory amount. For the years ended June 30, 2015 and 2014, the Organization's contributions totaled \$106,641 and \$73,960, respectively, which are included in fringe benefits on the statements of functional expenses.

SUPPLEMENTARY INFORMATION

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Supplementary Information - Governor's Office for Children Financial Information
For the Years Ended June 30, 2015 and 2014**

	2015			2014		
	Budget	Actual	Difference	Budget	Actual	Difference
Revenues						
Administrative	\$ 388,187	\$ 388,187	\$ -	\$ 388,187	\$ 388,187	\$ -
Program	2,090,791	2,047,954	-	2,090,791	2,090,791	-
Total Revenue	\$ 2,478,978	\$ 2,436,141	\$ -	\$ 2,478,978	\$ 2,478,978	\$ -
Expenses						
Administrative	\$ 388,187	\$ 388,187	\$ -	\$ 388,187	\$ 388,187	\$ -
Total Administrative Expenses	388,187	388,187	-	388,187	388,187	-
Program						
Local Access Mechanism	116,847	116,847	-	116,847	116,847	-
Youth Service Bureau	380,236	380,236	-	380,236	380,236	-
Out of School Time Programs	1,249,208	1,222,039	27,169	1,212,208	1,189,891	22,317
B'More for Healthy Babies Home Visiting Programs	284,500	284,500	-	284,500	284,494	6
Safe Streets	-	-	-	52,000	49,779	2,221
Baltimore Partnership to End Childhood Hunger	30,000	30,000	-	45,000	45,000	-
Baltimore Student Attendance Collaborative	30,000	14,332	15,668	-	-	-
Total Program Expenses	2,090,791	2,047,954	42,837	2,090,791	2,066,247	24,544
Total Expenses	\$ 2,478,978	\$ 2,436,141	\$ 42,837	\$ 2,478,978	\$ 2,454,434	\$ 24,544
Due to GOC			\$ 42,837			\$ 24,544

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Funding Grantor/Pass-Through Agency/Program Grantor Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Pass-through programs from:			
Maryland State Department of Education			
At-Risk After School Supper Program	10.558	347224	\$ 4,804,478
Family Child Care Program	10.558	347224	1,759,662
Summer Child and Adult Care Food Program	10.559	551500	424,520
Maryland Department of Human Resources			
Food Supplement Program Outreach	10.580	FIA/FSO 14-022	7,421
Food Supplement Program Outreach	10.580	FIA/FSO 15-021	21,959
Total U.S. Department of Agriculture			7,018,040
U.S. Department of Justice:			
Local Mentoring Coordinator Program	16.726	2012-JU-FX-0033	42,909
Pass-through programs from:			
Governor's Office of Crime, Control, and Prevention:			
DMC Reduction Initiative	16.540	JJAC-2010-1217	85,534
DMC Reduction Initiative	16.738	JJAC-2012-1711	17,600
Parent and Youth Empowerment Program	16.540	JJAC-2012-1317	17,932
Total U.S. Department of Justice			163,975
U.S. Department of Education:			
Pass-through programs from:			
Maryland State Department of Education			
Local Early Childhood Advisory Council	84.412A	145104	72,804
Total U.S. Department of Education			72,804
U.S. Department of Health and Human Services:			
Baltimore Coalition for Healthy Communities- Directed Supplemen	93.290	6 CCEWH111026-03-02	100,847
Baltimore Coalition for Healthy Communities	93.290	6 CCEWH111026-04-01	353,003
Pass-through programs from:			
Baltimore City Health Department:			
Healthy Families' Home Visiting	93.505	35549	867,247
Maryland Department of Health and Mental Hygiene:			
ETO Data Expansion	93.505	PHPA-G1646	253,478
National Association of County and City Health Officials	93.524	2014-112047	12,458
Total U.S. Department of Health and Human Services			1,587,033
Total Expenditures of Federal Awards			\$ 8,841,852

See accompanying notes to Schedule of Expenditures of Federal Awards.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (OMB A-133). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

For purposes of the Schedule of Expenditures of Federal Awards, Federal awards include all grants, contracts and similar agreements entered into directly between the Organization and agencies and departments of the Federal government and all subawards made to the Organization by non-Federal organizations pursuant to Federal grants, contracts and similar agreements. The awards are classified into program categories in accordance with the provisions of OMB A-133.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

3. SUBRECIPIENTS

Of the Federal expenditures presented in the Schedule, the Organization provided Federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
16.540	Parent and Youth Empowerment	\$ 17,932
84.412A	Local Early Childhood Advisory Council	52,162
93.290	Baltimore Coalition for Healthy Communities	297,861
93.505	Healthy Families' Home Visiting	476,545
93.505	ETO Data Expansion	58,636

SINGLE AUDIT REPORTS

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 of
Family League of Baltimore City, Inc.:

We have audited, 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, the financial statements of Family League of Baltimore City, Inc. (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2015, 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 November 4, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization's financial statements are free of 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.

Stout, Causey & Harning P.A.

November 4, 2015

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Directors of
Family League of Baltimore City, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Family League of Baltimore City, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major Federal programs for the year ended June 30, 2015. The Organization's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2015.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 OMB Circular A-133, 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 the Organization'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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Stout, Causey & Haring P.A.

November 4, 2015

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SUMMARY OF AUDITORS' RESULTS

<u>Financial Statements</u>		
Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	___ Yes	<u>X</u> No
Significant deficiencies identified?	___ Yes	<u>X</u> None reported
Noncompliance material to financial statements noted?	___ Yes	<u>X</u> No
<u>Federal Awards</u>		
Internal control over major programs:		
Material weakness identified?	___ Yes	<u>X</u> No
Significant deficiencies identified?	___ Yes	<u>X</u> None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with (Section .510(a)) of Circular A-133?	___ Yes	<u>X</u> No
Identification of major programs:		
CFDA Number	Name of Federal Program or Cluster	
93.505	ETO Data Expansion/ Healthy Families' Home Visiting	
10.558	At-Risk After School Supper Program Family Child Care Program	
Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000	
Auditee qualified as low-risk auditee?	<u>X</u> Yes	___ No

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

FINDINGS—FINANCIAL STATEMENT AUDIT

None reported.

**FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None reported.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Schedule of Prior Findings
For the Year Ended June 30, 2014**

FINDINGS—FINANCIAL STATEMENT AUDIT

None reported.

**FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None reported