

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

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**Financial Statements for the Years Ended June 30, 2016 and 2015  
And Uniform Guidance Supplementary Financial Report  
And Governor's Office for Children Supplementary Financial Information  
For the Year Ended June 30, 2016**

**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, 2016 and 2015, 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, 2016 and 2015, 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 supplementary schedule, as required by the *Maryland Governor's Office for Children* and the accompanying schedule of expenditures of Federal awards, 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*, are presented for purposes of additional analysis and are 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 10, 2016 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 & Hering, P.A.*

November 10, 2016

# FAMILY LEAGUE OF BALTIMORE CITY, INC.

## Statements of Financial Position

<i>As of June 30,</i>	<i>2016</i>	<i>2015</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,891,587	\$ 3,593,653
Investments	46,056	45,998
Accounts receivable	4,480,562	3,991,079
Unbilled accounts receivable	431,182	391,800
Prepaid expenses	7,263	41,538
<b>Total Current Assets</b>	<b>9,856,650</b>	<b>8,064,068</b>
<b>Property and Equipment</b>		
Computer equipment	231,161	170,106
Telephone equipment	16,658	16,658
Furniture and fixtures	177,074	143,204
Leasehold improvements	302,997	208,924
<b>Total Property and Equipment</b>	<b>727,890</b>	<b>538,892</b>
Less: accumulated depreciation and amortization	(459,451)	(399,683)
<b>Property and Equipment, net</b>	<b>268,439</b>	<b>139,209</b>
<b>Total Assets</b>	<b>\$ 10,125,089</b>	<b>\$ 8,203,277</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,776,428	4,255,052
Accrued expenses	440,660	369,559
Deferred revenue	750,713	501,012
<b>Total Current Liabilities</b>	<b>6,967,801</b>	<b>5,125,623</b>
<b>Long-Term Liabilities</b>		
Deferred rent	147,580	94,863
<b>Total Liabilities</b>	<b>7,115,381</b>	<b>5,220,486</b>
<b>Commitments and Contingencies (Note 5)</b>		
<b>Net Assets</b>		
Unrestricted	3,009,708	2,982,791
<b>Total Net Assets</b>	<b>3,009,708</b>	<b>2,982,791</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,125,089</b>	<b>\$ 8,203,277</b>

*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, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
Program Revenue						
School Age & High School	\$ -	\$ 19,222,720	\$ 19,222,720	\$ -	\$ 15,345,758	\$ 15,345,758
Early Childhood	-	6,695,259	6,695,259	-	6,206,791	6,206,791
Directed Support	-	3,628,633	3,628,633	-	3,293,491	3,293,491
General Support	-	388,187	388,187	-	388,187	388,187
Interest income	58	-	58	46	-	46
Rental income	11,663	-	11,663	19,438	-	19,438
Contributions	131,761	-	131,761	7,303	-	7,303
Net assets released from restrictions	29,934,799	(29,934,799)	-	25,234,227	(25,234,227)	-
Total Revenues and Other Support	30,078,281	-	30,078,281	25,261,014	-	25,261,014
Expenses						
Program services	27,028,331	-	27,028,331	22,943,666	-	22,943,666
General and administrative	3,023,033	-	3,023,033	2,348,983	-	2,348,983
Total Expenses	30,051,364	-	30,051,364	25,292,649	-	25,292,649
Change in Net Assets	26,917	-	26,917	(31,635)	-	(31,635)
Net Assets at Beginning of Year	2,982,791	-	2,982,791	3,014,426	-	3,014,426
Net Assets at End of Year	\$ 3,009,708	\$ -	\$ 3,009,708	\$ 2,982,791	\$ -	\$ 2,982,791

*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, 2016

	General and Administrative	Program Services			Total
		School Age & High School	Early Childhood	Directed Support	
Direct service awards	\$ -	\$ 9,808,134	\$ 2,960,412	\$ 2,725,632	\$ 15,494,178
Program costs	1,090	5,604,857	1,654,806	34,768	7,295,521
Salaries and wages	1,357,075	1,031,514	740,599	180,769	3,309,957
Consultants	588,822	287,018	562,347	257,901	1,696,088
Fringe benefits	265,666	307,155	213,590	52,126	838,537
Training	23,581	113,388	49,973	162,954	349,896
Rent	300,820	-	-	-	300,820
Meeting expenses	77,923	35,619	23,237	527	137,306
Office supplies and expenses	72,780	9,772	2,754	453	85,759
Data processing	-	52,835	28,902	-	81,737
Equipment rental and expense	74,330	-	-	-	74,330
Legal and accounting	55,571	4,680	3,900	-	64,151
Depreciation and amortization	59,768	-	-	-	59,768
Communication	37,746	10,500	5,760	660	54,666
Printing and duplicating	22,577	21,403	4,636	1,314	49,930
Travel	11,632	16,481	8,861	1,138	38,112
Dues and subscriptions	29,935	-	155	-	30,090
Temporary help	22,990	-	549	-	23,539
Insurance	16,784	-	-	-	16,784
Advertising	9,574	1,060	-	5,836	16,470
Fees	15,006	-	-	-	15,006
Other expenses	6,845	-	-	-	6,845
Storage	6,578	-	149	-	6,727
Postage	3,203	516	834	112	4,665
Interest expense	482	-	-	-	482
Conference center transfer	(37,745)	28,209	9,125	411	-
<b>Direct Expenses</b>	<b>3,023,033</b>	<b>17,333,141</b>	<b>6,270,589</b>	<b>3,424,601</b>	<b>30,051,364</b>
Overhead recovery	(2,254,946)	1,607,271	426,055	221,620	-
<b>Total Expenses</b>	<b>\$ 768,087</b>	<b>\$ 18,940,412</b>	<b>\$ 6,696,644</b>	<b>\$ 3,646,221</b>	<b>\$ 30,051,364</b>

*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

	General and Administrative	Program Services			Total
		School Age & High School	Early Childhood	Directed Support	
Direct service awards	\$ -	\$ 7,606,173	\$ 3,037,599	\$ 2,672,352	\$ 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	176,433	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	-	-
<b>Direct Expenses</b>	<b>2,348,983</b>	<b>14,041,254</b>	<b>5,789,869</b>	<b>3,112,543</b>	<b>25,292,649</b>
Overhead recovery	(1,912,054)	1,174,940	508,119	228,995	-
<b>Total Expenses</b>	<b>\$ 436,929</b>	<b>\$ 15,216,194</b>	<b>\$ 6,297,988</b>	<b>\$ 3,341,538</b>	<b>\$ 25,292,649</b>

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



## FAMILY LEAGUE OF BALTIMORE CITY, INC.

<i>For the Years Ended June 30,</i>	<b>Statements of Cash Flows</b>	
	<i>2016</i>	<i>2015</i>
Cash Flows from Operating Activities		
Change in net assets	\$ 26,917	\$ (31,635)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	59,768	58,231
Interest income re-invested	(58)	(46)
Changes in assets and liabilities:		
Accounts receivable	(489,483)	(1,560,076)
Unbilled accounts receivable	(39,382)	288,961
Prepaid expenses	34,275	13,891
Accounts payable	1,521,376	1,190,516
Accrued expenses	71,101	8,234
Deferred revenue	249,701	(531,565)
Deferred rent	52,717	(7,148)
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	1,486,932	(570,637)
Cash Flows from Investing Activities		
Purchases of property and equipment	(188,998)	(34,521)
Net Cash and Cash Equivalents Used in Investing Activities	(188,998)	(34,521)
Cash Flows from Financing Activities		
Repayments of capital lease obligation	-	(1,848)
Net Cash and Cash Equivalents Used In Investing Activities	-	(1,848)
Net Increase (Decrease) in Cash and Cash Equivalents	1,297,934	(607,006)
Cash and Cash Equivalents, beginning of year	3,593,653	4,200,659
Cash and Cash Equivalents, end of year	\$ 4,891,587	\$ 3,593,653
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 482	\$ 62

*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, 2016 and 2015

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### 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 78 out-of-school-time enrichment opportunities for 56 community schools in FY16. The Food Access program provided 2,579,477 snacks and suppers during the FY16 school year and 165,886 summer meals (breakfast, lunch, and supper) within Baltimore City at 268 sites.

***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 LEAGUE OF BALTIMORE CITY, INC.

## Notes to the Financial Statements For the Years Ended June 30, 2016 and 2015

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### 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 as of June 30, 2016 and 2015.

#### **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, 2016 and 2015**

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### **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.

#### **Investments**

The Organization holds investments in a money market account at a financial institution. The investments are reported at cost, which approximates fair value. The investments earned interest totaling \$58 and \$46 during the years ended June 30, 2016 and 2015, 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, 2016 and 2015.

#### **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 \$59,768 and \$58,231 during the years ended June 30, 2016 and 2015, respectively.

# FAMILY LEAGUE OF BALTIMORE CITY, INC.

## Notes to the Financial Statements For the Years Ended June 30, 2016 and 2015

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### 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 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, 2016 and 2015, management does not believe any long-lived assets are impaired and has not identified any assets as being held for disposal.

#### 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*, 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.

#### 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.

#### Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense totaled \$16,470 and \$14,289 during the years ended June 30, 2016 and 2015, respectively.

# FAMILY LEAGUE OF BALTIMORE CITY, INC.

## Notes to the Financial Statements For the Years Ended June 30, 2016 and 2015

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### 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 unrelated business income during the years ended June 30, 2016 and 2015.

ASC 740, *Income Taxes*, 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, 2016 and 2015.

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, 2013 through 2016.

#### Reclassifications

Certain 2015 amounts included in the accompanying financial statements have been reclassified to conform to the 2016 presentation.

# FAMILY LEAGUE OF BALTIMORE CITY, INC.

## Notes to the Financial Statements For the Years Ended June 30, 2016 and 2015

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

#### Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which will be effective for fiscal years beginning after December 15, 2019. The distinction between finance leases (previously capital leases) and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous leases guidance. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt ASU 2016-02 and will assess the future impact on any leases.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* which is effective for fiscal years beginning after December 15, 2017. The primary impacts of ASU 2016-14 are as follows: a) Net Asset Classification: The three categories of net assets will be condensed to two categories: Without Donor Restrictions and With Donor Restrictions. Not-for-profits may choose to disaggregate net assets further within the two categories. b) Board-Designated Net Assets: Not-for-profits will need to disclose the amount, purpose, and type of board designations either on the face of the financials or in the notes to the financial statements. Board-designated net assets remain a subgroup of net assets without donor restrictions. c) Underwater Endowment Assets: Although the underwater calculation remains unchanged, instead of classifying the underwater portion against unrestricted net assets, it will go against the Net Assets With Donor Restrictions. There are also certain additional disclosures such as any board policy or actions taken regarding appropriation from such funds. d) Cash Flow Statement: Not-for-profits will still have the option of presenting operating cash flows using the direct method or the indirect method. If the direct method is chosen, the indirect reconciliation is not required. e) Expenses: Expenses will be required to be presented both by function and by nature, but it is flexible as to how (in statement form vs. in the footnotes). A qualitative disclosure about how costs are allocated by function will also be required. External and internal direct investment expenses will be netted against investment return on the statement of activities. Disclosure of investment return components will no longer be required. f) Liquidity and Availability: The ASU will require (1) quantitative disclosure about availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date, and (2) qualitative disclosure about liquidity, presented in the notes, including information about liquidity risk and how the liquid available resources are managed. Management has chosen not to early adopt ASU 2016-14 but will assess the impact on future financial statements.

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

## **Notes to the Financial Statements For the Years Ended June 30, 2016 and 2015**

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

#### **Subsequent Events**

The Organization evaluated for disclosure any subsequent events through November 10, 2016, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure.

### **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 accounts 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 \$13,279,961 and \$12,239,942 during the years ended June 30, 2016 and 2015, 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 \$3,000,000. 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, 2016 and 2015, the rates were 2.35% and 3.25%, respectively. There were no borrowings outstanding under the line of credit as of June 30, 2016 and 2015.



# FAMILY LEAGUE OF BALTIMORE CITY, INC.

## Notes to the Financial Statements For the Years Ended June 30, 2016 and 2015

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### 5. COMMITMENTS AND CONTINGENCIES

#### Leases

The Organization maintains operating leases principally for office space and equipment. Rental expense under these leases totaled \$300,820 and \$233,099 during the years ended June 30, 2016 and 2015, respectively. During 2016, the Organization extended their office lease through 2022.

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

2017	\$ 325,276
2018	344,487
2019	376,201
2020	387,078
2021	397,957
Thereafter	167,705
<u>Total minimum lease payments</u>	<u>\$ 1,998,704</u>

#### 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.

### 6. CONCENTRATIONS

For the year ended June 30, 2016, the Organization received grant funding from one grant that represented approximately 25% of total revenues and other support. As of June 30, 2016, this grant comprised approximately 30% of the Organization's billed and unbilled accounts receivable.

For the year ended June 30, 2015, the Organization received grant funding from one grant that represented approximately 26% of total revenues and other support. As of June 30, 2015, this grant comprised approximately 31% of the Organization's billed and unbilled accounts receivable.

The Organization received approximately 95% of its annual revenue and support from governmental agencies for the years ended June 30, 2016 and 2015.

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

## **Notes to the Financial Statements For the Years Ended June 30, 2016 and 2015**

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### **6. CONCENTRATIONS – cont'd.**

The Organization's operations are subject to administrative directives, rules, and regulations of Federal, state, and local regulatory agencies, including, but not limited to, U.S. Department of Agriculture (USDA), U.S. Department of Health and Human Services (DHHS), Maryland Department of Health and Mental Hygiene (DHMH), Maryland State Department of Education (MSDE) and Maryland Department of Human Resources (MDHR). Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by the regulatory authorities. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden to comply with the change.

### **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, 2016 and 2015, the Organization's contributions totaled \$125,944 and \$106,641, respectively, which are included in fringe benefits on the accompanying 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, 2016 and 2015**

	2016			2015		
	Budget	Actual	Difference	Budget	Actual	Difference
<b>Revenues</b>						
Administrative	\$ 388,187	\$ 388,187	\$ -	\$ 388,187	\$ 388,187	\$ -
Program	2,090,791	2,090,791	-	2,047,954	2,047,954	-
Carryover Grant	42,837	42,837	-	-	-	-
Total Revenue	\$ 2,521,815	\$ 2,521,815	\$ -	\$ 2,436,141	\$ 2,436,141	\$ -
<b>Expenses</b>						
Administrative	\$ 388,187	\$ 388,187	\$ -	\$ 388,187	\$ 388,187	\$ -
Total Administrative Expenses	388,187	388,187	-	388,187	388,187	-
Program						
Local Access Mechanism	126,847	126,847	-	116,847	116,847	-
Youth Service Bureau	380,236	379,598	638	380,236	380,236	-
Out of School Time Programs	1,239,208	1,239,208	-	1,249,208	1,222,039	27,169
B'More for Healthy Babies Home Visiting Programs	284,500	284,500	-	284,500	284,500	-
Homeless Youth Initiative	10,000	7,202	2,798	-	-	-
Baltimore Partnership to End Childhood Hunger	20,000	19,047	953	30,000	30,000	-
Attendance Strategies	30,000	30,000	-	30,000	14,332	15,668
First and Goal	42,837	42,837	-	-	-	-
Total Program Expenses	2,133,628	2,129,239	4,389	2,090,791	2,047,954	42,837
Total Expenses	\$ 2,521,815	\$ 2,517,426	\$ 4,389	\$ 2,478,978	\$ 2,436,141	\$ 42,837
<b>Due to Governor's Office for Children</b>			\$ 4,389	\$ 42,837		

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

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

<b>Funding Grantor/Pass-Thru Agency/Program Grantor Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Passed through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture:</b>				
<b>Pass-through programs from:</b>				
<b>Maryland State Department of Education</b>				
At-Risk After School Supper Program	10.558	347224	\$ -	\$ 5,909,523
Family Child Care Program	10.558	347224	-	1,699,381
Summer Child and Adult Care Food Program	10.559	551500	-	402,259
<b>Maryland Department of Human Resources</b>				
Food Supplement Program Outreach	10.580	FIA/FSO 15-021	-	37,087
<b>Total U.S. Department of Agriculture</b>				<b>8,048,250</b>
<b>U.S. Department of Health and Human Services</b>				
Baltimore Coalition for Healthy Communities	93.290	6 CCEWH111026-04-01	60,316	73,945
Baltimore Coalition for Healthy Communities	93.290	6 CCEWH111026-05-01	81,845	214,450
<b>Pass-through programs from:</b>				
<b>Baltimore City Health Department:</b>				
U Choose Pregnancy Prevention	93.297	1TP1AH000088-01-00	-	70,000
Healthy Families' Home Visiting Expansion	93.505	35549	627,832	1,059,352
<b>Maryland Department of Health and Mental Hygiene:</b>				
ETO Data Expansion	93.505	PHPA-G1646	68,637	310,643
Home Visiting Data Collection System	93.505	PHPA-G1949	-	123,204
Home Visiting Data Collection System	93.505	PHPA-G2147	-	323,186
ETO Data Expansion, Home Visiting Data Collection System	93.505	PHPA-G2289	-	102,124
<b>National Association of County and City Health Officials:</b>				
Reducing Disparities in Breastfeeding	93.524	2014-112047	-	52,175
<b>Baltimore City Department of Human Resources:</b>				
Ready by 21 Jobs Project	93.558	G2380MDTANF	-	872
<b>U.S. Department of Health and Human Services</b>			<b>838,630</b>	<b>2,329,951</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 838,630</b>	<b>\$ 10,378,201</b>

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

## **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016**

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### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal awards (the Schedule) includes the Federal grant activity of the Organization under programs of the Federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

### **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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

### **3. INDIRECT COST RATE**

Family League has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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, 2016, 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 10, 2016.

**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 & Harving P.A.*

November 10, 2016

**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 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 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, 2016. 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 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 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, 2016.

### **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 our 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Stout, Causey & Herring P.A.*

November 10, 2016

# FAMILY LEAGUE OF BALTIMORE CITY, INC.

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

### SUMMARY OF AUDITORS' RESULTS

<b><u>Financial Statements</u></b>		
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
<b><u>Federal Awards</u></b>		
Internal control over major programs:		
Material weakness identified?	___ Yes	<u>X</u> No
Significant deficiencies identified?	___ Yes	<u>X</u> None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	___ Yes	<u>X</u> No
Identification of major programs:		
CFDA Number	Name of Federal Program or Cluster	
10.558	At-Risk After School Supper Program Family Child Care Program	
Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000	
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, 2016**

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**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 Year Findings  
For the Year Ended June 30, 2015**

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**FINDINGS—FINANCIAL STATEMENT AUDIT**

None reported.

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

None reported.