

Family Central, Inc.

Consolidated Financial Statements

June 30, 2016 and 2015

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Independent Auditors' Report

To the Board of Directors
Family Central, Inc.
North Lauderdale, Florida

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Family Central, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position at June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued from previous page

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Central, Inc. at 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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, is presented for purposes of additional analysis and is 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. This 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

In addition, the accompanying consolidating information and other Supplementary Information contained in to the Table of Contents are presented for purposes of analysis and are not a required part of the consolidated financial statements of Family Central, Inc. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statement taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we also have issued our report dated January 25, 2017, on our consideration of Family Central, 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 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 Central, Inc.'s internal control over financial reporting and compliance.

 ***Douglas Carlson*** **LLP**

Fort Lauderdale, Florida
January 25, 2017

Family Central, Inc.
Consolidated Statements of Financial Position
June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 425,281	\$ 342,089
Receivables from funding sources, net	2,208,719	9,467,690
Prepaid expenses	162,988	490,979
Total current assets	<u>2,796,988</u>	<u>10,300,758</u>
Other assets	50	102,597
Property and equipment, net	844,260	1,006,371
Total assets	<u>\$ 3,641,298</u>	<u>\$ 11,409,726</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Line of credit	\$ -	\$ 931,460
Accounts payable and accrued expenses	168,242	72,864
Accounts payable, child care providers	1,877,890	6,966,759
Accrued salaries and annual leave	422,967	682,038
Contract advances	323,930	654,197
Total current liabilities	<u>2,793,029</u>	<u>9,307,318</u>
Commitments and contingencies		
Net assets:		
Unrestricted	842,065	2,095,937
Temporarily restricted	6,204	6,471
Total net assets	<u>848,269</u>	<u>2,102,408</u>
Total liabilities and net assets	<u>\$ 3,641,298</u>	<u>\$ 11,409,726</u>

See accompanying notes to consolidated financial statements.

Family Central, Inc.
Consolidated Statements of Activities
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Support and other revenue:		
Federal, state and local grants	\$ 25,753,066	\$ 191,518,246
Fees	998,835	965,504
Fundraising and donations	115,084	348,664
Rental income	61,517	-
Other revenue	258,562	393,783
Net assets released from restrictions	267	267
Total unrestricted support and other revenue	<u>27,187,331</u>	<u>193,226,464</u>
Expenses:		
Program services	26,518,194	190,246,909
Supporting services:		
General and administrative	1,624,155	3,125,731
Fundraising	46,029	73,623
Training expenses	252,824	189,585
	<u>1,923,008</u>	<u>3,388,939</u>
Total expenses	<u>28,441,202</u>	<u>193,635,848</u>
Change in unrestricted net assets	<u>(1,253,871)</u>	<u>(409,384)</u>
Change in temporarily restricted net assets:		
Net assets released from restrictions	(267)	(267)
Decrease in temporarily restricted net assets	<u>(267)</u>	<u>(267)</u>
Change in net assets	(1,254,138)	(409,651)
Net assets at beginning of year	<u>2,102,408</u>	<u>2,512,059</u>
Net assets at end of year	<u>\$ 848,269</u>	<u>\$ 2,102,408</u>

See accompanying notes to consolidated financial statements.

Family Central, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2016

2016

	Supporting Services				Total Supporting Services	Total Expenses
	Program Services	General and Administrative	Fundraising	Training Expenses		
Days of care	\$ 10,309,972	\$ -	\$ -	\$ -	\$ -	\$ 10,309,972
Food expense	7,142,184	1,281	2	1,024	2,307	7,144,491
Salaries	5,428,176	696,528	20,465	94,114	811,107	6,239,283
Payroll taxes and employee benefits	1,701,503	209,081	5,918	19,432	234,431	1,935,934
Rents	720,831	45,275	67	3,427	48,769	769,600
Telephone expense	209,646	114,910	170	3,603	118,682	328,328
Insurance	70,501	136,741	203	2,250	139,195	209,696
Sub-contracts	28,364	60,106	14,382	77,052	151,540	179,904
Copier / printing costs	123,390	46,187	68	3,606	49,861	173,251
Depreciation	112,397	49,800	19	-	49,819	162,216
Travel	142,722	1,860	2	529	2,390	145,112
Professional fees	-	97,953	140	20,468	118,561	118,561
Utilities	60,460	32,329	47	1,973	34,349	94,809
Educational supplies	75,000	7,351	11	6,866	14,228	89,228
Building maintenance	57,923	21,726	32	2,791	24,549	82,472
Data processing	3,310	49,482	74	75	49,631	52,941
Consumable supplies	46,328	2,472	83	3,113	5,668	51,996
Bank fees	46,905	-	-	1,658	1,658	48,563
Leases / contracts	20,553	16,893	25	1,477	18,395	38,948
Training and development	35,933	-	-	642	642	36,575
Children food and activities expense	34,787	-	-	30	30	34,817
Equipment maintenance and repair	30,729	3,455	5	131	3,591	34,320
Postage	27,919	4,454	7	609	5,070	32,989
Direct assistance to participants	32,839	35	-	-	36	32,875
Interest expense	-	21,865	-	-	21,865	21,865
Memberships and subscriptions	11,008	186	617	6,534	7,337	18,345
Employee recruitment	14,792	111	-	-	111	14,903
Seminars / meetings	9,952	2,305	1,490	1,115	4,910	14,862
Non-capitalized equipment	11,501	305	-	-	305	11,806
Temporary labor	8,012	-	-	-	-	8,012
Fundraising activities	-	-	2,189	-	2,189	2,189
Vehicle operating expense	189	1,046	2	-	1,048	1,237
Advertising	-	-	-	305	305	305
Miscellaneous	368	418	11	-	429	797
Total expenses	<u>\$ 26,518,194</u>	<u>\$ 1,624,155</u>	<u>\$ 46,029</u>	<u>\$ 252,824</u>	<u>\$ 1,923,008</u>	<u>\$ 28,441,202</u>

See accompanying notes to consolidated financial statements.

Family Central, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2015

2015

	Supporting Services				Total Supporting Services	Total Expenses
	Program Services	General and Administrative	Fundraising	Training Expenses		
Days of care	\$ 164,099,958	\$ -	\$ -	\$ -	\$ -	\$ 164,099,958
Salaries	11,574,364	1,624,506	16,719	89,651	1,730,876	13,305,240
Food expense	6,869,911	133	-	297	430	6,870,341
Payroll taxes and employee benefits	3,075,857	376,894	5,359	17,088	399,341	3,475,198
Direct assistance to participants	1,384,607	228	(1,880)	-	(1,652)	1,382,955
Rents	953,562	12,876	5	1,751	14,632	968,194
Telephone expense	455,217	60,654	23	3,046	63,723	518,940
Professional fees	5,999	385,608	146	-	385,754	391,753
Copier / printing costs	254,034	14,349	775	790	15,914	269,948
Insurance	203,019	52,599	20	2,187	54,806	257,825
Travel	239,925	9,998	8	2,174	12,180	252,105
Bad debt	-	223,119	85	-	223,204	223,204
Sub-contracts	44,663	52,330	35,151	58,851	146,332	190,995
Educational supplies	188,746	574	-	227	801	189,547
Depreciation	116,905	51,784	20	-	51,804	168,709
Building maintenance	136,830	16,765	6	1,455	18,226	155,056
Postage	96,285	51,267	24	376	51,667	147,952
Consumable supplies	103,999	29,475	612	4,526	34,613	138,612
Utilities	95,731	9,137	3	1,259	10,399	106,130
Data processing	37,532	51,890	20	234	52,144	89,676
Temporary labor	69,348	-	-	-	-	69,348
Leases / contracts	47,180	10,801	5,359	578	16,738	63,918
Training and development	57,399	169	-	1,060	1,229	58,628
Equipment maintenance and repair	38,789	1,367	1	55	1,423	40,212
Children food and activities expense	33,952	-	-	-	-	33,952
Seminars / meetings	24,597	4,212	4	494	4,710	29,307
Non-capitalized equipment	23,865	4,274	2	10	4,286	28,151
Bank fees	2,772	24,219	9	-	24,228	27,000
Memberships and subscriptions	2,505	18,161	7	3,476	21,644	24,149
Miscellaneous	4,760	12,869	9	-	12,878	17,638
Employee recruitment	1,326	10,780	4	-	10,784	12,110
Interest expense	-	11,356	-	-	11,356	11,356
Fundraising activities	-	-	11,131	-	11,131	11,131
Vehicle operating expense	201	3,266	1	-	3,267	3,468
Advertising	3,071	71	-	-	71	3,142
Total expenses	\$ 190,246,909	\$ 3,125,731	\$ 73,623	\$ 189,585	\$ 3,388,939	\$ 193,635,848

See accompanying notes to consolidated financial statements.

Family Central, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,254,137)	\$ (409,651)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	162,216	168,709
Changes in assets and liabilities:		
Decrease (increase) in operating assets:		
Receivables from funding sources	7,258,971	8,118,894
Prepaid expenses	327,991	(131,428)
Other assets	102,547	(1,750)
Increase (decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	95,378	(430,536)
Accounts payable, child care providers	(5,088,869)	(5,998,733)
Accrued salaries and annual leave	(259,071)	(31,064)
Contract advances	(330,267)	231,744
Net cash provided by operating activities	<u>1,014,759</u>	<u>1,516,185</u>
Cash flows from investing activities:		
Purchase of property and equipment	(105)	(15,580)
Net cash used in investing activities	<u>(105)</u>	<u>(15,580)</u>
Cash flows from financing activities:		
Proceeds from draws on line of credit	18,480,787	29,398,784
Repayments on line of credit	(19,412,247)	(30,794,212)
Net cash used in financing activities	<u>(931,460)</u>	<u>(1,395,428)</u>
Net increase in cash	83,194	105,177
Cash at beginning of year	<u>342,089</u>	<u>236,912</u>
Cash at end of year	<u>\$ 425,282</u>	<u>\$ 342,089</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 14,903</u>	<u>\$ 11,356</u>

See accompanying notes to consolidated financial statements.

Note 1 – Nature of Organization

Family Central, Inc. (“Family Central”), Family Central Child Care Centers, Inc. (the “Centers”) and Family Central Auxiliary, Inc. (the “Auxiliary”), (collectively the “Organization”) are not-for-profit organizations whose mission is to provide services to improve the quality of life for children and families. The Centers directly manages one (1) child day care center. Family Central Holding Company, Inc. (the “Holding Company”) was incorporated in 1993 to acquire the premises of the Organization. The Auxiliary was created as a fundraising arm of Family Central. The Auxiliary’s mission is to raise funds to be used to promote Family Central’s programs and services.

Family Central, the Centers, the Holding Company and the Auxiliary share common management and Board of Directors.

Family Central’s support and revenue is received substantially from grants evidenced by contracts with their funding sources, food programs, family support and behavioral health services. Funding to provide these services has been received from the Early Learning Coalition of Broward County, the Early Learning Coalition of Miami-Dade County, Florida Department of Children & Families, Broward County, Children’s Service Council of Broward County, The Children’s Trust of Miami-Dade County, ChildNet, W.K. Kellogg Foundation, University of South Florida, Our Kids of Miami-Dade/Monroe, United Way of Broward County, and the Florida Department of Health. The Center’s support and revenue have been received from assessed fees and tuition from parents.

Family Central is accredited as a provider of high quality services by The Council on Accreditation for Children and Family Services (“COA”). The current accreditation is effective through December 31, 2017.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with the standards of accounting and financial reporting prescribed for not-for-profit organizations generally accepted in the United States of America (“US GAAP”).

The accompanying consolidated financial statements include the accounts of Family Central, the Centers, the Auxiliary, and the Holding Company, for which Family Central has both control and economic interest. All significant inter-organizational transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies, continued

Net Assets

The Organization classifies net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

Unrestricted net assets – Net assets which are not subject to donor-imposed stipulations or restrictions; and include all revenue, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or otherwise removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Organization.

The Organization does not have any permanently restricted net assets at June 30, 2016 and 2015.

Fair Value of Financial Instruments

The carrying value of cash, receivables, indebtedness, payables, and contract advances approximates fair value at June 30, 2016 and 2015, due to the relative short maturities of these instruments.

Reclassifications

Certain reclassifications were made to the prior year to conform to the current year presentation.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with original maturities of three (3) months or less to be cash equivalents. There were no cash equivalents at June 30, 2016 and 2015.

Amounts Receivable from Funding Sources

Amounts receivable from funding sources represents reimbursement of funds paid for program expenses under the federal and state grant contracts. Management believes the entire receivables balance is collectible based on amounts collected to date and prior collection history. Therefore, no allowance has been provided for potentially uncollectible receivable amounts.

Property and Equipment

Property and equipment is stated at cost or, if donated, at approximate fair value at the date of donation. Purchases greater than \$1,000 and with a useful life in excess of one (1) year are capitalized.

Note 2 – Summary of Significant Accounting Policies, continued

Property and Equipment, continued

Depreciation is computed on a straight-line method over the estimated useful lives of the assets:

	<u>Years</u>
Building and improvements	30
Furniture, fixture and equipment	3 - 5
Vehicles	5

Fund-Raising Expenses

The Organization's fund-raising expenses are presented in accordance with US GAAP and reporting for activities and costs of inducing contributions.

Income Taxes

Family Central and the Centers are exempt from income tax under Section 501(c)(3), and the Holding Company is a tax-exempt organization under Section 501(c)(2) of the Internal Revenue Code. Contributions to Family Central and the Centers qualify for charitable contributions subject to limitation. Family Central and the Centers have been classified as organizations that are not private foundations and have been designated as "publicly supported" organizations.

The Organization recognizes and measure tax positions taken or expected to be taken when it is probable that a loss has been incurred and the amount can be reasonably estimated. At June 30, 2016 and 2015, the Organization has no liabilities for uncertain tax positions. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Federal jurisdiction and Florida are the major tax jurisdictions where the Organization files tax returns. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for tax years before 2013.

Revenue Recognition

The Organization receives various grants from federal, state and local and private agencies for program and support service expenses. These grants generally are on a cost reimbursement basis or fee for service, including recoverable overhead. Revenues from grants are deemed earned and recognized in the statements of activities when expenditures are made for the purpose specified. Grant funds that have been received but have not yet been expended for the purpose specified are classified as contract advances.

Advertising

Advertising costs are charged to operations as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities for the Organization have been summarized on a functional basis. Accordingly, certain indirect costs have been allocated among the programs and the Centers benefited. The costs are allocated on the basis of each respective program or center's direct costs to the total of all direct costs, excluding property and equipment acquisitions.

Note 2 – Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-02, *Leases*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018. Management is evaluating the potential impact of this new guidance on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14 Not-For-Profit (“NFP”) Entities (Topic 958), *Presentation of Financial Statements of Not-For-Profit Entities*. Under the new guidance, not-for-profit entities are required to: (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the currently required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets; (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes; (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method reconciliation if using the direct method; (4) provide enhanced disclosure on (a) governing board designations, appropriation, and similar actions that result in self-imposed limits on use of resources without donor-imposed restrictions as of the end of the period; (b) composition of net assets with donor restrictions at the end of the period; (c) qualitative information that communicates how the Organization manages its liquid resources to meet cash needs for general expenditures within one year of the balance sheet date; (d) qualitative information that communicates availability of the Organization’s financial asset at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date; (e) amount of expenses by both their natural and functional classification; (f) methods used to allocate costs among programs and support functions; (g) additional disclosures on underwater endowment funds. The new reporting guidance is effective for fiscal years beginning after December 15, 2017. Management is evaluating the potential impact of this new guidance on the consolidated financial statements.

Date of Management’s Review

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through January 25, 2017, the date the consolidated financial statements were available to be issued.

Note 3 – Concentrations

Cash

The Organization maintains its cash in bank deposit accounts with a financial institution which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Note 3 – Concentrations, continued

Concentration of Support, Revenue and Receivable

Approximately 48% of the Organization's fiscal 2016 support and other revenue were received from the Florida Department of Health. At June 30, 2016, amounts receivable from the Florida Department of Health was approximately 53% of total amounts receivable from funding sources.

Of the Organization's total support and other revenue, approximately 74% and 5% are from federal programs and state projects, respectively, for the year ended June 30, 2016.

Approximately 43% of the Organization's fiscal 2015 support and other revenue were received from the Early Learning Coalition of Broward County and approximately 44% from the Early Coalition of Palm Beach County. At June 30, 2015, amounts receivable from the Early Learning Coalition of Broward County and Palm Beach County were approximately 66% and 5%, respectively, of total amounts receivable from funding sources.

Of the Organization's total support and other revenue, approximately 39% and 33% are from federal programs and state projects, respectively, for the year ended June 30, 2015.

Note 4 – Property and Equipment

Property and equipment, net, consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 372,479	\$ 372,479
Building and improvements	2,961,547	2,961,547
Furniture, fixtures and equipment	1,927,189	1,927,082
Vehicles	64,050	64,050
	<u>5,325,265</u>	<u>5,325,158</u>
Less: accumulated depreciation	4,481,005	4,318,787
	<u>\$ 844,260</u>	<u>\$ 1,006,371</u>

Depreciation expense amounted to \$162,216 and \$168,709 for the years ended June 30, 2016 and 2015, respectively.

Note 5 – Accounts Payable – Child Care Providers

Family Central reimburses child care centers and family child care homes under agreements with the Florida Department of Health. The amounts payable to child care providers at June 30, 2016 and 2015 were \$1,877,890 and \$6,966,759, respectively.

Note 6 – Line of Credit

Family Central has a revolving Line of Credit (“LOC”) Commitment and Agreement for short-term working capital with SunTrust Bank, South Florida in the amount of \$1,400,000, secured by a general business security agreement covering substantially all assets of the Organization, and is payable on demand. Advances bear interest at 30-day LIBOR plus 2.75% (3.21 % and 2.93% at June 30, 2016 and 2015, respectively) with interest payable monthly. At June 30, 2016 and 2015, there were outstanding balances on the LOC of \$0 and \$931,460, respectively.

Under the provisions of the LOC, the Organization is subject to certain financial and affirmative covenants, with which the Organization was in compliance at June 30, 2016.

Note 7 – Pension Plans

Prior to January 2010, Family Central had a money purchase pension plan and a tax-sheltered plan covering all employees meeting the minimum eligibility requirements. On January 2010, the money purchase pension plan was terminated and the assets were transferred to the tax-sheltered plan (the “Plan”). Family Central may make a discretionary contribution of 2% of compensation for all eligible participants and \$.50 for every \$1.00 of elective deferrals that participants’ make, up to 6% of compensation to the Plan. Family Central contributed \$231,723 and \$437,148 to the Plan for the years ended June 30, 2016 and 2015, respectively.

During May 2015, the Sponsor received notification from the Early Learning Coalitions of Broward and Palm Beach Counties (“ELC”) of their decisions to award the Sponsors existing contracts to a different agency beginning July 1, 2016. As a result, the Plan experienced a partial plan termination due to the termination of greater than 20% of active Plan participants. The partial plan termination resulted in all affected participants becoming fully vested in the Plan according to Internal Revenue Services (“IRS”) regulations.

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Early Learning Coalition of Broward County	\$ 261	\$ 261
Early Learning Coalition of Palm Beach County	3,513	3,780
Department of Health	2,430	2,430
	<u>\$ 6,204</u>	<u>\$ 6,471</u>

Note 9 – Commitments and Contingencies

Grants

Grants require the fulfillment of certain conditions as set forth in the grant agreements, and are subject to audit and adjustment by grantor agencies. Failure by the Organization to comply with the terms of the grants, including disallowance of costs, could result in a liability. The Organization expects the amounts of such liability, if any, to be immaterial.

Note 9 – Commitments and Contingencies, continued

Litigation

From time to time, the Organization is involved in litigation and threatened litigation incidental to the conduct of its activities. The actions are considered to be routine and in the opinion of management, disposition of these actions are not expected to have a material adverse effect on the Organization's financial position or changes in net assets.

Leases

Family Central is obligated under two (2) operating leases for premises located in Palm Beach and Miami-Dade County, Florida. The lease for the Palm Beach facility required monthly payments of \$63,956 adjusted annually through March 31, 2016, with the lease ending on March 31, 2016. The lease for the Miami-Dade facility requires monthly payments of \$10,390 adjusted annually through 2018.

Rent expenses for the years ended June 30, 2016 and 2015 were \$769,600 and \$968,194, respectively.

The minimum future rental commitments are as follows:

<u>Years Ending June 30,</u>	
2017	\$ 165,364
2018	122,868
2019	31,224
2020	6,992
	<u>\$ 326,448</u>

Due to the loss of significant programs with the ELC, the Organization has taken steps to restructure its operations in Broward County and exit its operations in Palm Beach County. However, the Organization remained obligated for its Palm Beach lease commitments through March 2016.

In September 2015, the Organization subleased a portion of office space for the Palm Beach facility under a six (6) month noncancelable operating lease. Rental income under the lease for the year ended June 30, 2016 was \$61,517.

Note 10 – Subsequent Events

On November 22, 2016, the Organization entered into an agreement for the sale (and lease-back) of its land, building and improvements located in North Lauderdale, Florida for \$2,050,000.

On December 8, 2016, the Organization paid the outstanding LOC obligation in full and the agreement was not renewed.

**Schedule of Expenditures
of Federal Awards
and State Financial Assistance**

Family Central, Inc.
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2016

Federal/State Grantor, Pass-Through Entity Federal Programs/States Project Title	CFDA/CFSA Number	Contract/ Grant Number	Expenditures
U.S. Department of Health and Human Services:			
Child Care and Development Fund Cluster			
Pass-through Florida's Office of Early Learning:			
Pass-through Early Learning Coalition of Broward County:			
Child Care and Development Block Grant	93.575	FCI-EDAP-15-ELC	\$ 969,293
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FCI-EDAP-15-ELC	3,105,552
Total Child Care and Development Fund Cluster			<u>4,074,845</u>
Pass-through Florida Department of Children and Families:			
Refugee and Entrant Assistance State Administered Programs	93.566	LK 104	3,627
Refugee and Entrant Assistance State Administered Programs	93.576	LK 104	21,008
Promoting Safe and Stable Families	93.556	FAM 10 PES	71,155
Pass-through Head Start of Palm Beach County:			
Head Start	93.600	LSF-PSA-FC-FY14	41,005
Pass-through University of South Florida:			
Temporary Assistance for Needy Families (TANF)	93.558	5830-1349-00-D	300
Temporary Assistance for Needy Families (TANF)	93.558	5830-1349-00-E	392,660
Pass-through Our Kids of Miami-Dade/Monroe, Inc.			
Promoting Safe And Stable Families	93.556	IFPS 50-13	466,807
Temporary Assistance For Needy Families Block Grant	93.558	IFPS 50-13	133,064
Child Welfare Services-State Grants	93.645	IFPS 50-13	11,627
Child Abuse and Neglect State Grants	93.669	IFPS 50-13	82,825
Foster Care - Title IV - E	93.658	IFPS 50-13	56,918
Total U.S. Department of Health and Human Services			<u>5,355,841</u>
U.S. Department of Agriculture:			
Pass-through Florida Department of Health:			
Childcare Food Program	10.558	D 701	1,453,018
Childcare Food Program	10.558	U 1976	11,582,328
Total U.S. Department of Agriculture			<u>13,035,346</u>
Total Expenditures of Federal Awards			<u>\$ 18,391,187</u>
Florida's Office of Early Learning:			
Pass-through Early Learning Coalition of Broward County:			
Voluntary Pre-Kindergarten Education Program	48.108	FCI-EDAP-15-ELC	1,349,402
Total Expenditures of State Financial Assistance			<u>\$ 1,349,402</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 19,740,589</u>

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Note 1 – General

The schedule of expenditures of federal awards and state financial assistance included herein represents all of the federal awards and state projects of the Organization during the year ended June 30, 2016.

Note 2 – Basis of Accounting

The accompanying schedule of expenditures of federal awards and state financial assistance includes is presented using the accrual basis of accounting and includes expenses incurred by the Organization during the year ended June 30, 2016.

Note 3 – Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Organization during the fiscal year July 1, 2015 to June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and, Chapter 10.650, Rules of the Auditor General of the State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Note 4 – Sub-Recipients

None of the federal or state expenditures presented in the accompanying schedule of expenditures of federal awards and state financial assistance was provided to sub-recipients.

Note 5 – Matching

Contract FCI-EDAP-15-ELC with the Early Learning Coalition (“ELC”) of Broward County includes \$3,105,552 of state funding that is designated as matching funds for certain federal awards. The ELC matching funds are not reported as federal awards in the accompanying schedule of expenditures of federal awards and state financial assistance, nor are the ELC matching funds subject to the Florida Single Audit Act since they are not considered state financial assistance under the Florida Single Audit Act. For audit testing purposes, the funds are included with the federal award programs for which they are designated as matching. The amounts designated as matching funds for federal award programs are summarized as follows:

<u>Contracting Entity</u>	<u>CFDA Number</u>
	<u>93.596</u>
Early Learning Coalition of Broward County	\$ <u>3,105,552</u>

Supplementary Information

Family Central, Inc.
Consolidating Schedules of Financial Position
For the Years Ended June 30, 2016 and 2015

Assets	2016					Total Consolidated 2016	Total Consolidated 2015
	Family Central, Inc.	Family Central Child Care Centers, Inc.	Family Central Holding Co. Inc.	Family Central Auxiliary	Eliminations		
Current assets:							
Cash	\$ 171,025	\$ 254,256	\$ -	\$ -	\$ -	\$ 425,281	\$ 342,089
Receivables from funding sources	2,137,822	70,897	-	-	-	2,208,719	9,467,690
Prepaid expenses	154,202	8,786	-	-	-	162,988	490,979
Other assets	50	-	-	-	-	50	102,597
Due from affiliates	1,021,626	-	-	-	(1,021,626)	-	-
Total current assets	<u>3,484,725</u>	<u>333,939</u>	<u>-</u>	<u>-</u>	<u>(1,021,626)</u>	<u>2,797,038</u>	<u>10,403,355</u>
Property and equipment, net	-	-	844,260	-	-	844,260	1,006,371
Total assets	<u>\$ 3,484,725</u>	<u>\$ 333,939</u>	<u>\$ 844,260</u>	<u>\$ -</u>	<u>\$ (1,021,626)</u>	<u>\$ 3,641,298</u>	<u>\$ 11,409,726</u>

Liabilities and Net Assets	2016					Total Consolidated 2016	Total Consolidated 2015
	Family Central, Inc.	Family Central Child Care Centers, Inc.	Family Central Holding Co. Inc.	Family Central Auxiliary	Eliminations		
Current liabilities:							
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 931,460
Accounts payable and accrued expenses	147,766	20,476	-	-	-	168,242	72,864
Accounts payable, child care providers	1,859,819	18,071	-	-	-	1,877,890	6,966,759
Accrued salaries and annual leave	386,146	36,821	-	-	-	422,967	682,038
Contract advances	323,930	-	-	-	-	323,930	654,197
Due to affiliates	-	185,304	836,322	-	(1,021,626)	-	-
Total current liabilities	<u>2,717,661</u>	<u>260,672</u>	<u>836,322</u>	<u>-</u>	<u>(1,021,626)</u>	<u>2,793,029</u>	<u>9,307,318</u>
Net assets:							
Unrestricted	760,860	73,267	7,938	-	-	842,065	2,095,937
Temporarily restricted	6,204	-	-	-	-	6,204	6,471
Total net assets	<u>767,064</u>	<u>73,267</u>	<u>7,938</u>	<u>-</u>	<u>-</u>	<u>848,269</u>	<u>2,102,408</u>
Total liabilities and net assets	<u>\$ 3,484,725</u>	<u>\$ 333,939</u>	<u>\$ 844,260</u>	<u>\$ -</u>	<u>\$ (1,021,626)</u>	<u>\$ 3,641,298</u>	<u>\$ 11,409,726</u>

Family Central, Inc.
Consolidating Schedules of Activities
For the Years Ended June 30, 2016 and 2015

	2016					Total Consolidated 2016	Total Consolidated 2015
	Family Central, Inc.	Family Central Child Care Centers, Inc.	Family Central Holding Co. Inc.	Family Central Auxiliary	Eliminations		
Changes in unrestricted net assets from continuing operations:							
Unrestricted support and revenues:							
Federal, state and local grants	\$ 25,753,066	\$ -	\$ -	\$ -	\$ -	\$ 25,753,066	\$ 191,518,246
Fees	80,684	985,651	-	-	(67,500)	998,835	965,504
Fundraising and donations	115,084	-	-	-	-	115,084	348,664
Rental income	61,517	-	108,204	-	(108,204)	61,517	-
Other revenue	251,882	6,680	-	-	-	258,562	393,783
Total unrestricted support and other revenues	<u>26,262,233</u>	<u>992,331</u>	<u>108,204</u>	<u>-</u>	<u>(175,704)</u>	<u>27,187,064</u>	<u>193,226,197</u>
Unrestricted expenses:							
Program services	25,600,588	985,106	108,204	-	(175,704)	26,518,194	190,246,909
Supporting services:							
General and administrative	1,620,565	-	-	3,590	-	1,624,155	3,125,731
Fundraising	46,028	-	-	-	-	46,028	73,623
Training expenses	252,824	-	-	-	-	252,824	189,585
Total unrestricted expenses	<u>27,520,005</u>	<u>985,106</u>	<u>108,204</u>	<u>3,590</u>	<u>(175,704)</u>	<u>28,441,201</u>	<u>193,635,848</u>
Net assets released from temporary restriction	267	-	-	-	-	267	267
Change in unrestricted net assets	<u>(1,257,505)</u>	<u>7,225</u>	<u>-</u>	<u>(3,590)</u>	<u>-</u>	<u>(1,253,870)</u>	<u>(409,384)</u>
Changes in temporarily restricted net assets:							
Temporarily restricted support and revenues							
Net assets released from restriction	(267)	-	-	-	-	(267)	(267)
Change in temporarily restricted net assets	<u>(267)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(267)</u>	<u>(267)</u>
Change in net assets	<u>(1,257,772)</u>	<u>7,225</u>	<u>-</u>	<u>(3,590)</u>	<u>-</u>	<u>(1,254,137)</u>	<u>(409,651)</u>
Net assets at beginning of year	<u>2,024,838</u>	<u>66,042</u>	<u>7,938</u>	<u>3,590</u>	<u>-</u>	<u>2,102,408</u>	<u>2,512,059</u>
Net assets at end of year	<u>\$ 767,065</u>	<u>\$ 73,267</u>	<u>\$ 7,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 848,270</u>	<u>\$ 2,102,408</u>

Other Supplementary Information

Family Central, Inc.
Schedules of Support and Other Revenue
For the Years Ended June 30, 2016 and 2015

	2016	2015
Support and other revenue:		
Federal, state and local grants:		
Grants and program support and revenue:		
Early Learning Coalition of Broward County, Inc.:		
Florida Subsidized Child Care	\$ 5,779,921	\$ 44,697,122
Voluntary Pre-Kindergarten	1,375,284	37,881,707
Early Learning Coalition of Palm Beach County, Inc.:		
Florida Subsidized Child Care - Palm Beach	-	58,354,957
Voluntary Pre-Kindergarten	-	26,168,387
Early Learning Coalition of Miami-Dade/Monroe, Inc.:		
Technical Assistance for Center-based Programs	1,081,831	791,401
Florida Department of Children and Families:		
Broward County Entrant/Refugee	24,635	82,194
Palm Beach County Entrant/Refugee	-	114,012
Broward County:		
Children's Services Administration (CSA):		
Subsidized Child Care (09-CSAD-8367-01)	443,896	2,470,147
Homeless (09-CSAD-8367-02)	27,042	557,727
Focus on Solutions (13-CP-CSA-8367-01)	-	(72)
Children's Services Council of Broward County:		
Family Strengthening (02-2130)	358,595	318,923
PBS	840,766	761,518
PBS Expansion	-	77,277
PAT	21,306	91,616
Vulnerable Populations	67,426	561,013
Florida Department of Health:		
Childcare Food Program (Homes)	1,453,018	1,380,990
Childcare Food Program (Centers)	11,582,328	10,934,709
The University of South Florida:		
HIPPY 5830-1369-00-D	-	199,922
HIPPY 5830-1369-00-E	-	196,029
Children's Trust of Miami-Dade County:		
HIPPY	343,367	278,338
Nurturing	414,637	476,067
PBS	18,932	379,950
TALK	27,202	310,586
Our Kids of Miami-Dade/Monroe, Inc.:		
Parents as Partners Program	891,660	798,784
Palm Beach County:		
Head Start	60,604	646,668
Subtotal, forwarded	24,812,450	188,529,972

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Family Central, Inc.
Schedules of Support and Other Revenue, continued
For the Years Ended June 30, 2016 and 2015

	2016	2015
Subtotal, forwarded	\$ 24,812,450	\$ 188,529,972
Children's Services Council of Palm Beach County:		
Quality Enhancement	836,651	1,799,662
ChildNet:		
Parent Nurturing Program	71,155	98,664
Workforce Alliance - Palm Beach Workforce	-	123,800
United Way of Broward:		
Childcare	-	425,004
PBS	-	25,229
HIPPY	-	57,849
Other:		
Broward Regional Health Planning Council	-	10,168
Municipalities	-	397,585
Community Foundation for Palm Beach & Martin Counties	-	20,540
Prime Time (School Age Assessment)	-	29,773
Jim Moran Foundation - C-Quell	32,810	-
Total federal, state and local grants	<u>25,753,066</u>	<u>191,518,246</u>
Fees	<u>998,835</u>	<u>965,504</u>
Fundraising and donations	<u>115,084</u>	<u>348,664</u>
Other revenue:		
Training revenue	133,931	221,399
Conference revenue	-	27,155
Rental income	61,517	-
In-kind revenue	-	143,485
Other income	124,631	1,744
Total other revenue	<u>320,079</u>	<u>393,783</u>
Total support and other revenue	<u>\$ 27,187,064</u>	<u>\$ 193,226,197</u>

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Family Central, Inc.
 Schedule of Matching Fund Requirements
 For the Year Ended June 30, 2016

Grant	Funding Amount	Matching Fund Requirements (%)	Matching Fund Requirements (\$)	Matching Fund Allocated to Programs
Early Learning Coalition of Broward County: Broward Subsidized	\$ 5,779,921	Fixed	\$ 3,387,214	\$ 3,387,214
Children's Services Council:				
Nurturing Parents	358,595	5.0%	17,930	17,930
PBS	840,766	5.0%	42,038	42,038
PAT	21,306	5.0%	1,065	1,065
Childnet Parent Nurturing	71,155	Fixed	22,772	22,772
			\$ 3,471,019	\$ 3,471,019

Family Central, Inc.
Schedules of Program Expenses for Family Central Child Care Centers, Inc.
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries	\$ 624,253	\$ 630,192
Employee taxes and employee benefits	219,264	195,063
Subtotal	<u>843,517</u>	<u>825,255</u>
Food costs	24,097	32,247
Equipment repairs and maintenance	3,725	527
Travel, seminars and meetings	1,871	813
Educational supplies	2,714	12,287
General insurance	17,812	16,908
Children's activities	1,705	1,705
Office, janitorial, supplies and postage	18,841	14,454
Memberships and subscriptions	1,231	157
Taxes/licenses	2,093	1,151
Total functional expenses before management fees	<u>917,606</u>	<u>905,504</u>
Management fees - Family Central	67,500	60,000
Total functional expenses	<u>\$ 985,106</u>	<u>\$ 965,504</u>

Family Central, Inc.
 Pass-Through Consolidated Schedules of Financial Position
 June 30, 2016

ASSETS

	2016		
	Agency	Pass-Through	Total
Current assets:			
Cash	\$ 425,281	\$ -	\$ 425,281
Receivables from funding sources	330,829	1,877,890	2,208,719
Prepaid expenses	162,988	-	162,988
Total current assets	<u>919,098</u>	<u>1,877,890</u>	<u>2,796,988</u>
Other assets	50	-	50
Property and equipment, net	844,260	-	844,260
Total assets	<u>\$ 1,763,408</u>	<u>\$ 1,877,890</u>	<u>\$ 3,641,298</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Line of credit	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	168,242	-	168,242
Accounts payable, child care providers	-	1,877,890	1,877,890
Accrued salaries and annual leave	422,967	-	422,967
Contract advances	323,930	-	323,930
Total current liabilities	<u>915,139</u>	<u>1,877,890</u>	<u>2,793,029</u>
Commitments and contingencies			
Net assets:			
Unrestricted	842,065	-	842,065
Temporarily restricted	6,204	-	6,204
Total net assets	<u>848,269</u>	<u>-</u>	<u>848,269</u>
Total liabilities and net assets	<u>\$ 1,763,408</u>	<u>\$ 1,877,890</u>	<u>\$ 3,641,298</u>

Family Central, Inc.
 Pass-Through Consolidated Schedules of Financial Position
 June 30, 2015

ASSETS

	2015		
	<u>Agency</u>	<u>Pass-Through</u>	<u>Total</u>
Current assets:			
Cash	\$ 342,089	\$ -	\$ 342,089
Receivables from funding sources	1,700,158	7,767,532	9,467,690
Prepaid expenses	490,979	-	490,979
Total current assets	<u>2,533,226</u>	<u>7,767,532</u>	<u>10,300,758</u>
Other assets	102,597	-	102,597
Property and equipment, net	1,006,371	-	1,006,371
Total assets	<u>\$ 3,642,194</u>	<u>\$ 7,767,532</u>	<u>\$ 11,409,726</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Line of credit	\$ -	\$ 931,460	\$ 931,460
Accounts payable and accrued expenses	72,864	-	72,864
Accounts payable, child care providers	130,687	6,836,072	6,966,759
Accrued salaries and annual leave	682,038	-	682,038
Contract advances	654,197	-	654,197
Total current liabilities	<u>1,539,786</u>	<u>7,767,532</u>	<u>9,307,318</u>
Commitments and contingencies			
Net assets:			
Unrestricted	2,095,937	-	2,095,937
Temporarily restricted	6,471	-	6,471
Total net assets	<u>2,102,408</u>	<u>-</u>	<u>2,102,408</u>
Total liabilities and net assets	<u>\$ 3,642,194</u>	<u>\$ 7,767,532</u>	<u>\$ 11,409,726</u>

Family Central, Inc.
Pass-Through Consolidated Schedules of Activities
For the Year Ended June 30, 2016

	2016		
	Agency	Pass-Through	Total
Changes in unrestricted net assets:			
Support and other revenue:			
Federal, state and local grants	\$ 25,524,781	\$ 228,285	\$ 25,753,066
Fees	998,835	-	998,835
Fundraising and donations	115,084	-	115,084
Rental income	61,517	-	61,517
Other revenue	258,562	-	258,562
Net assets released from restrictions	267	-	267
Total unrestricted support and other revenue	<u>26,959,046</u>	<u>228,285</u>	<u>27,187,331</u>
Expenses:			
Program services	<u>26,289,909</u>	<u>228,285</u>	<u>26,518,194</u>
Supporting services:			
General and administrative	1,624,155	-	1,624,155
Fundraising	46,028	-	46,028
Training expenses	252,824	-	252,824
	<u>1,923,007</u>	<u>-</u>	<u>1,923,007</u>
Total expenses	<u>28,212,916</u>	<u>228,285</u>	<u>28,441,201</u>
Change in unrestricted net assets	<u>(1,253,870)</u>	<u>-</u>	<u>(1,253,870)</u>
Changes in temporarily restricted net assets:			
Net assets released from restrictions	<u>(267)</u>	<u>-</u>	<u>(267)</u>
Decrease in temporarily restricted net assets	<u>(267)</u>	<u>-</u>	<u>(267)</u>
Change in net assets	<u>(1,254,137)</u>	<u>-</u>	<u>(1,254,137)</u>
Net assets at beginning of year	<u>2,102,408</u>	<u>-</u>	<u>2,102,408</u>
Net assets and end of year	<u>\$ 848,270</u>	<u>\$ -</u>	<u>\$ 848,270</u>

Family Central, Inc.
Pass-Through Consolidated Schedules of Activities
For the Year Ended June 30, 2015

	2015		
	Agency	Pass-Through	Total
Changes in unrestricted net assets:			
Support and other revenue:			
Federal, state and local grants	\$ 19,164,992	\$ 172,353,254	\$ 191,518,246
Fees	965,504	-	965,504
Fundraising and donations	348,664	-	348,664
Other revenue	393,783	-	393,783
Net assets released from restrictions	267	-	267
Total unrestricted support and other revenue	<u>20,873,210</u>	<u>172,353,254</u>	<u>193,226,464</u>
Expenses:			
Program services	<u>17,893,655</u>	<u>172,353,254</u>	<u>190,246,909</u>
Supporting services:			
General and administrative	3,125,731	-	3,125,731
Fundraising	73,623	-	73,623
Training expenses	<u>189,585</u>	<u>-</u>	<u>189,585</u>
	<u>3,388,939</u>	<u>-</u>	<u>3,388,939</u>
Total expenses	<u>21,282,594</u>	<u>172,353,254</u>	<u>193,635,848</u>
Change in unrestricted net assets	<u>(409,384)</u>	<u>-</u>	<u>(409,384)</u>
Changes in temporarily restricted net assets:			
Net assets released from restrictions	<u>(267)</u>	<u>-</u>	<u>(267)</u>
Decrease in temporarily restricted net assets	<u>(267)</u>	<u>-</u>	<u>(267)</u>
Change in net assets	<u>(409,651)</u>	<u>-</u>	<u>(409,651)</u>
Net assets at beginning of year	<u>2,512,059</u>	<u>-</u>	<u>2,512,059</u>
Net assets at end of year	<u>\$ 2,102,408</u>	<u>\$ -</u>	<u>\$ 2,102,408</u>

**Internal Controls
and
Compliance Matters**

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of the Consolidated Financial Statements Performed
in Accordance with *Government Auditing Standards*

To the Board of Directors
Family Central, Inc.
North Lauderdale, Florida

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 consolidated financial statements of Family Central, Inc. (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position at June 30, 2016 and 2015, 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, and have issued our report thereon dated January 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered 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 consolidated 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 consolidated 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.

Continued from previous page

Compliance and Other Matters

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

Wagtail Capital LLP

Fort Lauderdale, Florida
January 25, 2017

Independent Auditors' Report on Compliance
for Each Major Federal Program and State Project and Report
on Internal Control Over Compliance Required by Uniform Guidance and Chapter
10.650, Rules of the Auditor General of the State of Florida

To the Board of Directors
Family Central, Inc.
North Lauderdale, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Family Central, Inc.'s (the "Organization's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major Federal programs and State projects for the year ended June 30, 2016. The Organization's major Federal programs and State projects 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 requirements of laws, regulations, contracts and grants applicable to its federal awards applicable to its Federal programs and State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs and State projects based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, 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 or State project 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 consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program and State project. However, our audit does not provide a legal determination of the Organization's compliance.

Continued from previous page

Opinion on Each Major Federal Program and State Project

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 and State projects 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 and State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and State project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Organization's 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 or State project 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 or State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a Federal program or State project 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 and 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 results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Fort Lauderdale, Florida
January 25, 2017

Family Central, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal controls over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Management letter or report on other matters related to internal controls issued? _____ Yes X No

Federal Awards and State Financial Assistance

Internal control over major programs/projects: Unmodified

Internal control over major programs/projects:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

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 510(a) of Circular A-133 or/and Chapter 10.650, Rules of the Auditor General of the State of Florida? X Yes _____ No

Identification of major programs and projects:

Federal Programs

<u>CFDA Number</u>	<u>Name of Major Federal Program or Cluster</u>
10.558	Childcare Food Program
93.669	Child Abuse and Neglect State Grants

State Projects

<u>CSFA Number</u>	<u>Name of Major State Project or Cluster</u>
48.108	Voluntary Pre-Kindergarten (VPK) Education Program

Family Central, Inc.
 Schedule of Findings and Questioned Costs, continued
 For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS, continued

Dollar threshold used to distinguish between type A and type B programs:

\$	750,000	Federal
\$	40,482	State

Auditee qualified as low-risk auditee?

<u> </u>	Yes	<u> X </u>	No
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SECTION II - FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None Reported

PRIOR YEAR FINDINGS

None Reported

SECTION III - FEDERAL PROGRAMS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

CURRENT YEAR AUDIT FINDINGS

2016-01

Criteria:

Circular A-133 320(b) requires auditees to submit a completed Form SF-SAC, along with one complete reporting package in accordance with the June 26, 2007 Federal Register notice, to the Federal Audit Clearinghouse designated by the Office of Management and Budget ("OMB"), currently the U.S. Census Bureau. The reporting package is defined in 320(c) of the Circular. The audit shall be completed and the data collection form and reporting package shall be electronically transmitted within the earlier of 30 days after receipt of the auditors' reports, or nine months after the end of the audit period.

Condition:

The Organization did not timely submit the June 30, 2015 A-133 audit to the Federal Audit Clearinghouse in accordance with the U.S. Office of Management and Budget's *Uniform Guidance*.

Questioned Cost:

N/A

Cause/Effect:

The absence of sufficient controls related to the submission of the Circular A-133 audit to the Federal Audit Clearinghouse arose from employee turnover and reductions in force leading to the non-timely submission of the June 30, 2015 A-133 audit in accordance with Circular A-133. Failure to submit the A-133 audit report to the Federal Audit Clearinghouse could result in federal agencies withholding grant funding to the Organization.

Family Central, Inc.
Schedule of Findings and Questioned Costs, continued
For the Year Ended June 30, 2016

SECTION III - FEDERAL PROGRAMS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS, continued

Recommendation:

The Organization should ensure that the data collection form and reporting package be submitted within 30 days after receipt of the auditors' reports as required by Circular A-133 to the Federal Audit Clearinghouse.

Views of Management and Planned Corrective Action:

Family Central, Inc. has updated its monitoring and compliance assurance procedures to ensure compliance with auditors' reports as required by Circular A-133 to the Federal Audit Clearinghouse.

2016-02

U.S. Department of Health and Human Services:

Pass-through Our Kids of Miami-Dade/Monroe, Inc.

Child Abuse and Neglect State Grants

CFDA No. 93.669

Criteria:

The grant agreement specifically requires a Civil Rights Checklist to be submitted upon each contract renewal and an Emergency Preparedness Plan to be submitted annually by February 28th.

Condition:

During our testing of the grant we noted that the Organization did not provide a Civil Rights Checklist and submit the Emergency Preparedness Plan timely as required by the grant agreement.

Questioned Cost:

N/A

Cause/Effect:

The Organization did not have adequate monitoring procedures to ensure that the Civil Rights Checklist and Emergency Preparedness Plan are submitted in a timely manner. As a result, the Organization was not in compliance with provisions of the grant agreement.

Recommendation:

The Organization should ensure that the requirements of the grant agreement are complied with in a timely manner.

Views of Management and Planned Corrective Action:

Family Central, Inc. has implemented appropriate controls to ensure that the Civil Rights Checklist and Emergency Preparedness Plan are submitted in a timely manner.

Family Central, Inc.
Schedule of Findings and Questioned Costs, continued
For the Year Ended June 30, 2016

SECTION III - FEDERAL PROGRAMS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS, continued

PRIOR YEAR AUDIT FINDINGS

2015-01

U.S. Department of Health and Human Services:
Pass-through Florida Department of Children and Families
Promoting Safe and Stable Families
CFDA No. 93.556

Criteria:

The grant agreement specifically requires the Organization budget to be submitted by April 30th of each year.

Condition:

During our testing of the grant we noted that the Organization did not provide their budget as required by the grant agreement.

Questioned Cost:

N/A

Cause/Effect:

The Organization does not have adequate monitoring procedures to ensure that the budget is submitted in a timely manner. As a result, the Organization was not in compliance with provisions of the grant agreement.

Recommendation:

The Organization should ensure that the requirements of the grant agreement are complied with in a timely manner.

2016 Update

This finding was not reported for the year ended June 30, 2016.