SHARPE PATEL CPA

FAMILY SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2024

BEYOND THE NUMBERS

www.sp.cpa

FAMILY SERVICES, INC.
Table of Contents

SHARPE PATEL CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Family Services, Inc.
Winston-Salem, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of Family Services, Inc., a nonprofit organization (The Organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Services, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise Family Services, Inc.'s consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated 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 March 3, 2025, on our consideration of Family Services, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Family Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Services, Inc.'s internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
March 3, 2025

FAMILY SERVICES, INC.
Consolidated Statement of Financial Position
June 30, 2024

ASSETS	
Current assets:	
Cash and cash equivalents	$ 679,112
Grants receivable	544,632
Promises to give, net	1,142,750
Accounts receivable, net	1,007
Accounts receivable - ERTC	787,756
Prepaid expenses	28,538
Investments	1,113,770
Total current assets	4,297,565
Non-current assets:	
Promises to give	156,241
Property and equipment, net	8,285,807
Beneficial interest in assets held by others	2,781,610
Operating lease right-of-use assets	120,457
Total non-current assets	11,344,115
TOTAL ASSETS	$ 15,641,680

See accompanying notes to the consolidated financial statements.

FAMILY SERVICES, INC.
Consolidated Statement of Financial Position (Continued)
June 30, 2024

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 700,559
Accrued expenses	105,400
Due to / due from	(74,074)
Accrued pension cost	609,617
Line of credit	137,034
Current portion of operating lease obligations	39,565
Current portion of notes payable	154,157
Total current liabilities	1,672,258
Non-current liabilities:	
Operating lease liabilities	80,892
Notes payable	4,331,829
Total non-current liabilities	4,412,721
TOTAL LIABILITIES	6,084,979
Net assets:	
Without donor restrictions, as restated	
Board designated	495,769
Undesignated	8,981,113
	9,476,882
With donor restrictions	79,819
TOTAL NET ASSETS	9,556,701
TOTAL LIABILITIES AND NET ASSETS	$ 15,641,680

See accompanying notes to the consolidated financial statements.

FAMILY SERVICES, INC.
Consolidated Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grant income	$ -	$ 9,932,662	$ 9,932,662
United Way	301,068	-	301,068
In-kind contributions	435,348	-	435,348
Other contributions	1,791,481	-	1,791,481
Special events	104,408	-	104,408
Program service fees	778,977	-	778,977
Rental income	189,226	-	189,226
Other	16,688	2,492	19,180
Unrealized gains on investments	-	145,248	145,248
Change in value of beneficial interest	87,219	-	87,219
Total revenue	3,704,415	10,080,402	13,784,817
Net assets released from restriction			
Satisfaction of timing restrictions	9,932,662	(9,932,662)	-
	9,932,662	(9,932,662)	-
Total public support and revenue	13,637,077	147,740	13,784,817
EXPENSES			
Program services:			
Safe Relationships	1,846,018	-	1,846,018
Family Solutions	1,067,728	-	1,067,728
Head Start	5,464,501	-	5,464,501
Early Head Start	3,322,512	-	3,322,512
Child Development Services	110,338	-	110,338
Universal Pre-K	159,349	-	159,349
Total program services	11,970,446	-	11,970,446
Supporting services:			
Management and general	1,036,440	-	1,036,440
Fundraising	539,266	-	539,266
Total supporting services	1,575,706	-	1,575,706
Total expenses	13,546,152	-	13,546,152
OTHER GAINS			
Pension gains in excess of net periodic pension cost	430,161	-	430,161
Change in net assets	521,086	147,740	668,826
Net assets at beginning of year, as restated	8,053,841	834,034	8,887,875
Net assets at end of year	$ 8,574,927	$ 981,774	$ 9,556,701

See accompanying notes to the consolidated financial statements.

FAMILY SERVICES, INC.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services							Supporting Services			
	Safe Relationships	Family Solutions	Head Start	Early Head Start	Child Development Services	Universal Pre-K	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	$ 874,936	$ 547,969	$1,946,206	$ 902,157	$ 45,105	$ 82,701	$ 4,399,074	$1,000,324	$ 265,392	$1,265,716	$ 5,664,790
Employee benefits	183,435	124,188	448,433	225,459	12,974	17,892	1,012,381	142,111	51,285	193,396	1,205,777
Contract daycare services	-	-	594,147	1,280,691	-	-	1,874,838	-	-	-	1,874,838
Professional fees	65,949	22,131	231,500	119,716	2,535	-	441,831	346,282	25,492	371,774	813,605
Supplies, postage and shipping	56,674	18,768	507,313	32,230	21	8,579	623,585	47,862	10,876	58,738	682,323
Telephone	26,494	9,615	3,199	14,510	49	761	54,628	20,618	5,968	26,586	81,214
Occupancy	-	-	669,912	206,710	-	-	876,622	-	-	-	876,622
Utilities	41,587	20,449	84,032	9,958	-	2,632	158,658	64,814	5,665	70,479	229,137
Insurance	33,654	20,564	70,817	7,824	33,055	2,179	168,093	21,384	4,668	26,052	194,145
Repairs and maintenance	130,026	81,419	162,609	46,010	22	6,926	427,012	341,031	14,868	355,899	782,911
Printing and publications	1,164	454	51	-	-	-	1,669	49,441	11,577	61,018	62,687
Adverstising and marketing	-	359	-	-	-	-	359	95,159	-	95,159	95,518
Staff travel and training	19,833	4,284	192,296	63,829	55	-	280,297	10,542	1,349	11,891	292,188
Transportation	937	6	(1,301)	(590)	87	-	(861)	16	21	37	(824)
Food and food service supplies	14,147	745	171,262	27,939	920	1,584	216,597	4,076	1,047	5,123	221,720
Specific assistance to individuals	19,659	-	1,346	308	-	-	21,313	125	-	125	21,438
Provision for bad debts	-	773	-	-	-	-	773	-	-	-	773
Depreciation	22,384	-	169,251	50,028	3,539	-	245,202	218,946	-	218,946	464,148
Amortization	-	-	29,565	15,920	-	-	45,485	27,830	-	27,830	73,315
Lease Expense	-	-	-	-	-	-	-	3,602	-	3,602	3,602
Interest	-	-	466	-	-	-	466	203,781	-	203,781	204,247
Indirect costs	350,810	216,004	570,800	363444	11,976	36,095	1,549,129	(1,652,569)	91,019	(1,561,550)	(12,421)
Miscellaneous	4,329	-	(387,403)	(43,631)	-	-	(426,705)	91,065	50,039	141,104	(285,601)
										-	
Total expenses	$1,846,018	$1,067,728	$5,464,501	$3,322,512	$ 110,338	$ 159,349	$ 11,970,446	$1,036,440	$ 539,266	$1,575,706	$ 13,546,152

See accompanying notes to the consolidated financial statements.

FAMILY SERVICES, INC.
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 668,826
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:	
Depreciation	464,148
Amortization on operating leases	73,315
(Gains) losses on disposal of property and equipment	14,066
Unrealized (gains) losses on investments	(145,248)
Change in value of beneficial interests	(87,219)
Provision for bad debts	773
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Grants receivable	200,981
Promises to give	(998,023)
Receivables	60,421
Prepaid expenses and other	11,620
Increase (decrease) in :	
Accounts payable	297,509
Accrued expenses	(191,812)
Due to / due from	(74,074)
Accrued pension cost	(430,162)
Net cash provided (used in) by operating activities	(134,879)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(204,567)
Distributions from beneficial interest	7,104
Reinvested investment income and purchases of investments	(883,190)
Net cash provided (used in) by investing activities	(1,080,653)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Change in revolving line of credit	137,034
Principal payments on debt	(144,934)
Repayment of finance lease liabilities	(10,945)
Repayment of capital lease obligation	(63,639)
Net cash provided (used in) by financing activities	(82,484)
Change in cash and cash Equivalents	(1,298,016)
Cash and cash equivalents, beginning of year	1,977,128
Cash and cash equivalents, end of year	$ 679,112

The accompanying notes are an integral part of these financial statements

1. ORGANIZATION AND NATURE OF ACTIVITIES

Family Services, Inc. (the "Agency") is a not-for-profit organization organized under the laws of the State of North Carolina and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Agency is a United Way sponsored organization which administers a variety of programs aimed at alleviating contemporary family problems. Also, the Agency's Child Development Division, which includes the Head Start Program ("Head Start") and the Early Head Start Program ("Early Head Start"), provides comprehensive early child development for disadvantaged preschool children and their families. The Child Development Division participates in the USDA Food Service Program which subsidizes the food service for children participating in the Child Development Programs.

Family Services Foundation, Inc. (the "Foundation") was formed for the purposes of supporting the mission and programs of the Agency as well as holding and managing endowment funds and other assets for the Agency. The Agency controls the Foundation by voting for the majority of its board members. Therefore, the Agency and the Foundation are consolidated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Agency have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). The Agency reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

> *Net assets without donor restrictions* - net assets that are not restricted by donors or for which donor imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated net assets without donor restrictions.
>
> *Net assets with donor restrictions* - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Agency has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent donor restrictions were met in the year the contribution was received.

The consolidated financial statements include the accounts of the Agency and the Foundation. All significant intercompany transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Agency considers all cash investments with an original maturity of three months or less to be cash equivalents. These accounts at times may exceed federally insured limits. The Agency has not experienced any losses on these accounts and management does not believe it is exposed to any significant credit risk.

Promises to Give

Contributions and non-government grants (promises to give) are recognized as revenues in the period the commitment is made. The Agency records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the consolidated statements of activities. The Agency determines an allowance for uncollectible promises to give based on historical experience, an assessment of the economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. An allowance for uncollectible promises to give of $12,500 was recorded as of June 30, 2024. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

Grants Receivable

Grants receivable are stated at net realizable value. All grants receivable are expected to be collected within one year.

Accounts Receivable

Accounts receivable is stated at the amounts management expects to collect from the outstanding balances. An allowance for uncollectible receivables of $10,000 was recorded as of June 30, 2024.

Investments

The agency carries investments in marketable securities with readily determinable fair values and all investment in debt securities at their fair market values in the consolidated statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. The minimum capitalization threshold is $2,500 for all property and equipment. Depreciation is provided on a straight-line basis over estimated useful lives of the assets, generally from five to forty years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interests in Assets Held by Others

The Agency has established trust arrangements with the Winston-Salem Foundation (the "WSF"), the purpose of which is to provide permanent endowments to support the future needs of The Agency. Donor contributions and monies designated by the Board have been irrevocably transferred to the WSF, who will invest the funds and make quarterly earnings distributions, to the Agency or accumulated income funds within the endowments, in an amount determined by the WSF. The Agency has granted the WSF variance power, the unilateral power to redirect the use of the assets, but has retained a right to the assets by specifying itself as the beneficiary. Pursuant to GAAP, these endowments have been recognized as a beneficial interest in assets held by others in the accompanying consolidated statements of financial position at the current market value of the underlying investments held by the WSF, which amounted to $821,610 as of June 30, 2024, respectively. The Agency is not subject to the Uniform Prudent Management of Institutional Funds Act or the endowment disclosure requirements of FASB ASC 958-205-50 for these funds since control over the funds was relinquished to the WSF.

The Agency has also established a different trust arrangement with Wells Fargo Bank (the "Trustee") serving as a trustee for the WSF. The purpose of the arrangement is to have the Trustee hold title on behalf of the WSF to certain real estate property and lease back this real estate property for use by the Agency. The deed contains a reversion clause allowing the property to revert back to the Agency at the discretion of the Trustee and the WSF. Pursuant to GAAP, the real estate property has been recognized as a beneficial interest in assets held by others in the accompanying consolidated statements of financial position at the current market value of the real estate property which totaled $1,960,000 and as of June 30, 2024, respectively.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Primary Funding

The Agency receives Head Start and Early Head Start funds from the Department of Health and Human Services and is required to match federal funds with nonfederal contributions. For the years ended June 30, 2024, the Agency received approximately 61%, respectively, of its annual support and revenue from Head Start and Early Head Start.

Donated Services and In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. The Agency reports revenues for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. A substantial number of volunteers donate significant amounts of time to the Agency; however, no amounts have been reflected in the consolidated financial statements for these services since the donated services do not meet the above conditions for recognition under GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonableness basis that is consistently applied. The primary expenses that are allocated include salaries and related expenses, insurance, and telephone, which are allocated on the basis of estimates of time and effort, and depreciation and interest, which are allocated on a square footage basis.

Advertising Expenses

The Agency expenses advertising costs as incurred. For the years ended June 30, 2024, advertising costs were $95,518, respectively.

Income Tax Status

The Agency and the Foundation are not-for-profit organizations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes.

The Agency's and the Foundation's primary tax positions relate to their status as not-for-profit entities exempt from income taxes and classification of activities related to their exempt purposes. It is the opinion of management that the Agency and the Foundation have no uncertain tax positions that would be subject to change upon examination.

The Agency and the Foundation are required to file federal exempt organization tax returns (Form 990) annually to retain their exempt status. The Agency and the Foundation are also required to file exempt organization business income tax returns (Form 990-T) for any year unrelated business income exceeds $1,000. The Agency's and the Foundation's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Estimates

The preparation of consolidated financial statements in conformity with GAAP principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$	679,112
Receivables		1,007
Grants receivable		544,632
Investments		1,113,770
Total financial assets		2,338,521
Less those unavailable for general expenditure within one year due to:		
Accounts payable		700,559
Purpose restrictions		681,774
Financial assets available to meet cash needs for general expenditure within one year	$	956,188

The Agency has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Agency has a $750,000 line of credit available to draw upon, if needed.

4. FAIR VALUE MEASUREMENTS

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value are categorized depending on the observability of the inputs employed in their measurement. Level I inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable for the asset or liability, including the Agency's own assumptions in determining the fair value of assets or liabilities.

Valuation techniques used in the fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

5. FAIR VALUE MEASUREMENTS (Continued)

The following is a description of the valuation methodologies used by the Agency for assets and liabilities measured at fair value:

Investments: Stocks valued at the closing price reported on the active market on which the securities are traded.

Beneficial Interest In Assets Held By Others: Equities and fixed income funds within the Winston-Salem Foundation (the Foundation) endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded. Although the measurement is based on the unadjusted fair value of trust assets reported by the Foundation, the Agency has limited access to these funds. A substantial amount of the monies have been irrevocably assigned to the Foundation and the Agency is only able to redeem accumulated income that the Foundation has transferred to the grantable funds accounts within the endowments. The remaining endowment funds are available for specific uses based on the agreement by both the Agency and the Foundation. The real estate included in the beneficial interest in assets held by others is valued by an independent licensed appraiser based on a fee simple interest. The market value is defined as the most probable price which a property would bring in a competitive and open market under all conditions requisite for a fair sale. Due to the number of unobservable inputs included in the real estate valuation and the limited access to the funds mentioned above the Agency considers the measurement of its beneficial interest in assets held by others to be a Level 3 measurement within the fair value hierarchy.

Pension Plan Investments: Valued at the closing price reported on the active markets on which the equity securities and fixed income securities are traded.

Pension Projected Benefit Obligation: Based upon actuarial assumptions including discount rates from 4.50% to 4.95%, an expected long-term rate of return of 6.00%, and further assumptions for retirement age, mortality rates, employee withdrawal rates, and post-retirement expense loading charges.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets and liabilities measured at fair value on a recurring basis as of June 30, 2024:

	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Exchange traded products	$1,104,437	$ -	$ -	
Mutual funds	9,333	-	-	$1,104,437
Beneficial interest in assets held by others	-	-	2,781,610	2,781,610
Pension plan investments:				
Debt securities	878,276	-	-	878,276
Equity securities	1,406,241	-	-	1,406,241
Money market funds	67,423	-	-	67,423
	$3,465,710	$ -	$2,781,610	$6,237,987
Liabilities:				
Pension projected benefit obligation	$ -	$ -	$3,299,503	$3,299,503

5. FAIR VALUE MEASUREMENTS (Continued)

The table below sets forth a summary of changes in the fair value of the Agency's level 3 assets and liabilities for the years ended June 30, 2024:

Assets:	
Balance, beginning of year	$ 2,701,495
Change in value of beneficial interest	87,219
Distributions	(7,104)
Balance, end of year	$ 2,781,610
Liabilities:	
Balance, beginning of year	$ 3,332,158
Service and interest cost	58,905
Actuarial (gain) loss	210,628
Benefits disbursed	(302,188)
Balance, end of year	$ 3,299,503

6. PROMISES TO GIVE

In connection with a capital campaign and other projects, the Agency solicited pledges to help fund various initiatives. As of June 30, 2024, unconditional promises to give are expected to be realized in the following periods:

Due within one year	$ 1,155,250
Due in one to five years	156,241
	1,311,491
Allowance for uncollectible pledges	(12,500)
	$ 1,298,991

7. INVESTMENTS

The portfolio of investments is carried at their fair market value. Market values and unrealized gains and losses pertaining to the investment portfolio as of June 30, 2024.

	Cost	Fair Market Value
Exchange traded products		$ 1,104,437
Mutal funds		9,333
Total	$ 1,093,944	$ 1,113,770
Unrealized gain (loss)		$ 19,826

Investment revenues are reported net of related investment fees in the statement of activities. The following schedule summarized investment returns for the year ended June 30, 2024:

Interest and dividends	$ 60,162
Unrealized gain (loss)	16,048
Realized gain (loss)	76,762
Investment fees	(7,724)
Investment income, net	$ 145,248

8. PROPERTY AND EQUIPMENT

Property and equipment at June 30, is summarized as follows:

Land	$ 1,703,537
Buildings	6,963,392
Vehicles	292,693
Furniture, fixtures, and equipment	2,590,522
Leasehold improvements	2,537,838
Construction in progress	99,099
	14,187,081
Less accumulated depreciation	(5,901,274)
	$ 8,285,807

Depreciation expenses totaled $464,148 for the years ended June 30, 2024, respectively.

9. LEASES

The Agency has operating and financing leases for various office equipment under long-term non-cancelable lease arrangements. The leases expire through August 2027. The lease assets and liabilities were calculated utilizing the risk-free discount rate, according to the Agency's elected policy.

Total right-of-use assets and liabilities at June 30, 2024 are classified as follows in the statement of financial position:

	Beginning Balance	Increases	Decreases	Ending Balance
Right of Use Asset				
Computers and equipment	$ 268,686	$ -	$ -	$ 268,686
Less: Accumulated Amortization	(84,590)	63,639	-	(148,229)
Right of Use Asset, net	$ 184,096			$ 120,457

Total lease costs for the year ended June 30, 2024 are as follows:

Rent expense under all leases totaled $281,642for the year ended June 30, 2024.

The following summarizes the weighted-average discount rate and remaining lease term for finance leases as of June 30, 2024:

Weighted average discount rate	2.65%
Weighted average remaining lease term	0 years

The following summarizes the weighted-average discount rate and remaining lease term for operating leases as of June 30, 2024:

Weighted average discount rate	3.5%
Weighted average remaining lease term	2.6 years

9. LEASES (Continued)

As of June 30, 2024, maturities of lease liabilities were as follows:

	Operating Leases
2025	$ 42,139
2026	39,858
2027	39,858
2028	3,321
2029	-
Total lease payments	125,176
Less: imputed interest	(4,719)
Present value of lease liabilities	$ 120,457

10. NOTES PAYABLE

Notes payable at June 30, 2024 are summarized as follows:

Revolving line of credit with local financial institution, limit of $750,000, variable interest rate equal to the Lender's base commercial rate, interest only monthly payments, collateralized by certain assets of the Agency, maturing February 2024.	$ 137,034
Note payable with the Small Business Administration, payable in monthly installments of $43, beginning in June 2022 including interest at 2.75% through June 2052, when the note matures. Unsecured.	-
Mortgage note payable due in monthly installments of $8,543 including interest at 3.25%, through September 2027. All remaining principal and interest due at maturity. Note is secured by real estate.	1,288,408
Note payable due in monthly installments of $305 including interest at 3.12%, through May 2025 Note is secured by vehicle.	6,345
Mortgage note payable due in monthly installments of $10,034 including interest at 3.25%, through September 2026. All remaining principal and interest due at maturity. Note is secured by real estate.	1,777,083
Mortgage note payable due in monthly installments of $9,373 including interest at 5.95%, through February 2030. All remaining principal and interest due at maturity. Note is secured by real estate.	1,414,150
	$ 4,623,020

10. NOTES PAYABLE (Continued)

Future maturities of notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2025	$ 154,157	$ 181,250	$ 472,441
2026	160,067	175,340	335,407
2027	1,741,957	130,136	1,872,093
2028	1,129,583	87,048	1,216,631
2029	36,690	75,788	112,478
Thereafter	1,263,193	49,621	1,312,814
	$ 4,485,646	$ 699,184	$ 5,321,864

At June 30, 2024, the Agency was in compliance with all restrictive debt covenants.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

Subject to expenditure for specified purposes:	
Various programs	$ 313,027
Capital campaign	368,747
Subject to passage of time:	
Operations	-
Not subject to Agency's spending policy or appropriation:	
Beneficial interest in assets held by others	300,000
	$ 981,774

12. RETIREMENT PLANS

Employee Benefit Plan of Family Services, Inc.

The Agency has a noncontributory defined benefit retirement plan covering substantially all employees prior to plan curtailment. The plan provides for benefits to be paid to eligible employees at retirement based on years of service and compensation rates in the last years prior to retirement. Contributions to the plan comply with the funding requirements of the Employee Retirement Income Security Act. The Agency's funding policy is to fund pension cost accrued, as determined by an actuary, based upon the aggregate cost method.

The following table sets forth the funded status of the retirement plan and the amounts recognized in the Agency's consolidated financial statements as of and for the years ended June 30, 2024.

12. RETIREMENT PLANS (Continued)

Employee Benefit Plan of Family Services, Inc. (Continued)

Accumulated benefit obligation	$ 3,299,503
Fair value of plan assets	2,689,886
Projected benefit obligation	(3,299,503)
Funded status	$ (609,617)
Accrued pension cost reflected in the consolidated statements of financial position	$ 609,617
Items not yet recognized as a component of net periodic pension cost:	
Net loss (gain)	$ 434,169
Prior service cost	182,995
Pension loss and prior service cost	$ 617,164
Net periodic pension cost	$ -
Employer contributions	$ 349,193
Pension benefits paid	$ 143,659
Weighted-average assumptions as of end of year:	
Discount rate, pre-retirement	5.14%
Discount rate, pre-retirement	5.14%
Expected long-term rate of return on plan assets	6.25%
Rate of compensation increase per year	N/A

The estimated net gain and prior service costs for the defined benefit pension plan that will be recognized as net periodic pension cost during the next fiscal year are $0.

12. RETIREMENT PLANS (Continued)

Employee Benefit Plan of Family Services, Inc. (Continued)

Expected Future Benefit Payments

The following benefit payments are expected to be paid as follows:

Year Ending June 30	
2025	$ 183,286
2026	191,368
2027	198,214
2028	197,591
2029	198,812
Thereafter	832,648
	$ 1,801,919

Plan Curtailment

In November, 2009 the Board of Directors approved curtailment of the plan, which froze benefit accounts as of June 30, 2010. As a result of the pension plan curtailment, the board of directors adopted a resolution to create a defined contribution plan for the benefit of the Agency's employees. Employees became eligible to defer a portion of their salary as contributions to the plan on July 1, 2010.

Contributions

The Agency expects to contribute approximately $85,969 to the plan during the year ended June 30, 2025.

No plan assets are expected to be returned to the employer during the year ended June 30, 2025.

Plan Assets by Category as of June 30, 2024

Cash and equivalents	$ 67,423
Debt securities	878,276
Equity securities	1,406,241
Total	$ 2,351,940

Expected Long-Term Rate of Return on Plan Assets Assumption

The expected long-term rate of return on plan assets of 6.25% was based on assumptions developed by the plan's investment consultant for each investment style category as to rate of return, risk, yield, and correlation with other categories that serve as components of the long-term strategy. Based upon these assumptions, eligible components are tested over the desired time horizon given the acceptable tolerance for risk as determined by the Plan Sponsor. The expected long-term rate of return reflects assumptions as to continued execution of the current strategic asset allocation, modern portfolio theory, and the plan's investment policy.

12. RETIREMENT PLANS (Continued)

Employee Benefit Plan of Family Services, Inc. (Continued)

Investment Strategy

The weighted average maturity of plan liabilities is computed annually and used to evaluate the appropriateness of the investment strategy. All investment managers are regulated by the U.S. Securities and Exchange Commission and subject to the requirements of the Investment Advisers Act of 1940. A written investment policy statement provides guidance for fiduciaries and the plan's investment consultant. Each investment manager's performance is subject to review by the investment consultant and fiduciary committee on a regular basis.

403(b) Thrift Plan for Family Services, Inc.

The agency created a defined contribution plan for the benefit of the Agency’s employees as of July 1, 2010. Employees are eligible to participate in the plan at the date they are hired. The Agency matches employee contributions up to 4% of their annual compensation. Under the plan, the Agency can also make additional discretionary contributions to all eligible employees. The Agency contributed $300,00to this plan during the years ended June 30, 2024, respectively.

13. IN-KIND CONTRIBUTIONS

The Agency received the following in-kind contributions for the years ended June 30:

Office and classroom space	$	294,588
Supplies		140,760
	$	435,348

The Agency requires the use of office and classroom space for its daily operations. These are based on current market rates for the use of office and classroom space.

The Agency was also provided with employee services and benefits in certain in-kind classrooms at no cost. These are based on current market rates for these services and benefits.

The Agency was also provided with discounts on services provided. These are based on current market rates for these various services.

All in-kind contributions received by the Agency for the years ended June 30, 2024 were considered without donor restrictions and able to be used by the Agency as determined by the board of directors and management.

14. CONDITIONAL PROMISES TO GIVE

The Agency is a United Way sponsored organization and receives annual funding from the United Way. This funding is contingent on the success of United Way's annual campaign and collection efforts and, therefore, is no recognized as revenue until funds are received. The Agency was allocated $289,315 of United Way funding for the year ended June 30, 2024.

15. COMMITMENTS AND CONTINGENCIES

Financial awards from federal and state governmental entities in the form of grants are subject to review and/or audit. Such review could result in claims against the Agency for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such review or audit since the amount, if any, cannot be determined at this date.

In a prior year, the Agency was awarded funds from the City of Winston-Salem to help fund construction and renovation of new facilities to house the Agency's daily operations. The funds are technically a deferred forgivable mortgage representing $100,000 in a loan from the City of Winston-Salem. The loan is secured by a deed of trust on the property and bears no interest for a twenty-year term. Subject to the continued use of the property for Agency operations, the loan will be forgiven at the end of the related terms. Because the likelihood of repayment is possible, but not probable, the funds received were recorded as revenue. In the unlikely event of default, the Agency would have to repay $100,000 for the note with a twenty-year term (maturing in April 2028).

For the year ended June 30, 2023, the Agency received federal grant funding via Forsyth County of $500,000 as a down payment on the Felicity Lane building. Under the grant contract, any real property or equipment acquired with federal grant funds must be used, insured, managed, and disposed of in accordance with 2 CFR 200.311 through 2 CFR 200.316, and must be returned to the grantor as soon as it is no longer used for an allowable use, as required by the Uniform Guidance and other federal law.

16. HEAD START – GRANTEE MATCH

The Head Start Program requires that no more than 80 percent of program costs be provided by federal financial assistance. The Agency must generate 20 percent of program cost from other sources, which can include in–kind contributions. For the years ended June 30, 2024, Head Start program costs included matching contributions of $4,423,599 ($435,348 of cash contributions and $3,988,251 of in-kind contributions) respectively. The in-kind contributions consisted primarily of facility space usage, supplies, and volunteer time. Facility usage contributions are measured and recorded based on the excess of fair market rental values over the actual amount of rent payments at four locations. Supplies are recorded at the approximate fair value at the date of donation. An amount for volunteer time is not recorded since the nature of the services do not meet the recognition criteria for inclusion in the consolidated financial statements. However, these services do meet Head Start criteria for match requirements. At June 30, 2024, the Agency was in compliance with the Head Start matching requirements.

17. PRIOR PERIOD ADJUSTMENT

During the current year, the Organization identified the need to correct previously reported amounts for accounts receivable and net assets. This adjustment was prompted by the receipt of an Employee Retention Tax Credit of $787,756 for the 2021 period, resulting in an increase in accounts receivable and a corresponding decrease in net assets.

18. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements to determine the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 3, 2025, which is the date the financial statements were available to be issued.

No other significant events or transactions were identified that would require adjustment or disclosure in the financial statements.

SHARPE PATEL CPA

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

To the Board of Directors
Family Services, Inc.
Winston-Salem, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Family Services, Inc.' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of finding and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
March 3, 2025

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

To the Board of Directors
Family Services, Inc.
Winston-Salem, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Family Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Family Services, Inc.'s major federal programs for the year ended June 30, 2024. Family Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Family Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Sharpe Patel PLLC

Raleigh, North Carolina

March 3, 2025

FAMILY SERVICES, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?	✔	yes		no
Significant deficiency(s) identified that are not considered to be material weaknesses?		yes	✔	no
Noncompliance material to the financial statements?		yes	✔	no

Federal Awards

Internal control over major State programs:				
Material weaknesses identified?		yes	✔	no
Significant deficiency(s) identified that are not considered to be material weakness(es)?		yes	✔	none reported
Type of auditors' report issued on compliance for major Federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		yes	✔	no

Identification of major Federal programs:

ALN No(s).	Program Name
93.600	Head Start
16.575	Victims of Crime
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B Programs			$ 750,000	
Auditee qualified as low-risk auditee		yes	✔	no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2024-001 **Material Weakness**

Criteria

The grant receivable balance should be adjusted to actual and reconciled to the general ledger on a monthly basis and as of year-end.

Condition:

Significant adjusting journal entries were required to adjust the grant receivable balance to actual as of year-end.

Cause:

The internal process for recording and adjusting the grant receivable balance, which is fairly complex, has been in place at the Agency for many years, and was not communicated effectively to the new employees when turnover occurred in the accounting department in the current year. Because this process was not followed, the proper adjustments were not made to the grant receivable and revenue accounts during the year or as of year-end.

Effect:

As a result, 6/30/2024 balances for certain grant receivable and revenue accounts had to be corrected with material adjusting journal entries during the audit. There are multiple ways to ensure the grant receivable and revenue balances are recorded properly during the year. However, regardless of the process, the grant receivable balance should be correct as of year-end.

Questioned costs

None.

Recommendation:

The auditor recommends that the internal process for recording and adjusting the grant receivable balance be followed on a consistent basis to ensure the balance is recorded properly on a monthly basis and as of year-end to properly prepare consolidated financial statements in accordance with GAAP.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted.

SCHEDULE OF PRIOR YEAR FINDINGS

Finding 2023-001 **Material Weakness**

Status:

Repeat finding - see Finding 2024-001.

FAMILY SERVICES, INC.
Corrective Action Plan
For the Year Ended June 30, 2024

Finding:	2024-001
Name of Contact Person:	Sheila McClelland
Corrective Action:	Subsequent to year-end, management has gained a better understanding of the internal process for recording grant receivables and revenue and believes following the process consistently will ensure that grant receivables and revenue are recorded properly on a monthly basis and as of year-end.
Proposed Completion Date:	June 30, 2025

FAMILY SERVICES, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Grantor/Pass-through Grantor/Program Title	Federal ALN Number	Expenditures
FEDERAL GRANTS		
U.S. Department of Health and Human Services		
Head Start	93.600	$ 8,826,446
Passed-through from the N.C. Department of Health and Human Services and Children's Advocacy Centers of N.C.		
Temporary Assistance for Needy Families	93.558	163,700
Pass-through from N.C. Department of Administration: NC Council for Women & Youth Involvement		
Family Violence Prevention Grant	93.671	187,121
Total U.S. Department of Health and Human Services		9,177,267
U.S. Department of Housing and Urban Development:		
Pass-through from N.C. Department of Health and Human Services and City of Winston-Salem -		
Emergency Shelter Grants Program	14.231	87,060
Pass-through from N.C. Department of Health and Human Services and City of Winston-Salem and United Way of Forsyth County		
Emergency Shelter Grants Program	14.231	94,877
Pass-through from City of Winston-Salem		
Continuum of Care Program	14.267	161,996
Total U.S. Department of Housing and Urban Development		343,933
U.S. Department of Justice		
Pass-through from N.C. Department of Crime Control and Public Safety		
Victims of Crime Act Grant	16.575	32,991
Total U.S. Department of Justice		32,991
U.S. Department of Agriculture		
Pass-through from N.C. Department of Health and Human Services		257,383
Child and Adult Care Food Program		257,383
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 9,811,574

FAMILY SERVICES, INC.
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2024

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Family Services, Inc. under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Family Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Services, Inc.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.