

COUNSELING AND FAMILY SERVICES

Audited Financial Statements

June 30, 2006

COUNSELING AND FAMILY SERVICES

INDEX

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8 - 12
Supplementary Information:	
Schedule of Revenue from Government and Other Sources and Service Fees by Program	13

COUNSELING AND FAMILY SERVICES

INDEX

	<u>Page</u>
Independent Auditor's Report	2 - 3
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8 - 12
Supplemental Information:	
Schedule of Revenue from Government and Other Sources and Service Fees by Program	13
Agency Information	15
Program Names	16
Schedule of Program Costs	17 - 19
Schedule of Program Revenues	20 - 21
Report of Service Units/Days/Nights	22
Program Personnel	23 - 24
Program Consultant and Contractual	25 - 26

Independent Auditor's Report

To the Board of Directors of
Counseling and Family Services

I have audited the accompanying statement of financial position of Counseling and Family Services (a nonprofit organization) as of June 30, 2006, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Counseling and Family Services as of June 30, 2005 were audited by other auditors whose report dated August 25, 2005 expressed an unqualified opinion on those statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Counseling and Family Services as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 1, 2006 on my consideration of Counseling and Family Services' internal control over financial reporting and on my 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 my 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* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Counseling and Family Services taken as a whole. The accompanying supplementary information, listed in the index, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Peoria, Illinois
September 1, 2006

COUNSELING AND FAMILY SERVICES

Statement of Financial Position

June 30, 2006

(With comparative totals as of June 30, 2005)

See Excel File 141.06.xls

COUNSELING AND FAMILY SERVICES

Statement of Activities

For the year ended June 30, 2006
(With comparative totals for the year ended June 30, 2005)

See Excel File 141.06.xls

COUNSELING AND FAMILY SERVICES

Statement of Cash Flows

For the year ended June 30, 2006
(With comparative totals for the year ended June 30, 2005)

See Excel File 141.06.xls

COUNSELING AND FAMILY SERVICES

Statement of Functional Expenses

**For the year ended June 30, 2006
(With comparative totals for the year ended June 30, 2005)**

See Excel File 141.06.xls

COUNSELING AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) **Nature Of Organization**

Counseling and Family Services (Organization) is a not-for-profit corporation organized for the purpose of providing counseling, adoption, foster home care and other social services to individuals and families.

(B) **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly reflects all significant receivables, prepaids, payables and deferrals.

(C) **Basis of Presentation**

The Organization reports in accordance with the American Institute of Certified Public Accountants industry audit guide, *Not-for-Profit Organizations*. Under the terms of that guide, the following accounting policies unique to voluntary health and welfare organizations are followed:

- (1) The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117. Under SFAS No. 117, Counseling and Family Services 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
- (2) The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- (3) The Organization reports gifts of cash or other assets that must be used to acquire long-lived assets and gifts of capital assets as temporarily restricted support. The Organization reports expirations of restrictions when the donated or acquired long-lived assets are either sold or depreciated.
- (4) Revenue restricted under grant agreements is recognized in the period that expenses have been incurred for the purpose specified by the grantor. Deferred revenue is recorded and reflected in the statement of financial position and recognized as revenue when the related expenses are incurred.

COUNSELING AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) **Basis of Presentation (Continued)**

- (5) Net assets temporarily restricted consist of contributions which are limited by donor imposed restrictions.
- (6) Donated materials, capital assets, and investments are recorded at fair market value when received.
- (7) Depreciation is provided on a straight-line basis of accounting over the estimated useful life of the respective asset.
- (8) Investments are carried at estimated market value and the income derived from investments is credited to revenue in the period earned.

(D) **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(E) **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2006 were comprised as follows:

Cash	\$	265
Savings account		328
Money market		22,935
Sweep account		<u>430,151</u>
	\$	<u>453,679</u>

The Organization deposits cash and cash equivalents in three financial institutions in Peoria, Illinois. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 at each financial institution. At year end and throughout the year, the Organization's cash balances exceeded \$100,000 at one financial institution. There is no experience of loss in any of these accounts and management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents. However, the credit worthiness of these counterparties is subject to continuing review and full performance is anticipated.

COUNSELING AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) **Functional Allocation of Expenses**

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

(G) **Income Taxes**

Counseling and Family Services is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for Federal income taxes in the accompanying financial statements.

(H) **Allowance for Uncollectible Pledges**

The allowance for uncollectible pledges is based on past collection experience in prior campaigns and current year-end pledge receivables.

NOTE 2 – CAPITAL ASSETS

A summary of capital assets as of June 30, 2006 is as follows:

Land	\$ 146,980
Building and improvements	1,156,776
Equipment	196,900
Vehicles	<u>139,690</u>
	1,640,346
Less accumulated depreciation	<u>988,253</u>
	\$ <u>652,093</u>

COUNSELING AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2006

NOTE 3 - SUPPORT FROM MAJOR FUNDING SOURCES

The Organization receives a substantial amount of its support from the Heart of Illinois United Way and from the Illinois Department of Children and Family Services. A significant reduction in the level of this support, if this were to occur, might have a significant effect on the Organization's programs and activities.

NOTE 4 - PENSION PLANS

In January 1997, the Organization instituted a defined contribution retirement plan which allows all employees who meet age and employment guidelines to participate. The Organization will determine, at its discretion, the extent to which it will make contributions to the plan each year (3.0 percent of eligible salaries for the calendar year). Retirement plan expense was \$32,542 for 2006.

NOTE 5 - NOTE PAYABLE

The Organization has a promissory note payable, at an interest rate of 4.44%, due in monthly installments of \$2,113, including principal and interest, secured by a mortgage on the Organization's land and building, due April 1, 2008.

Future maturities of long-term debt are as follows:

Years ending June 30:

2007	\$	17,512
2008		<u>167,455</u>
	\$	<u>184,967</u>

NOTE 6 - LINES OF CREDIT

The Organization has an unused \$238,000 demand line of credit, which bears interest at the bank's base lending rate (8.00 percent at June 30, 2006). The line is secured by a second mortgage on the Organization's land and building.

The Organization also has an unused demand line of credit amounting to \$85,000, which bears interest at 7.25%. The line is secured by an assignment of Certificates of Deposit.

COUNSELING AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2006

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

These net assets are restricted for the purpose of providing services and programs at the Organization's Knoxville Avenue facility and Youth at Risk program.

NOTE 8 - LEASE COMMITMENT

The Organization has entered into an operating lease agreement for copiers and office equipment which requires a monthly lease payment. The lease expires December 2006. Monthly payment for this lease agreement amounts to \$578.

The annual minimum lease payments under the noncancelable agreement as of June 30, 2006, are due as follows:

Year ending June 30:

2007	<u>\$ 3,468</u>
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Lease expense included in the accompanying statement of activities for the year ended June 30, 2006 was \$6,936.

NOTE 9 - RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2005 have been reclassified to conform with the June 30, 2006 presentation.

NOTE 10 - SUMMARIZED FINANCIAL INFORMATION FOR 2005

The financial information for the year ended June 30, 2005 is presented for comparative purposes and is not intended to be a complete financial statement presentation in conformity with accounting principles generally accepted in the United States of America.

COUNSELING AND FAMILY SERVICES

Schedule of Revenue from Government and
Other Sources and Service Fees by Program

For the year ended June 30, 2006
(With comparative totals for the year ended June 30, 2005)

See Excel File 141.06.xls

Independent Auditor's Report

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Counseling and Family Services

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In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Counseling and Family Services as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 25, 2006 on my consideration of Counseling and Family Services' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Counseling and Family Services taken as a whole. The accompanying supplementary information, listed in the index, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Peoria, Illinois
September 1, 2006