

**FAMILY SERVICE ASSOCIATION
OF REDLANDS**

FINANCIAL STATEMENTS
December 31, 2024 and 2023

FAMILY SERVICE ASSOCIATION OF REDLANDS

December 31, 2024 and 2023

C O N T E N T S

	<u>Page</u>
Report of Independent Auditors	1-2
Financial Statements	
Statements of Financial Position	3-4
Statement of Activities	5
Statements of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8-15
Independent Auditors' Report on Internal Control and Compliance Required by <i>Government Auditing Standards</i>	16-17

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Family Service Association of Redlands
Redlands, California

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of Family Service Association of Redlands, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Family Services Association of Redlands as of December 31, 2024, and the changes in its net assets and cash flows, and its functional expenses for the year 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 U.S. Comptroller General. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and to issue an auditors' 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 and *Government 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, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we are required to –

- 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 the Association’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 evaluating the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events that raise substantial doubt about the Association’s ability to continue as a going concern for a reasonable period of time.

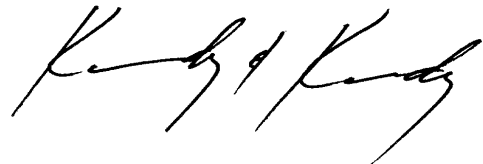
We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Association’s 2023 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 16, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated April 15, 2025, on our consideration of the Association’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 read in conjunction with this report in considering the results of our audit.



April 15, 2025
San Bernardino, California

FAMILY SERVICE ASSOCIATION OF REDLANDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$ 452,551	\$ 285,843
Contract Receivables	150,919	136,387
Pledge Receivable	65,000	-
Other Receivables	9,945	-
Gift Cards on Hand	60,520	53,288
Prepaid Expenses	24,243	22,030
Total Current Assets	<u>763,178</u>	<u>497,548</u>
Property and Equipment		
Buildings and Land	2,599,565	2,563,705
Affordable Housing Rental Properties	749,047	205,585
Fixtures and Equipment	329,603	343,170
Vehicle	4,966	4,966
Housing Project	-	46,951
Accumulated Depreciation	<u>(2,036,404)</u>	<u>(1,962,046)</u>
	<u>1,646,777</u>	<u>1,202,331</u>
Other Assets		
Investments	<u>3,197,824</u>	<u>4,029,450</u>
Total Assets	<u>\$ 5,607,779</u>	<u>\$ 5,729,329</u>

See Accompanying Notes to Financial Statements.

FAMILY SERVICE ASSOCIATION OF REDLANDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 13,235	\$ 33,088
Accrued Vacation	25,928	27,581
Contract Liabilities	383,928	758,866
Total Current Liabilities	<u>423,091</u>	<u>819,535</u>
Net Assets		
Board Designated	1,072,403	1,206,827
Other Unrestricted Net Assets	<u>2,124,939</u>	<u>1,642,775</u>
Net Assets without Donor Restrictions	3,197,342	2,849,602
Net Assets with Donor Restrictions	<u>1,987,346</u>	<u>2,060,192</u>
Total Net Assets	<u>5,184,688</u>	<u>4,909,794</u>
Total Liabilities and Net Assets	<u>\$ 5,607,779</u>	<u>\$ 5,729,329</u>

See Accompanying Notes to Financial Statements.

FAMILY SERVICE ASSOCIATION OF REDLANDS

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024
(Summarized Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
Revenues				
Contributions	\$ 914,800	\$ 246,253	\$ 1,161,053	\$ 728,084
Government Contracts	598,828	-	598,828	167,223
In-Kind Food Donations	356,857	-	356,857	313,772
Rent Income	31,063	-	31,063	35,731
In-Kind Rent and Services	20,951	-	20,951	12,000
Special Programs	13,323	-	13,323	10,263
	<u>1,935,822</u>	<u>246,253</u>	<u>2,182,075</u>	<u>1,267,073</u>
Other Gains and Losses				
Fundraising Revenue	443,576	-	443,576	458,559
Direct Event Costs	(111,814)	-	(111,814)	(120,652)
Net Fundraising	<u>331,762</u>	<u>-</u>	<u>331,762</u>	<u>337,907</u>
Investment Earnings	167,154	-	167,154	134,852
Gain on Sale of Investments	320,631	-	320,631	328,760
Unrealized Gains (Losses)	166,755	(307,969)	(141,214)	295,988
Net Assets Released from Restrictions	11,130	(11,130)	-	-
Total Revenues	<u>2,933,254</u>	<u>(72,846)</u>	<u>2,860,408</u>	<u>2,364,580</u>
Expenses				
Program Services				
Family Support	896,007	-	896,007	812,256
Housing Advocacy Program	1,218,936	-	1,218,936	897,812
Support Services				
Management and General	255,223	-	255,223	227,612
Fundraising	215,348	-	215,348	174,355
Total Expenses	<u>2,585,514</u>	<u>-</u>	<u>2,585,514</u>	<u>2,112,035</u>
Change in Net Assets	347,740	(72,846)	274,894	252,545
Net Assets - Beginning	<u>2,849,602</u>	<u>2,060,192</u>	<u>4,909,794</u>	<u>4,657,249</u>
Net Assets - Ending	<u>\$ 3,197,342</u>	<u>\$ 1,987,346</u>	<u>\$ 5,184,688</u>	<u>\$ 4,909,794</u>

See Accompanying Notes to Financial Statements.

FAMILY SERVICE ASSOCIATION OF REDLANDS

STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Changes in Net Assets	\$ 274,894	\$ 252,545
Noncash Items Included in Revenues and Expenses -		
Depreciation	89,000	83,574
Write-off Housing Project	46,951	-
In-Kind Food Donations	(356,857)	(313,772)
In-Kind Rent and Services	(20,951)	(12,000)
Unrealized Investment (Gain) Loss	141,214	(295,988)
Gain on Sale of Investments	(320,631)	(328,760)
Increase (Decrease) in Cash Resulting From Changes In:		
Contract Receivables	(14,532)	(98,720)
Pledge Receivable	(65,000)	-
Other Receivables	(9,945)	-
Gift Cards on Hand	(7,232)	(5,213)
Prepaid Expenses	(2,213)	6,484
Accounts Payable	(19,853)	20,932
Accrued Vacation	(1,653)	5,924
Contract Liabilities	(374,938)	747,853
Net Cash Provided (Used) by Operating Activities	(641,746)	62,859
Cash Flows From Investing Activities		
Purchase of Buildings and Land	(35,860)	(64,105)
Purchase of Affordable Housing Rental Properties	(543,462)	-
Purchase of Investments	(1,481,476)	(1,264,814)
Proceeds from Sale of Investments	2,869,252	1,061,575
Net Cash Provided (Used) by Investing Activities	808,454	(267,344)
Net Increase (Decrease) in Cash	166,708	(204,485)
Cash and Equivalents - Beginning	285,843	490,328
Cash and Equivalents - Ending	\$ 452,551	\$ 285,843

Supplemental Cash Flow Information

No payments were made for interest or income taxes in either year.

See Accompanying Notes to Financial Statements.

FAMILY SERVICE ASSOCIATION OF REDLANDS

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2024

(Summarized Totals for 2023)

	Family Support	Housing Advocacy	Manage- ment and General	Fund Raising	Total 2024	Total 2023
Salaries and Wages	\$ 317,205	\$ 272,867	\$ 133,838	\$ 145,914	\$ 869,824	\$ 772,647
Employee Benefits	36,231	34,051	28,948	12,814	112,044	93,279
Payroll Taxes and Costs	27,334	23,154	11,460	11,724	73,672	69,109
Workers Comp Insurance	11,784	10,679	4,306	5,526	32,295	36,180
Total Salaries and Costs	392,554	340,751	178,552	175,978	1,087,835	971,215
Specific Assistance	8,144	664,712	-	-	672,856	447,753
In-Kind Food Donations	356,857	-	-	-	356,857	313,772
Occupancy	49,958	64,541	5,161	-	119,660	104,052
Direct Event Costs	-	-	-	111,814	111,814	120,652
Depreciation	41,830	44,500	2,670	-	89,000	83,574
Housing Project Termination	-	46,951	-	-	46,951	-
Miscellaneous	3,653	3,769	19,435	7,619	34,476	26,635
Insurance	16,013	16,014	1,685	-	33,712	31,071
Supplies	10,490	16,791	3,626	511	31,418	24,427
Professional Fees	-	-	25,341	-	25,341	21,338
Postage / Printing	890	899	1,044	20,275	23,108	23,728
Telephone	5,348	9,155	563	-	15,066	14,960
Equipment Costs	3,630	3,630	1,682	5,489	14,431	9,223
Outside Services	-	-	7,684	5,476	13,160	17,926
Taxes / Licenses	-	671	7,780	-	8,451	3,134
Special Programs	6,640	-	-	-	6,640	9,509
Affordable Housing	-	6,552	-	-	6,552	9,718
	896,007	1,218,936	255,223	327,162	2,697,328	2,232,687
Direct Events Costs	-	-	-	(111,814)	(111,814)	(120,652)
Total Expenses 2024	\$ 896,007	\$ 1,218,936	\$ 255,223	\$ 215,348	\$ 2,585,514	
Total Expenses 2023	\$ 812,256	\$ 897,812	\$ 227,612	\$ 174,355		\$ 2,112,035

See Accompanying Notes to Financial Statements.

FAMILY SERVICE ASSOCIATION OF REDLANDS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OTHER MATTERS

Family Service Association of Redlands is a not-for-profit corporation organized in California in 1898. The Association is governed by a volunteer board of directors whose mission is to “alleviate poverty, encourage self-sufficiency, and promote the dignity of all people”. Comprehensive basic life services are provided to low-income and homeless families in need. The Association is exempt from tax liability under Section 501(c)(3) of the Internal Revenue Code and Section 23401d of the California Tax Code.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the reporting date and revenues and expenses during the period. Actual results could differ from those estimates.

Contracts Receivable Valuation

Contracts receivable are described in Note 4 and are considered by management to be fully collectable.

Revenue Recognition

Contracts with Funding Agencies: GAAP requires that revenue from contracts with federal, state, and local funding agencies is recognized when qualifying costs are incurred for cost-reimbursement contracts or when units of service are provided for performance contracts.

The transaction price is stated in each contract and is satisfied over time, generally by monthly billings over the contract period. The significant judgments required to apply GAAP involve 1) determining that a cost allowable under the contract has been incurred, and 2) determining that the cost relates to a period covered by the contract. Both of these performance obligations must be satisfied before the funding agency can be billed for reimbursement, and revenue is recognized when the performance obligations are satisfied. Contract revenues are subject to audit and review by funding agencies, and in some cases, cost reimbursement may be disallowed.

Service Fees: The Organization recognizes service fee revenue in the period when the services are provided and when the amount and certainty of the fee can be determined.

Contributions: GAAP requires that information about financial position and activities be reported in two net asset classes: with donor restrictions and without donor restrictions. Net assets with donor restrictions may be either temporarily or permanently restricted. Contributions without donor restrictions are recognized when received. Contributions restricted by the donor are presented as increases in net assets with donor restrictions.

When temporary restrictions are satisfied, the restricted net assets are reclassified to net assets without donor restrictions and reported in the activity statement as net assets released from restrictions. When a restriction is satisfied in the same year the contribution is received, the contribution is reported as without donor restriction.

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all temporary investments purchased with original maturities of three months or less to be cash equivalents.

FAMILY SERVICE ASSOCIATION OF REDLANDS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment, and Depreciation

Property and equipment are presented at cost or donated value and are being depreciated by the straight-line method over the useful lives of 5-7 years for fixtures and equipment and 20-35 years for buildings and improvements. Generally, the Association capitalizes assets in excess of \$1,000.

Donated Services and Noncash Gifts

Many individuals have donated time and services to advance the Association's programs. When the value of donated items can be objectively measured, those amounts are recorded in the financial statements. When there is no objective method available to measure such value, no amounts are recorded in the statements. Information about donated products and services is included in Note 9.

Functional Expenses

The costs of providing the Association's programs and services have been summarized on a functional basis in the statement of functional expenses. Based on management estimates and an allocation plan, costs are allocated between programs and supporting services as they relate to those functions. The allocation of costs depends on the nature of the cost, the reason the cost is incurred, and the benefit received by each function. A summary of allocated costs and the basis for allocation include the following:

- Payroll and related costs – based on time and effort
- Depreciation – based on asset usage by square foot
- Occupancy, insurance and repairs – based on usage and square footage
- Supplies – based on function and usage

Income Taxes

Since the Association is exempt from income taxes, no provision is made for current or deferred income tax expense. Annual information returns are filed with federal and state taxing agencies, and the accounting methods for such filings are the same as those used for financial reporting.

Fair Value Measurements

GAAP provides guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs – quoted prices in active markets for identical assets
- Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets
- Level 3 inputs – estimates using the best information available when there is little or no market

The Association is required to measure certain investments and noncash contributions at fair value in accordance with GAAP. The techniques used to measure the fair values of investments and noncash gifts are described in Note 3 and Note 9, respectively.

FAMILY SERVICE ASSOCIATION OF REDLANDS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets with Donor Restrictions

Net assets with temporary donor restrictions for special programs and capital improvements are described in Note 6. Permanently restricted endowment net assets are discussed in Note 7.

Summarized Prior Year Information

The financial statements include summarized comparative information from the prior year, which is not presented by net asset class and does not include sufficient detail to conform with GAAP. This information should be read in conjunction with the Association's financial statements for the year ended December 31, 2023, from which the comparative information was extracted.

FAMILY SERVICE ASSOCIATION OF REDLANDS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – INVESTMENTS

Investments consist of mutual funds, bond funds and cash listed below which are carried at fair value and are intended to provide income for the Association’s programs. The fair value of mutual funds and bond funds has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

A portion of investments is permanently restricted, and the remainder is a combination of temporarily restricted and unrestricted amounts. A portion of unrestricted investments have been designated by the Board to be used for capital improvements and emergency operating reserves. Gains on the sale of endowment investments are generally reinvested either in capital improvement or endowment funds.

	<u>Cost or Donated Value</u>	<u>Quoted Prices in Active Markets</u>	<u>Unrealized Gains (Losses) 12/31/24</u>
<u>December 31, 2024</u>			
Cash	\$ 1,079	\$ 1,079	\$ -
Mutual Funds	2,639,352	2,748,667	109,315
Preferred Securities	201,717	201,096	(621)
Bond Funds	248,727	246,982	(1,745)
Total Investments	<u>\$ 3,090,875</u>	<u>\$ 3,197,824</u>	106,949
Unrealized Gain as of 12/31/2023			<u>248,163</u>
Unrealized Loss during 2024			<u>\$ (141,214)</u>

Investment Income in 2024 comprised the following:

Interest and Dividend Income	\$ 185,078
Investment Fees and Costs	<u>(17,924)</u>
Investment Earnings	167,154
Gain on Sale of Investments	<u>320,631</u>
Investment Income in 2024	<u>\$ 487,785</u>

December 31, 2023

Cash	\$ 43,841	\$ 43,841	\$ -
Mutual Funds	3,487,446	3,735,539	248,093
Bond Funds	250,000	250,070	70
Total Investments	<u>\$ 3,781,287</u>	<u>\$ 4,029,450</u>	248,163
Unrealized Loss as of 12/31/2022			<u>(47,825)</u>
Unrealized Gain during 2023			<u>\$ 295,988</u>

Investment Income in 2023 comprised the following:

Interest and Dividend Income	\$ 145,397
Investment Fees and Costs	<u>(10,545)</u>
Investment Earnings	134,852
Gain on Sale of Investments	<u>328,760</u>
Investment Income in 2023	<u>\$ 463,612</u>

FAMILY SERVICE ASSOCIATION OF REDLANDS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CONTRACT RECEIVABLES

Contract receivables consist of amounts due from governmental funding agencies. Beginning and ending balances are presented below. Revenues are recognized when billings are submitted to the funding agencies, which result in contract assets and the right to receive reimbursement. The Association’s policy is to charge off uncollectable accounts when management determines that amounts will not be collected.

	<u>2024</u>	<u>2023</u>
Homeless, Housing, Assistance and Prevention (State)	\$ 135,579	\$ 93,183
Community Development Block Grant (Federal)	15,000	15,004
Emergency Shelter Grant (Federal)	-	26,420
Other	340	1,780
	\$ 150,919	\$ 136,387

NOTE 5 – CONTRACT LIABILITIES

Contract liabilities consist of amounts received from governmental funding agencies before performance obligations have been satisfied on contracts. These deferred payments from the City of Redlands are recognized as revenues in subsequent years as the performance obligations are satisfied.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

<u>Temporarily Restricted Net Assets</u>	<u>12/31/23</u>	<u>Revenues</u>	<u>Expenses</u>	<u>12/31/24</u>
Unappropriated Endowment Earnings	\$ 922,198	\$ (307,969)	\$ -	\$ 614,229
San Manuel	-	100,000	32,070	67,930
IEHP	-	65,000	-	65,000
Capital Campaign	-	50,000	-	50,000
Kaiser Permanente	-	20,000	2,000	18,000
Redlands Breakfast Club	6,960	10,000	2,990	13,970
Good Samaritan	13,377	68	953	12,492
Ratcliffe Foundation	-	12,000	-	12,000
Rosendin Foundation	-	10,000	-	10,000
Bob’s Discount Furniture	1,500	-	1,500	-
Other Special Programs	18,992	13,255	5,687	26,560
Totals – Temporarily Restricted	963,027	(27,646)	45,200	890,181
<u>Permanently Restricted Endowment (Note 7)</u>	<u>1,097,165</u>	<u>-</u>	<u>-</u>	<u>1,097,165</u>
Total Net Assets with Donor Restrictions	\$ 2,060,192	\$ (27,646)	\$ 45,200	\$ 1,987,346

Net assets released from restriction in 2024 consisted of Bob’s Discount Furniture, Redlands Breakfast Club, and Other Special Programs where purpose restrictions were satisfied in the total amount of \$11,130.

FAMILY SERVICE ASSOCIATION OF REDLANDS

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PERMANENTLY RESTRICTED ENDOWMENTS

In accordance with California state law (UPMIFA), the Association has classified as permanently restricted the fair value of donations restricted by donors to be held as endowments in perpetuity. The finance committee has interpreted the state law as requiring preservation of the fair value of the original endowment gift, as of the gift date, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted the original value of gifts made to the permanent endowment.

Any unappropriated earnings in the permanently restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board. At the current reporting date, the Association has unappropriated earnings on endowments of \$614,229, which are included in net assets with donor restrictions. From time to time, the fair value of endowment assets may, due to market fluctuations, fall below the level that donors required to be retained as a fund of perpetual duration. In accordance with GAAP, declines of this nature are reported as losses in unrestricted net assets. As values recover, the increases are reported as unrestricted gains. At the reporting dates, the Association had no such declines in value.

The Association has adopted investment and spending policies to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return that is expected to meet or exceed the rate of inflation as measured by the Consumer Price Index. Actual results during any period may vary from these expectations.

The Association relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance among equity investments. The Association’s spending policy was established considering the long-term expected return on assets and the long-term growth of the asset.

Permanently restricted endowments consist of the following assets:

	<u>2024</u>	<u>2023</u>
Marketable Securities	<u>\$ 1,097,165</u>	<u>\$ 1,097,165</u>

NOTE 8 – OPERATING LEASE AGREEMENT

In December 2022, the Association entered into an operating lease agreement with Xerox for the use of a copy machine. The lease requires monthly payments of \$198 and expires in March 2028. Since the lease is not material to the Association’s financial position or operations, it has not been recorded as a leased asset and liability. Future minimum obligations under this lease are as follows:

December 31,	
2025	2,376
2026	2,376
2027	2,376
2028	<u>594</u>
Total Future Obligations	<u>\$ 7,722</u>

FAMILY SERVICE ASSOCIATION OF REDLANDS

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – CONTRIBUTED GOODS AND SERVICES

Certain noncash contributions are recorded in the financial statements because an objective basis was available for measuring their values. These noncash contributions were valued on a nonrecurring basis and included donated business services with a fair value of \$8,951 (Level 2 inputs), donated rent with a fair value of \$12,000 (Level 2 inputs), and 185,863 pounds of donated food valued at \$356,857 (Level 2 inputs).

The contributed products and services described below have not been recorded because an objective basis for estimating the value of these gifts was not available. Most of the Association’s clients work directly with a case manager who is a paid staff member, and many of the Association’s programs are run largely by volunteers. 17,706 volunteer hours were contributed in 2024.

In addition to the contributed volunteer services, these programs rely largely on donated food products, clothing, and other goods, for which some values have not been estimated. The Association does maintain records of donated food products and estimates the volume and value of these items. Perishable food products, including fruits, vegetables, and bread are considered surplus food. The following is a summary of the receipt and distribution of donated food products and holiday gifts not recorded in the financial statements:

	<u>Estimated Value</u>
Holiday gifts to hundreds of children and families, including toys for children, food boxes to families, and a Christmas party for client families.	\$ 166,000
Support services for the Family Support and Housing Advocacy programs include 23,138 meals served.	<u>165,000</u>
Total estimated value of unrecorded donated food and holiday gifts distributed.	<u>\$ 331,000</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

The Association has a conflict-of-interest policy that governs transactions with related parties. Management may engage in such transactions when they are at least equivalent to similar transactions with an unrelated party. During the reporting periods, the Association engaged in transactions with companies related to board members and conducted the transactions in accordance with this policy.

A board member was a real estate agent on the purchase of two rental properties. He opted not to receive a commission on the sale. A board member is a Principal of the Association’s investment company. He receives no fee for investment transactions or holdings.

NOTE 11 – RETIREMENT PLAN

In 2021, the Association began a Simple IRA Retirement Plan covering employees who have earned \$5,000 or more in wages in each year. Plan contributions include voluntary employee contributions and employer matching contributions. In the reporting periods, the Association matched voluntary employee contributions up to 3% of employee compensation, which amounted to \$18,356 in 2024 and \$13,655 in 2023.

FAMILY SERVICE ASSOCIATION OF REDLANDS

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Family Service Association of Redlands receives substantial support from restricted contributions. Because donor restrictions require that resources be used in a specified manner or for a specified purpose, the Association must maintain sufficient resources to meet those donor commitments. A total of \$1,987,346 of cash and investments must be held to meet the commitments included in net assets with donor restrictions. These funds are not available for general expenditures in future periods.

Family Service Association of Redlands has the following financial assets available to meet cash needs for general expenditures, liabilities, and other obligations during the next year:

Cash	\$ 452,551
Contract Receivables	150,919
Pledge Receivable	65,000
Other receivables	9,945
Investments	3,197,824
Restricted Cash and Investments	<u>(1,987,346)</u>
Net Financial Assets Available	<u>\$ 1,888,893</u>

The Organization’s liquidity management includes a policy to structure its financial assets to be available for general expenditures as they come due.

NOTE 13 – HOUSING PROJECT TERMINATION

The Association was in the development phase of building eleven small homes that would have been located on the property in Redlands. The purpose of the project was to provide longer term affordable housing options for households with children under 18 and the elderly disabled population on fixed incomes.

In 2024, due to challenges in funding and the location, the Association terminated this project and wrote-off all architectural and consultant fees related to this project.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 15, 2025, the date when the financial statements were available to be issued.

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

Board of Directors
Family Service Association of Redlands
Redlands, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of Family Service Association of Redlands (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 or significant deficiencies may exist that were not identified.

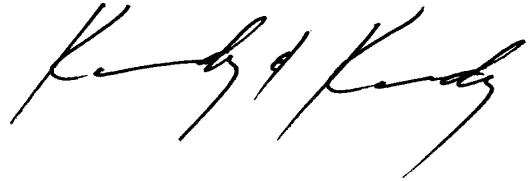
Report on Compliance and Other Matters

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

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kendy & Kendy", is positioned to the right of the text.

April 15, 2025
San Bernardino, California